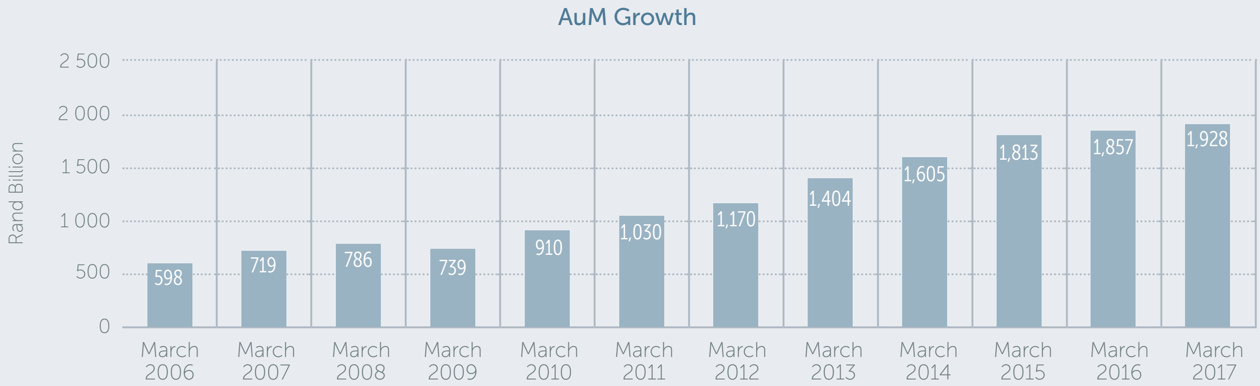
PUBLIC INVESTMENT CORPORATION®

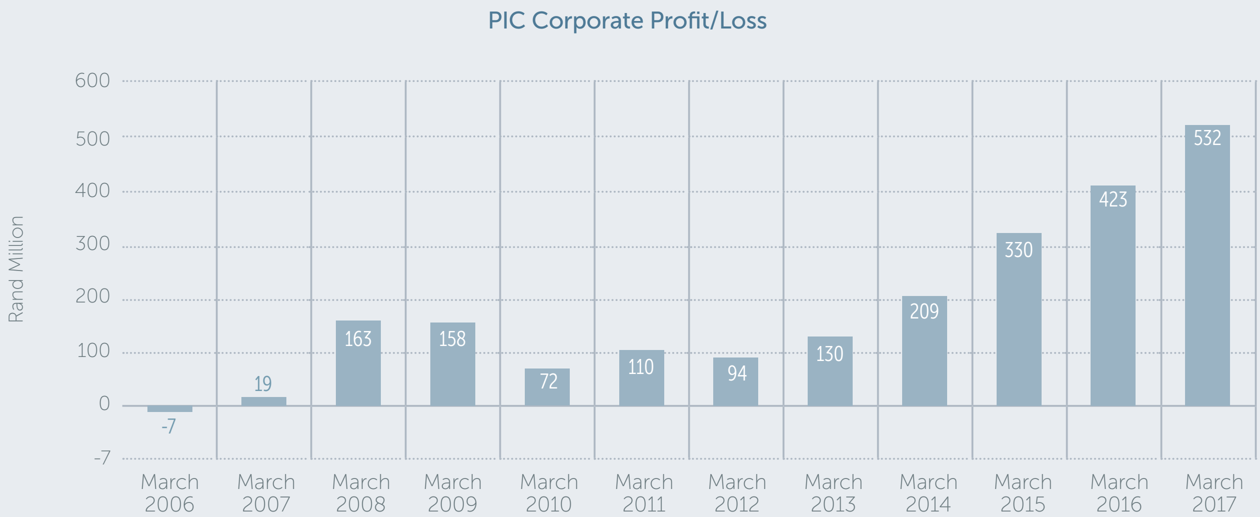
Est. 1911

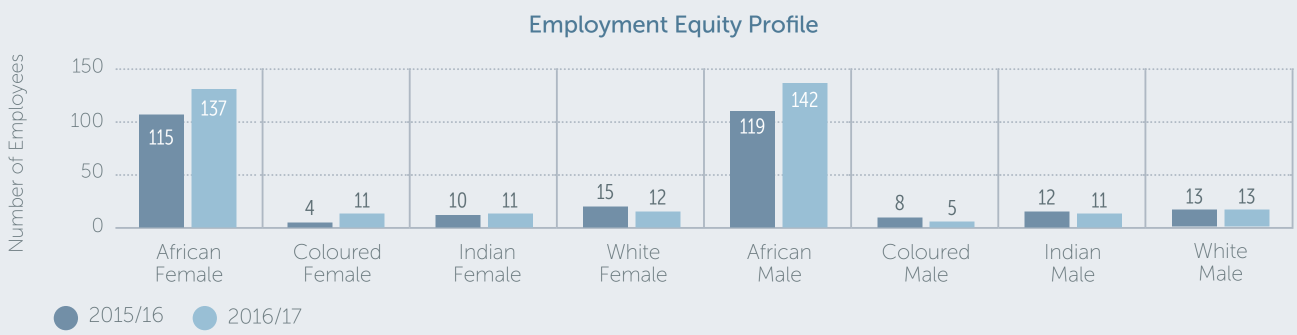
INCLUSIVE GROWTH

INTEGRATED ANNUAL REPORT 2017

HIGHLIGHTS







Source: PIC Calculations

JOBS FACILITATED

99,637 JOBS
Total number facilitated

PERMANENT 89,106

TEMPORARY 10,531

HEALTHCARE

DIRECT

3
Total number of **hospital projects**

395
Total number of **hospital beds** available

INDIRECT

14
Total number of **hospital projects**

1,900
Total number of **hospital beds**

PROVISION OF RENEWABLE ENERGY

DIRECT

16
Total number **direct investments**

1,119MW
Total number of **megawatts**

INDIRECT

40
Total number **indirect investments**

1,861MW
Total number of **megawatts**

Source: PIC Calculations

INCLUSIVE GROWTH

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PART ONE

INTRODUCTION

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MINISTER'S NOTE TO PARLIAMENT

Speaker of Parliament

In terms of section 65 of the Public Finance Management Act, 1999 (Act 1 of 1999), I have the honour of presenting the Integrated Annual Report of the Public Investment Corporation SOC Limited (PIC) for the period 1 April 2016 to 31 March 2017.

MKN Gigaba, MP
Minister of Finance
September 2017

CORPORATE PROFILE

Overview

The Public Investment Corporation (PIC) serves as a principal asset management vehicle for the public sector of the Republic of South Africa. The PIC was preceded by the Public Investment Commissioners (1984 to 2005), Public Debt Commissioners (1911 to 1984) and was corporatised on 1 April 2005, following the promulgation of the Public Investment Corporation Act, 2004 (Act 23 of 2004) (PIC Act). The PIC is wholly owned by the Government of South Africa, with the Minister of Finance as the Shareholder representative.

As a financial services provider, registered with the Financial Services Board (FSB), our investment activities are governed by the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002) (FAIS Act).

In terms of financial management and accountability, the PIC is regulated by the PIC Act, the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA), the Companies Act, 2008 (Act 71 of 2008), the Prevention of Organised Crime Act, 1998 (Act 121 of 1998) and also adheres to the provisions of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FICA).

The PIC is the largest asset manager on the African continent and largest single institutional investor on the Johannesburg Stock Exchange (JSE).

The PIC's focus is to invest in a manner which stimulates sustainable economic growth that increases productive employment and reduces poverty and inequality, whilst generating the requisite returns.

Our Mission, Vision and Values

The PIC's vision and mission will not only enable us to exceed our stakeholders' expectations, but will also contribute towards the realisation of key developmental priorities of Government.

OUR VISION

To be the leader in developmental investing for sustainable financial prosperity of our stakeholders.

OUR MISSION

To be a key player, not only in the region, but also on the rest of the African continent, who consistently delivers on client mandates through direct investing for economic transformation, robust risk management, strategic partnerships and resource mobilisation.

OUR KEY PILLARS

"DIRECT" investing in the Economy and Socio-Economic Transformation "DIRECT & SET" NDP alignment

Meeting and exceeding Clients' requirements through Robust Investment Strategies for sustainable alpha-generation

Key Player in Regional and Continental Integration and Global investor with focus on BRICS Countries

Mobilisation of Resources and Strategic Partnerships:

- Investors
- Investee Companies
- Government and Related Entities
- DFI Domestic and Non-Domestic
- Sovereign Wealth Funds

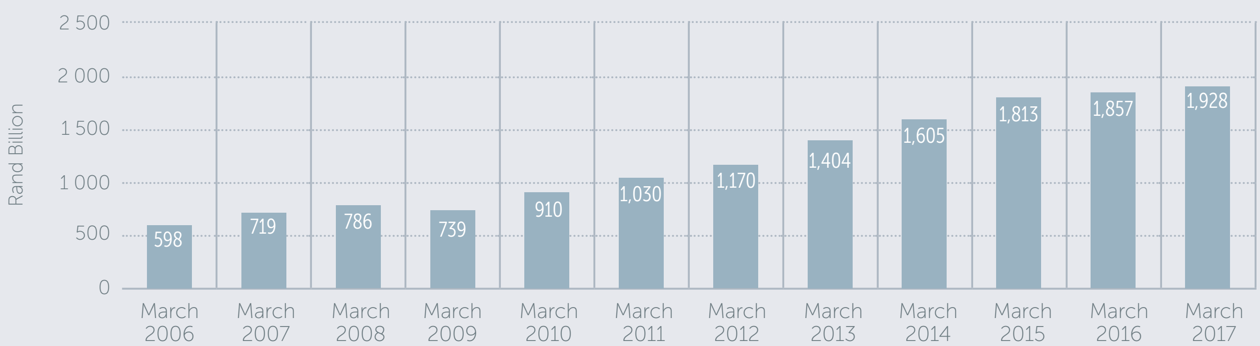
Our Values

We Care	We Deliver
Committed	Diligence
Accountable	Excellence
Respect	Leadership
Empathy	Innovate/Integrity
	Value
	Efficient
	Responsible/Reliable

Growth of Assets under Management

Assets under Management (AuM) have grown from R598 billion since 31 March 2006 to R1.928 trillion as at 31 March 2017, representing one of the largest asset bases on the African continent.

AuM Growth



The table below illustrates the different asset class percentage allocations during the year under review.

*ASSET CLASSES

LISTED INVESTMENTS (DOMESTIC)	UNLISTED INVESTMENTS (DOMESTIC)	OFFSHORE INVESTMENTS
Listed Equities *(Managed in-house)* 36.43%	Private Equity 1.03%	Global Listed Equities 4.73%
Listed Equities *(Externally Managed)* 8.45%	Impact Investing 2.12%	Global Listed Bonds 1.05%
Bonds 33.14%	Properties 5.69%	Africa - Listed Investments 0.62%
Cash and Money Markets 6.38%		Africa - Unlisted Investments 0.36%

**Asset class as a percentage of AuM*

Our Clients

The PIC's largest client is the Government Employees Pension Fund (GEPF), which at 31 March 2017 had entrusted assets worth R1.691 trillion to the Corporation. Other major clients are the Unemployment Insurance Fund (UIF), Compensation Commissioner Fund (CC), Compensation Commissioner Pension Fund (CP) and Associated Institutions Pension Fund (AIPF).

Assets under Management as at 31 March 2017

Client	Client Holdings (%)
Government Employees Pension Fund (GEPF)	87.72%
Unemployment Insurance Fund (UIF)	7.03%
Compensation Commissioner Fund (CC)	1.93%
Compensation Commissioner Pension Fund (CP)	0.96%
Associated Institutions Pension Fund (AIPF)	0.77%
*Other	1.59%
TOTAL	**100%**

**Constitutes various clients with smaller portfolios*

Board of Directors

The PIC reports to the Minister of Finance, who in terms of the PIC Act is the Shareholder representative on behalf of the South African Government.

In terms of section 6(1) of the PIC Act, the Minister, in consultation with Cabinet, appoints the Board members of the PIC, and in terms of section 7 of the PIC Act, the Board may establish such Committees as it considers necessary.

Mr Mcebisi Jonas
Chairman
until 30 March 2017

Mr Sfiso Buthelezi
Chairman
since 1 April 2017

Mr Roshan Morar
Deputy Chairman
Retired: 31 March 2017

Ms Sandra Beswick

Ms Tantaswa Fubu

Dr Trueman Goba

Ms Dudu Hlatshwayo

Dr Claudia Manning

Mr Patrick Mngconkola
Retired: 31 March 2017

Mr Pitsi Moloto

Ms Lindiwe Toyi

Ms Sibusisiwe Zulu

Dr Daniel Matjila

Ms Matshepo More

Detailed profiles of the Board of Directors are published on pages 146 to 150.

Executive Committee

The Chief Executive Officer (CEO), who is also an Executive Director, is responsible for the day-to-day management of the PIC in line with the Board-approved Delegation of Authority (DoA) Framework and the strategic direction set by the Board. The CEO is assisted by an Executive Committee (EXCO). The objective of the EXCO is to assist the CEO to effectively discharge his statutory duties in managing the PIC. The EXCO is governed by all applicable laws, as well as Board-approved Terms of Reference (ToR).


Dr Daniel Matjila


Ms Matshepo More


Mr Sholto Dolamo


Mr Vuyani Hako


^Mr Koketso Mabe


Mr Fidelis Madavo


Mr Paul Magula


* Ms Vuyokazi Menye


* Mr Mervin Muller


Mr Ernest Nesane


Mr Chris Pholwane

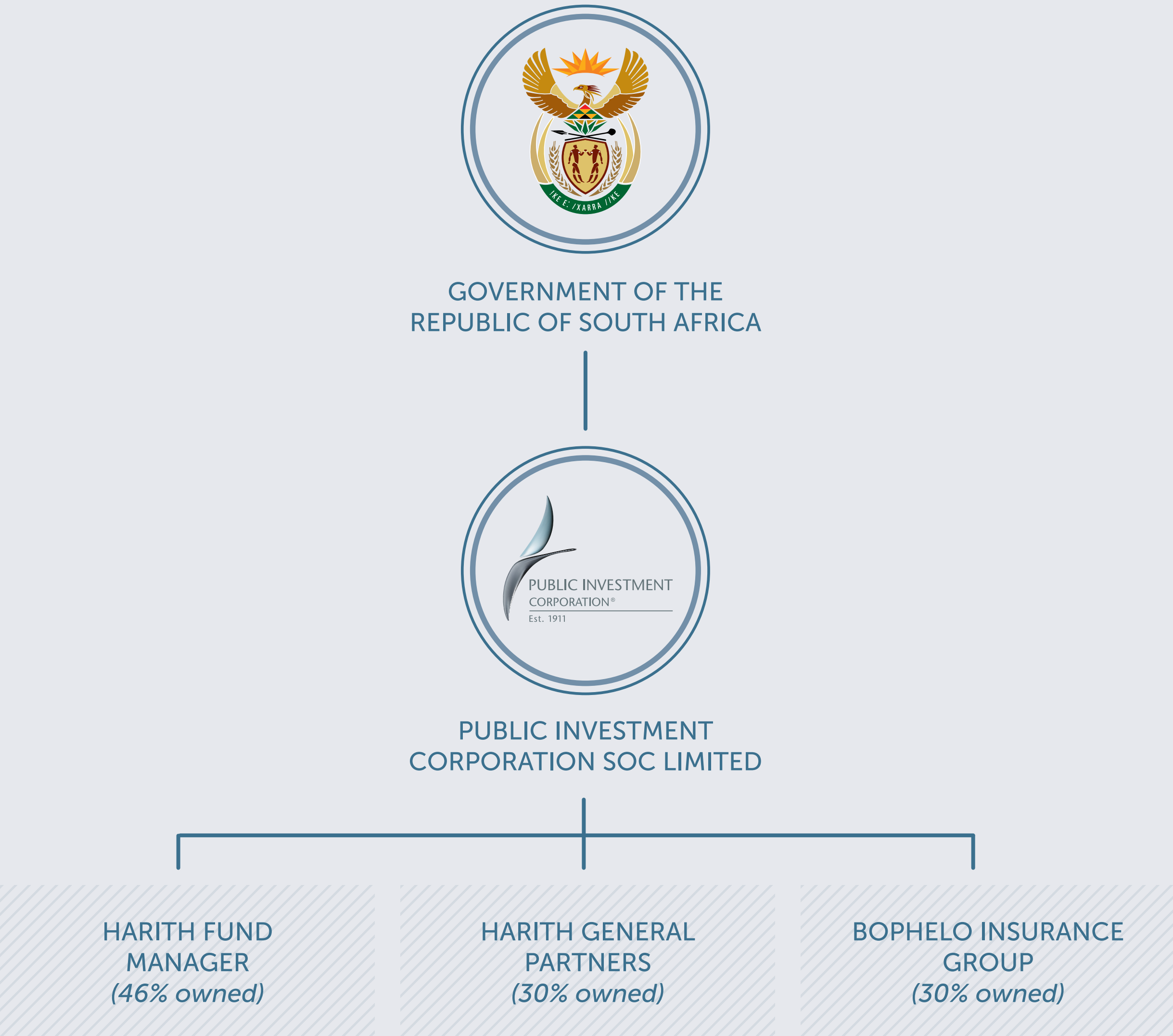

Mr Roy Rajdhar

^ Mr Koketso Mabe resigned on 3 February 2017
** Ms Vuyokazi Menye was appointed to the PIC EXCO on 17 November 2016*
** Mr Mervin Muller was appointed to the PIC EXCO on 15 March 2017*

Detailed profiles of the Executive Committee are published on pages 175 to 178.

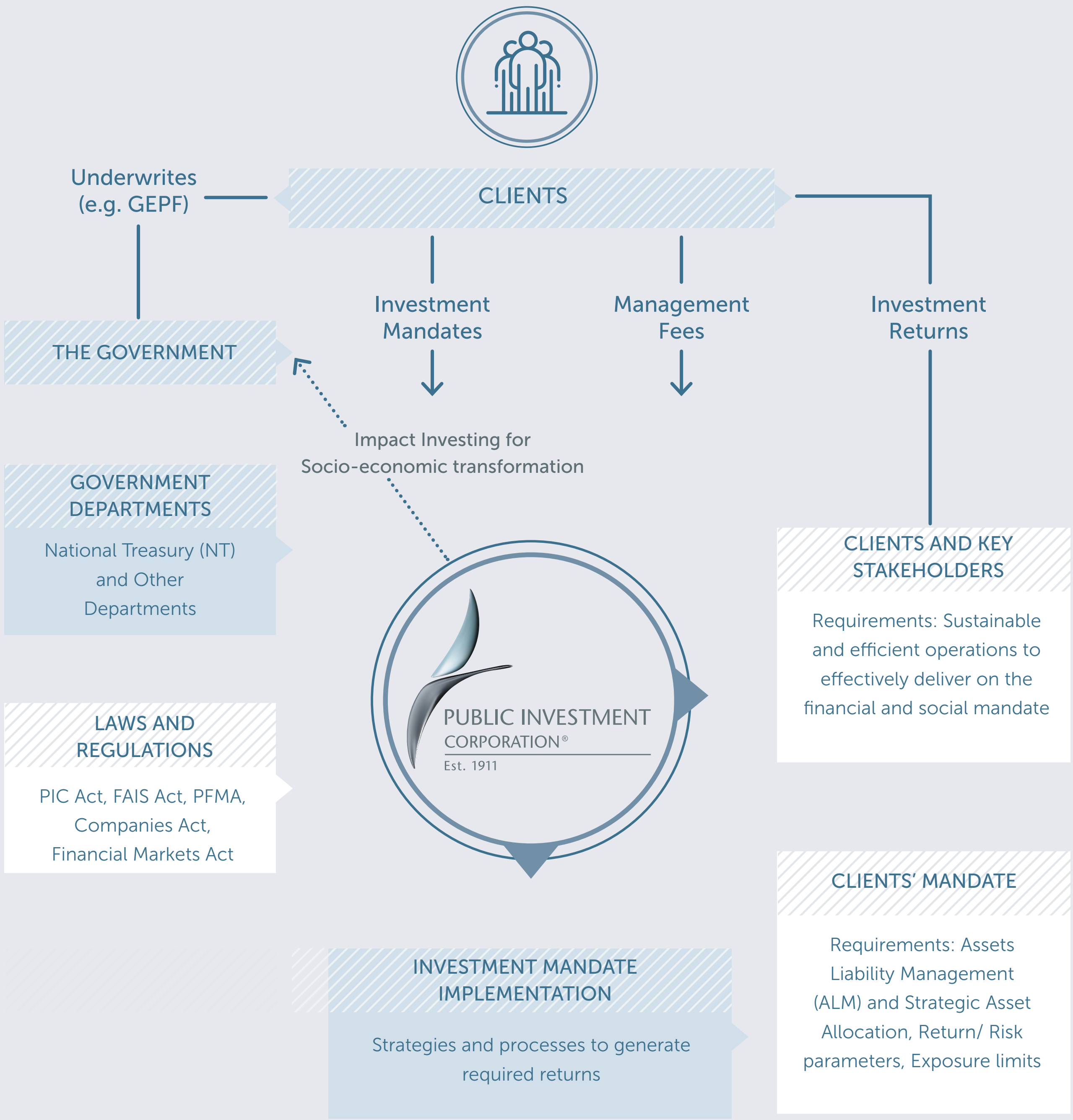
Group Structure

The Group structure of the PIC is outlined in the diagram below.



Our Business Model

The interaction between the PIC, its stakeholders and regulatory environment is depicted below.



REPORT BY THE SHAREHOLDER

Our country achieved political freedom in 1994, but for the majority of our people, economic freedom remains unattainable. Most of these people are African and female. The dream of economic freedom needs to be realised within an inclusive, growing economy. We need socio-economic transformation that will change the structure, systems, institutions and patterns of ownership, the management and control of the economy, in favour of those who had been marginalised from mainstream economic activities.

We should realise that political emancipation and the achievement of social justice were the very foundations of our struggle for freedom. It has become increasingly important that Government exercises its powers and the levers it controls, to carve a more significant role and stake for the black majority as participants in the economy. To realise this dream of an inclusive economy, some crucial elements need to be addressed.

The first relates to the need to ensure that the ownership, management and worker profile reflect the racial composition of our broader society at all levels.

The second pertains to the need to transform the sectoral composition of the economy to reflect a post-apartheid industrial economy, built on a large, stable and skilled middle class, rather than a capital-intensive economy that relies on mineral extraction.

The third is to end the dual patterns of the economy whereby certain areas are excluded from the mainstream, by developing productive economic activity in townships and rural areas, addressing income and asset inequality, and also by creating an enabling environment in which the 'second economy' could be integrated with the regional and global economy.

The fourth element addresses the issue of developing human capabilities through access to quality education – both basic as well as higher education – and training.

Government cannot achieve economic freedom on its own. For South Africa to ensure that the targets set out in the National Development Plan (NDP) and the Sustainable Development Goals are implemented by 2030, we need as Government, to work hand-in-hand with business, to address the negative features of our economy and to enable progress towards a more inclusive economy. Some of our structural constraints include the following:

- The economy is highly unequal, with huge concentrations of wealth amongst a relatively small proportion of the population;
- The economy is highly carbon-intensive, based on the extraction and exporting of raw minerals, while we import finished goods. This is de-industrialising; and
- The economy consists of monopolies and oligopolistic industries, with low competition and high barriers to entry. Only a small number of companies dominate the market with negative consequences for the consumer in the form of limited choices and, in some instances, exorbitant prices and products and services of low quality. Prospective market entrants also find it difficult to enter these markets as dominant companies enjoy the advantages of scale and relationships with existing customers.

Adding to our challenges for ensuring an inclusive economy, we need to achieve a gross domestic product (GDP) growth in excess of five percent annually on a sustainable basis. Over the past five years, our GDP has been growing at less than two percent per annum. We will have to ensure that government and business work together in growing the economy faster and more inclusively. It is important for Government to foster the right relationships with the private sector, as a dynamic private sector mobilises investments, employs people and

The economy is highly unequal, with huge concentrations of wealth amongst a relatively small proportion of the population.

The PIC, as the largest investor on the JSE, aims to drive job creation and transformation in various sectors through investments.

penetrates export markets, creating wealth and opportunities, also for those who are currently marginalised from the economy. By forging a partnership between the State, the private sector as well as other social partners, we can be greater than the sum of our parts.

The PIC is an institution that plays a vital role in the economy through its investments by supporting the current and future sustainability of financial markets and State-Owned Entities (SOEs), by financing infrastructure projects and by investing in strategic sectors that have a huge developmental impact on the economy. The PIC, as the largest investor on the JSE, aims to drive job creation and transformation in various sectors through investments. The PIC has a major role to play in expanding the South African economy. However, this role must be fulfilled by taking full cognisance of its clients' mandates which are based on asset and liability models, specifying strategic asset allocations, risk parameters and which prioritise commensurate sustainable investment returns.

Set against this backdrop, the Shareholder representative set the following strategic objectives for the 2016/17 financial year:

The PIC, as a wholly owned State-Owned Company (SOC), is expected to:

- Contribute to the development and transformation of the South African economy, in particular to the financial services and asset management sectors, within the prescripts of client mandates;
- Develop internal capacity to expand investment in economic infrastructure in key sectors of the South African economy within the prescripts of client mandates;
- Sustain internal capacity to make impact investing, such as those undertaken through the Isibaya Fund, within the prescripts of the Isibaya's Developmental Investment Policy;
- Continue to incorporate principles of Broad-Based Black Economic Empowerment (B-BBEE) in its investments activities and promote the development of Small and Medium Enterprises (SMEs);
- Develop and document a clear Africa and Global Investment Strategy and submit the document(s) to the Shareholder;
- Ensure that the PIC remains financially sustainable over the long-term;
- Undertake any activities outside of managing funds on behalf of government on a ring-fenced and commercial basis;
- Ensure that PIC executes its activities in an effective and efficient manner;
- Adapt to market changes and client needs by developing new investment capacity, products and services;
- Develop human resource skills and capacity to maintain, strengthen, transform and ensure the long-term sustainability of the PIC;
- Ensure highest levels of integrity and ethics in the work of the organisation;
- Always put the public interest uppermost in the decisions taken and work done in the organisation; and
- Ensure compliance with the relevant laws and regulations, including the PFMA, and ensure adherence to the principles of best standards of corporate governance.

The PIC embraced these principles as is evident from the achievements contained in this Integrated Annual Report. For the PIC's achievements, I would like to express my sincere appreciation to former Minister Gordhan and Deputy Minister Jonas who, for the reporting period, were the Shareholder representative and Chairman of the Board respectively. Our sincere appreciation also goes to the members of the Board and staff of the PIC. I would also like to wish Deputy Minister Sfiso Buthelezi well in his tenure as newly appointed Chairman of the PIC Board.

Let me conclude by challenging the asset management industry and more specifically asset owners - those to whom the assets belong, the hardworking people that contribute to pension funds - to ensure that their investment does not reproduce inequality, exclusion and underdevelopment. Sustainable asset growth can be achieved alongside socio-economic transformation. Let us realise the social justice that is needed for all to be free and unlock our country's full economic potential. The philosopher and economist, Amartya Sen in his book "Development as Freedom" states that *"Freedom is both the primary objective and the principal means of development...What a person has the actual capability to achieve, is influenced by economic opportunities, political liberties, social education, and the encouragement and cultivation of initiatives. These opportunities are, to a great extent, mutually complementary, and tend to reinforce one another."*

MKN Gigaba, MP
Minister of Finance

Let us realise the social justice that is needed for all to be free and unlock our country's full economic potential.

REPORT BY THE CHAIRMAN

I am honoured to present my first report as Chairman of the Board of the PIC.

During the 2016/17 financial year, South Africa's economic environment remained challenging, with GDP growth slowing for the third consecutive year to 0.3% in 2016 from 1.3% in 2015. This was the lowest growth rate since the recession in 2009.

The main drag on growth was the primary sector, where output contracted by 5.4% in 2016, while output in the secondary sector barely grew (0.2%). Activity in the tertiary sector remained resilient, growing by 1.4% in 2016 from 1.6% in the previous year. Economic expansion is well short of the 5.4% GDP growth target set out in the NDP as a requirement to meaningfully reduce unemployment. It is also an indication that we may experience difficult times over the medium term and that the road ahead will not be easy.

To further heighten the structural challenges facing the South African economy, growth has largely been in sectors that do not result in significant employment growth (i.e. what has been commonly called "jobless growth"), thereby putting further pressure on the country's socio-economic challenges. For too long, a vast number of the South African population has been excluded from meaningful participation in the economy. More than 17 million people in South Africa are dependent on social grants. Many of these people are African and female. This situation can no longer be tolerated. Government and business should work together to ensure that we enable a more inclusive economy that will reflect the demographics of our country. The collective success of the South African economy can only be achieved if all interested parties rally behind key national priorities in a manner that is sustainable, from both a financial and socio-economic perspective.

The question is, how should the PIC respond to the country's economic and social challenges in order to ensure a sustainable future? A comparative study by the PIC of the past 20 years shows that there is a direct correlation between GDP growth and the performance of assets under the PIC's management. For the PIC it is thus necessary to invest in a way that will not only yield the required financial returns for clients' portfolios, but will also stimulate inclusive economic growth. The PIC's Vision 2030 underpins this investment approach. In terms thereof, the PIC actively invests in the economy through its impact investing programme. The PIC and its clients have embraced an impact investing strategy that is based on five pillars, namely:

- Economic infrastructure – with a focus on sectors such as transport, water, mining, ICT and logistics;
- Social infrastructure – with a focus on affordable housing, health and education;
- Priority sector investments, where the focus is on agriculture, agro-processing, manufacturing, beneficiation and other labour-intensive sections;
- A focus on small and medium-sized enterprises; and
- The environment and sustainability – with a focus on renewable energy, clean technology and green buildings.

Through its investment strategy, the PIC has not only achieved financial returns, but also significant social returns, which are outlined on pages 103 to 113 of this report.

Government and business should work together to ensure that we enable a more inclusive economy that will reflect the demographics of our country.

One of the targeted investment areas for pragmatic social returns concerns the need to ensure that the government employees who actively invest their capital, benefit from their contributions even before they retire. During the 2016/17 financial year, the PIC committed R10.5 billion to a residential mortgage finance provider, SA Home Loans, to advance mortgage finance to (i) government employees; (ii) the affordable housing market; (iii) the traditional home loan market; and (iv) to capitalise an Affordable Housing Development Fund. The funding seeks to address, amongst others, the low take-up of home loan facilities from commercial banks by government employees and those in the affordable housing market in general. In addition, the Affordable Housing Development Fund seeks to address the shortage of affordable housing stock by creating a dedicated Fund to finance affordable housing developers to ensure a steady supply of affordable housing stock. The committed funding is as follows:

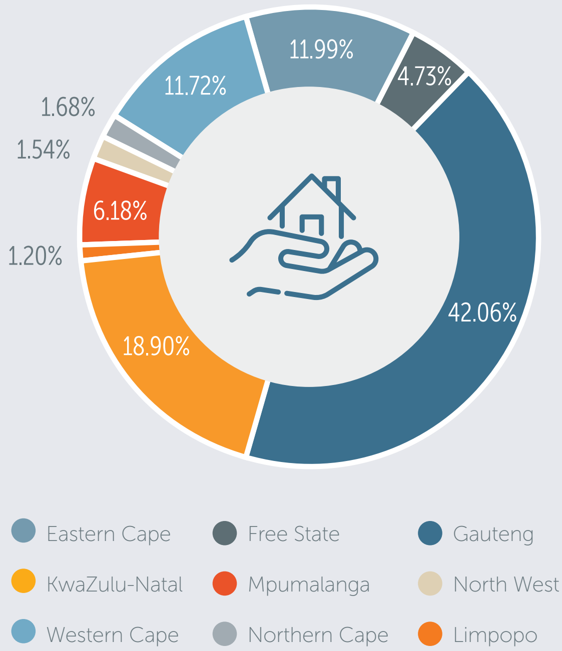
Government employees funding	Affordable housing end-user home loan funding
R5 billion	R2 billion
Traditional market end-user home loan funding	**Affordable Housing Development Fund**
R2 billion	R1.5 billion

The funding solution is a product of engagement between the PIC, the GEPF and the Department of Public Service and Administration and is delivered under the umbrella of the Government Employees Housing Scheme (GEHS), with SA Home Loans as the home finance partner. Other innovative features of this solution include: a discounted interest rate for government employees paying through a salary deduction; financing of up to 100% of the purchase price, depending on affordability; and discounting of bond-attorney-costs by up to 50% unless they are covered by the developer.

For the 12-month period ending 31 March 2017, an amount of R1.07 billion in home loans was financed by SA Home Loans to 1,768 individuals and/or households representing an average home loan of approximately R606,000. The majority of home loans (86%) were loans for newly purchased homes.

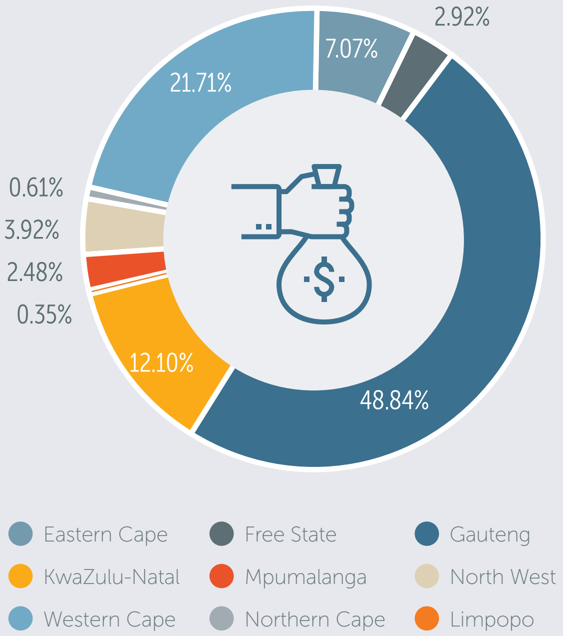
The figure below indicates the geographical spread of the GEHS home loans funded:

GEHS Funding Geographical Split



Affordable Housing: For the 12 months ended March 2017, an amount of R520 million in affordable housing loans was financed to 1,406 individuals and/or households representing an average home loan of approximately R370,000. The figure below indicates the geographical spread of the affordable home loans funded:

Affordable Housing Geographical Split



Traditional Market: For the 12 months ended March 2017, an amount of R86.5 million in traditional housing loans was financed to 108 individuals and/or households representing an average home loan of circa R801,000. Over a 12-month period, the funding intervention to SA Home Loans provided home loan funding to a total of 3,282 individuals and/or households. Through this funding, the PIC is demonstrating its commitment to the transformation of human settlements, as envisaged in the NDP, as well as providing access to low- and mid-level income earners to affordable mortgage financing.

Housing Access Loan for GEPF Members: A R500 million loan facility has also enabled SA Home Loans to develop an innovative housing access loan product, which will enable GEPF members to buy, build or improve homes on communal land or rural areas where it is not possible to register mortgage bonds. The housing access loan product does not require a bond to be registered over the property, and is therefore not restricted by the value of the property, its location, or whether it has a title deed or permission to occupy (PTO) certificate. The housing access loan has been priced competitively and offers loan sizes of between R60,000 – R300,000, with a maximum loan term of seven years. This initiative will significantly improve access to affordable home finance for GEPF members.

I am pleased to note that the PIC continues to comply fully with all regulatory requirements for the asset management and financial services industry. The PIC continues to apply best practice in corporate governance and internal controls as required by its corporate governance frameworks, including King IV. As it will be apparent from Part Four of this report, the Sub-committees of the PIC Board of Directors have continued to exercise their fiduciary responsibilities in a stellar manner, resulting in the company receiving an unqualified audit opinion from the Auditor-General whilst delivering increased financial returns for the clients. I am also pleased that the PIC Board is now fully complemented with the appointment of new Board members, Dr Xolani Mkhwanazi and Ms Mathukana Mokoka. Let me take this opportunity to thank the outgoing Board members, who together with the remaining Directors, have ensured proper governance at this important institution. In particular, I would like to thank Mr Roshan Morar who served as the Deputy Chairperson of the PIC Board and Mr Patrick Mngconkola whose terms of office came to an end on 31 March 2017.

I would also like to thank my predecessor Mr Mcebisi Jonas, the PIC CEO, Dr Daniel Matjila, the Management team and PIC staff for their commitment and dedication to ensure that we deliver on our clients' mandates, whilst making a difference in the lives of many stakeholders. Let me conclude by expressing my sincere appreciation to Minister Gigaba for his leadership and wisdom. As former President Mandela said: *"What counts in life is not the mere fact that we have lived. It is what difference we have made to the lives of others that will determine the significance of the life we led."*

MSButhelezi

Sfiso Buthelezi, MP
Chairman of the Board

REPORT BY THE CHIEF EXECUTIVE OFFICER

It is my pleasure to present the Chief Executive Officer's Report for the financial year ending 31 March 2017. Among other information, this report will look into the PIC's operating environment during the year under review and discuss our outlook for the current financial year.

Operating Environment

As with the preceding years, the operating environment had its challenges globally. The year was characterised by some volatilities in local and global financial markets, an uncertain domestic macro-economic environment and some changes in the global political environment. Global growth, while slower at 3.2% in 2016 (compared to 3.4% in 2015), was characterised by an improved outlook for advanced economies (AEs) and emerging markets (EMs) alike. While AEs are expected to see growth return to around 2% (revised higher), EMs should see a sharper rebound to 4.6% in 2017 and around 4.8% by 2018.

The momentum in investment demand in the second half of 2016 and commensurate uptick in manufacturing trade seem to be common themes, which appear to be supporting a pro-growth narrative into 2017. Commodity prices have also trended higher as a result and have thus offered some relief to commodity-based economies and exporters. This confluence of events has resulted in an upward revision to assessments of global growth, led by AEs.

South Africa's economic environment remained challenging, with GDP growth slowing for the third consecutive year to 0.3% in 2016 from 1.3% in 2015. This was the lowest growth rate witnessed since the recession in 2009. The main drag on growth was the primary sector, where output contracted by 5.4% in 2016, while output in the secondary sector barely grew (0.2%). Activity in the tertiary sector remained resilient, growing by 1.4% in 2016 from 1.6% in the previous year. A much more detailed discussion on the economy is contained in the Part Three of this report and contextualises the performance of different asset classes. Economic growth is important for the PIC and our clients. In fact, the growth of assets under our management correlates to the growth in the economy, largely because of their size.

Notwithstanding these challenges, we have maintained a disciplined and consistent investment philosophy and strategy. As a result, we have generated admirable and consistent long-term returns for all our clients. The detailed performance numbers are discussed in Part Three of this report.

Our AuM grew to R1.928 trillion from R1.857 trillion the previous year. Our individual clients' assets have grown similarly during the same period. Overall, at a portfolio level over the 12-month period, the GEPF assets grew from R1.637 trillion to R1.691 trillion.

The UIF grew from R124 billion to R135 billion for the 12 months ending 31 March 2017. In the same period, the CC grew from R34 billion to R37 billion, whilst the CP grew to R18 billion from R17 billion the previous financial year.

All these have had enormous influence on how the PIC performed against its strategic objectives and the corporate plan.

Economic growth is important for the PIC and our clients. In fact, the growth of assets under our management correlates to the growth in the economy, largely because of their size.

Strategic Intent

For the year under review, the Shareholder set the following objectives for the PIC:

No.	Objective/Strategic Intent	Commentary
1.	Contribute to the development and transformation of the South African economy and the financial services and asset management sectors in particular, within the prescripts of client mandates.	**Achieved** The AuM, at 31 March 2017, was R1.928 trillion, representing an increase of 3.82% since March 2016 and an annual absolute growth of approximately R71 billion. More than 78% of PIC procurement was directed to companies with B-BBEE Levels 1 to 4. Over R30 billion was allocated to black fund managers, and 56.6% of total brokerage was paid to brokers with a minimum of 51% ownership by historically disadvantaged individuals (HDIs) and a minimum of 30% management control by HDIs, and Level 1 - 4 BEE rating.
2.	Develop the internal capacity to expand investment in economic infrastructure in key sectors of the South African economy, within the prescripts of client mandates.	**Achieved** The PIC has developed a new model for Unlisted Investments, which was approved and implemented. This model has assisted in attracting and retaining appropriately skilled professionals. There are more than 100 investment professionals in the Unlisted Investments Divisions.
3.	Sustain internal capacity to make impact investing, such as those undertaken through the Isibaya Fund, within the prescripts of the Isibaya's Developmental Investment Policy.	**Achieved** The new model for Unlisted Investments has assisted in attracting the best talent for impact investing.
4.	Continue to incorporate principles of B-BBEE in its investments activities and promote the development of SMEs.	**Achieved** Through our investment activities we have incorporated our B-BBEE principles which have resulted in the PIC facilitating the support of 756 SMEs across different sectors. In total, the PIC supported more than 15,000 jobs in the SME sector.
5.	Develop and document a clear Africa and global investment strategy and submit the document(s) to the Shareholder.	**Achieved** PIC Management has developed both global and Africa investment strategies, which were presented to NT and the Minister of Finance.
6.	Ensure that the PIC remains financially sustainable over the long-term.	Revenue for the period ended 31 March 2017 was up by 10% in comparison to 31 March 2016.
7.	Any activities outside of management of funds on behalf of the Government to be undertaken on a ring-fenced and commercial basis.	**Continuous** Should the PIC undertake any activities outside of the management of funds on behalf of Government, these will be on a ring-fenced and commercial basis.
8.	Ensure that PIC executes its activities in an effective and efficient manner.	**Achieved** No fruitless and wasteful expenditure was incurred. The external audit report provided an unqualified opinion.

No.	Objective/Strategic Intent	Commentary
9.	Adapt to market changes and client needs through developing new investment capacity, products and services.	**Achieved** Impact investing for UIF strategic asset allocation (SAA): 20%, CC and CP up to 10% of SAA.
10.	Develop human resource skills and capacity to maintain, strengthen, transform and ensure the long-term sustainability of the PIC.	**Continuous** The PIC organisational structure continues to be implemented, with vacancies filled in line with the staffing requirements.
11.	Ensure highest levels of integrity and ethics in the work of the organisation.	**Continuous** Integrity and reputation are important for the PIC. The PIC continues to ensure that it acts ethically and with integrity at all times.
12.	Always put the public interest uppermost in the decisions taken and work done in the organisation.	**Continuous** The PIC continues to align its decision-making with the mandate requirements of its clients and by ensuring that public interest is considered.
13.	Ensure compliance with the relevant laws and regulations, including the PFMA, and ensure adherence to the principles of best standards of corporate governance.	**Continuous** The PIC, on a continuous basis, monitors compliance with laws, regulations and best corporate governance practice.

Vision 2030 and Inclusive Growth

The sluggish performance of the economy poses a challenge for the asset management industry, since there is a direct correlation between the growth of the economy and growth in AuM. If the economy does well and the assets grow, we will be in a position to exceed clients' requirements and generate the necessary alpha returns for our clients. Generating financial returns for our clients remains a key objective, albeit that we equally seek to drive economic growth through the inclusion of the marginalised into the mainstream economy. This approach is aligned with the seven pillars contained in the World Economic Forum's (WEF's) Inclusive Growth and Development Framework. In many ways, some of these pillars mirror our Developmental Investment Programme (Impacting Investing), as apparent from succeeding pages of this report. We are equally pleased that South Africa is ranked amongst the Top Performers in the Inclusive Development Index, as published in the WEF's Inclusive Growth and Development Report of 2017.

A few years ago we developed a vision, which we trust will catapult us to become a leading organisation in terms of driving developmental investing. The realisation of this vision relies on key enablers, which include the attraction and retention of skilled people, robust information technology (IT) platforms, increased research capacity, emphasis on risk management, and environmental, social and governance (ESG) issues.

Our vision requires us to mobilise more resources and develop, strengthen and maintain strategic partnerships with like-minded investors, investee companies, Government and related entities, development finance institutions (both domestic and non-domestic), as well as sovereign wealth funds.

BEE Developmental Manager Programme

The Nigerian author Ben Okri in his book Infinite Riches said: *"Time is growing....When will our suffering bear fruit? One great thought can alter the future of the world. One revelation. One dream. But who will dream that dream? And who will make it real?"* In 2009 the PIC had a dream to transform the asset management industry when it started the PIC BEE Developmental Manager Programme in that year, with an allocation to traditional investment houses and black-owned investment firms. As at 31 March 2017, the GEPF composite of external asset managers included 13 BEE asset managers, who were appointed between April 2009 and April 2014.

The programme's success is evident in the contribution these managers have made to the performance of our client portfolio, as well as in their ability to run growing, sustainable businesses that have managed to gather additional assets. At inception on average, 55% of these managers' assets were allocated by the PIC. By March 2017 this number has reduced to an average of 37% as these managers acquired new clients and assets.

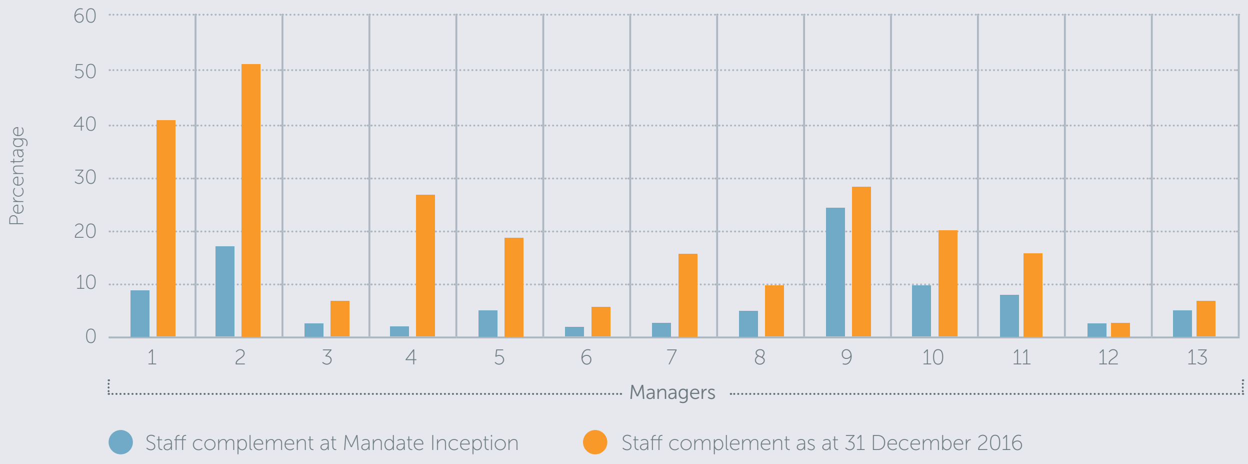
Asset consultants and large multi-managers typically want to see a three-year track record before committing capital to a manager. The BEE Developmental Manager Programme, therefore, plays an integral role in providing managers with the opportunity to build a track record. Nine of the managers listed here have graduated out of the Developmental Programme into our established composite, having demonstrated the necessary skills in the investment process, proving that achieving transformation objectives and alpha-generation objectives are not mutually exclusive.

BEE asset managers appointed as at 31 March 2017

BEE External Asset Managers	Portfolio Inception Date	PIC Allocation as a % of AuM at Inception	Total AuM at Inception (Rbn)	PIC Allocation as a % of AuM 31 Mar '17	Total AuM (Incl PIC) as at 31 Mar '17 (Rbn)
Manager 1	Apr-09	20.00%	4.90	28.98%	28.5
Manager 2	Apr-09	24.00%	11.90	14.17%	41.6
Manager 3	Apr-09	67.00%	0.30	34.75%	12.4
Manager 4	Aug-09	59.00%	2.20	42.17%	41.0
Manager 5	Aug-09	28.00%	4.60	30.50%	23.9
Manager 6	Apr-10	81.00%	0.60	72.01%	5.4
Manager 7	Apr-10	83.00%	0.60	54.85%	13.4
Manager 8	Apr-11	63.00%	1.60	32.69%	12.5
Manager 9	Apr-13	18.00%	13.90	28.07%	16.4
Manager 10	Apr-13	71.00%	0.70	22.02%	7.3
Manager 11	Apr-13	71.00%	1.40	51.09%	6.9
Manager 12	Apr-14	100.00%	0.50	56.67%	2.4
Manager 13	Apr-14	40.00%	1.30	17.30%	3.2
		Average: 55.8%		**Average: 37.3%**	

For confidentiality reasons the names of the External Asset Managers are not disclosed.

Growth in Staff Complement since Mandate Inception



The PIC continues to support and develop BEE asset managers who are skilful and have experience in managing funds. These members exhibit the characteristics we have identified as key to the success of the asset management sector. These include the consistent application of Investment Philosophy and Process, resulting in good outcomes on a risk-adjusted basis. Asset management firms, where the owner is the key individual in terms of investment decision-making, are often more successful. We do believe that stability and alignment of interest in the investment team is another determinant of future success in an asset management firm.

Through our efforts, we aim to transform the financial sector by increasing the level of black participation in the asset management industry, the stock-broking industry and through skills development programmes particularly focused on black females and people living with disabilities. We acknowledge that there is still more to do to transform the asset management industry, but we have seen that our one great thought has started to alter the world and for these managers, it is bearing fruit.

Other Highlights

Some of the key investment activities during the financial year included the following:

- In October 2016, the GEPF approved an allocation of R70 billion for Impact and Private Equity Investments, both in South Africa and the rest of the African continent. The Fund of Funds received an allocation of R7 billion from the GEPF, which is 10% of the total allocation of the R70 billion to Isibaya. This allocation will enable the Fund of Funds team to implement its strategy of developing, supporting and increasing the participation of black fund managers in South Africa (and African nationals in the Rest of Africa);
- R27.96 billion (2016: R29.31 billion) worth of new investments were approved;
- R23.85 billion (2016: R13.09 billion) was disbursed during the year;
- A loan of R5 billion has been provided to the IDC to invest in projects that facilitate job creation and preservation, particularly in distressed sectors;
- The PIC committed R500 million towards the SA SME Fund. To date, a further R905 million has been committed by the private sector to the Fund;
- The approval to rebalance the external Black Economic Empowerment (BEE) Manager Programme by allocating additional funds to external managers with alpha-enhancing strategies. Despite a difficult year in 2016, the external equity portfolio continued to outperform relative to the PIC benchmark over two, three and five year period to March 2017;
- 98.8% of the procurement spend on direct investment support service was on service providers at B-BBEE Level of between 1 and 4 with black ownership of above 51% and at least 30% management control by HDIs;
- Successful allocation of funds for the Rest of Africa Listed Investment Strategy – both through direct investments and external managers' mandates;

- Concluding the purchase of 26.4% of Distell shares following the finalisation of a merger between South Africa's SABMiller and the Belgian brewer, Anheuser-Busch InBev;
- R2.44 billion approval for development of commercial and retail properties. The Unlisted portfolio performance continues to improve; and
- As part of our Africa investments programme, we committed over USD200 million towards the Rest of Africa Impact Investing and PE and allocated some fixed-income mandates to managers to invest in the rest of the continent.

Rest of Africa

We remain focused on delivering on our Rest of Africa mandate. During the year under review, we approved funds to acquire a 49% equity stake in ETG Input Holdings (EIHL), a subsidiary of the Export Trading Group (ETG). ETG imports and exports soft commodities such as fertiliser, grains, sesame, cashew, cotton, oilseeds, edible nuts, spices, sugar and rice and have a presence in Sub-Saharan Africa, North America, Europe, the Middle East and South East Asia.

We also approved funds to acquire a 10% equity stake in Kenya Electricity Generating Company (KENGEN), which is listed on the Nairobi Stock Exchange. KENGEN is the leading producer of electricity in Kenya with attractive margins and a global leader in the production of electricity from geothermal steam, which is found naturally in the rift valley. We are proud to be associated with a company that not only has a positive impact on the regional economy, but also helps to reduce the emission of greenhouse gases.

In addition to generating robust risk-adjusted returns in line with clients' mandates, we also continued to accelerate and advance transformation through our Unlisted Investments Programme. We have invested in companies and/or projects that have both social and economic benefits in line with an increasing call for inclusive growth. A detailed account of the impact of our investments is presented in the Part Three of this report.

Risk Management and Governance

Risk Management and Governance are amongst our key focus areas. Our risk management follows an Integrated Enterprise-wide Risk Framework approach and is well entrenched in the company. In terms of the investment governance process, we have built a unique and robust risk-based approach that integrates ESG factors. The PIC maintains a robust Corporate Governance Framework, which is effected through a unitary Board and various Sub-committees, and monitored via a combined assurance model. I am pleased and confident to report that PIC operations are safe and sound and no material issues have been identified that could expose the business to any actual or contingent risk. Our aim is to build a world-class investment firm with the right talent, the right systems and processes, and strong governance.

Skills and Training

Central to our successes are employees who have dedicated their energies to ensuring that we deliver on our clients' mandates and that Vision 2030 starts to become a reality. We continuously attempt to improve on our employee value proposition to ensure that we attract new talent and retain those who are already within the organisation. This is no simple task, given that we compete with other industry players for skills. During the period under review, all key vacancies were filled in accordance with our recruitment plan and our headcount increased to 342 employees, including fixed-term contractors and participants in the graduate programme.

We are proud to report that we have made progress with employing people with disabilities. Three employees with disabilities were appointed during the period under review. This increased the percentage of people with disabilities from 0.7% to 1.1% of the workforce. We accelerated our resolve to contribute to training and skills development. During the year under review, R10 million was approved towards 201 external bursaries, with 60% of the awarded bursaries for indigents. A detailed discussion on this is contained in the Human Resources Report.

As part of our corporate social responsibility (CSR), we donated equipment worth approximately R1 million to the Setotolwane Elsen Secondary School, a high school for learners with both auditory and visual impairments. We believe that this will assist the school to equip its learners with critical skills.

Looking Forward

We remain focused and energised to ensure that Vision 2030 becomes a reality. It is, however, important to remain mindful of some of the dynamics that lie ahead of us. The International Monetary Fund (IMF) expects global growth to average 3.5% in 2017 before rising to 3.6% in 2018. Amongst AEs, the United States (US) is anticipated to perform on the back of a loose fiscal policy, solid consumption growth and a recovery in inventory accumulation. The global economy continues to expand, underpinned by an acceleration in new orders and higher external demand. The global context remains vital to investments in South Africa. At present, global growth tailwinds and a generally benign risk perception have served to underpin the global search for yield, of which South Africa remains a large beneficiary. This has acted as a buffer to domestic idiosyncratic risks, not just in South Africa but broadly across the EMs' spectrum. This status quo should not breed a sense of complacency, as downside risks remain material and given the construct provided above, has heightened South Africa's 'beta' to periods of global risk on/risk off.

Our aim is to build a world-class investment firm with the right talent, the right systems and processes, and strong governance.

Domestically, we expect economic growth to remain modest over the medium term, rising from 0.3% in 2015 to 0.5% and 1.1% in 2017 and 2018, respectively. For now, monetary policy remains well calibrated and somewhat accommodative, while debt sustainability issues will hamper the ability to provide any fiscal impetus to the economy. Despite some cyclical uplift from global tailwinds, potential growth remains low and may only be alleviated by deep structural reform across various sectors of the economy.

We remain confident that the good investment performance we have achieved during 2016/17 will continue. Our key focus is to maintain our disciplined investment philosophy. We remain singularly committed to deliver consistent long-term investment performance for our clients. I would like to thank our clients for their continued support. We will be directed by mandates from our clients and will strive to deliver the requisite financial and social returns. We remain committed to invest responsibly and to contribute to creating much-needed jobs and social transformation in our economy. We thank our clients for entrusting their funds to us.

I also wish to thank all PIC team members for their unwavering commitment to both the values we espouse (Care and Deliver) and our programme of investing towards development, as encapsulated in Vision 2030. We are indebted to the Finance Ministry and members of the PIC Board for their guidance and support. Their collective wisdom has been a pillar of cloud by day and a pillar of fire by night to ensure effective corporate governance.

Dr Daniel Matjila
Chief Executive Officer

PART TWO

DELIVERING ON CLIENT EXPECTATIONS

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CLIENT EXPECTATIONS

Client Mandate

Each client's specific investment objectives are expressed in a detailed client investment mandate based on actuarial asset and liability studies, and approved by the FSB. The complexities of managing these mandates differ and is a function of a number of factors, such as the size of the portfolios, risk parameters and the asset allocation.

The PIC invests in assets such as:

LISTED INVESTMENTS

- Listed Equities
- Listed Bonds
- Money Markets
- Structured Investment Products (SIPs)
- Offshore (Global)
- Rest of Africa

UNLISTED INVESTMENTS

- Private Equity
- Real Estate
- Impact Investing
- Rest of Africa

Investments in these assets assist the clients to realise their financial goals, as well as social returns, and contribute towards inclusive growth. Social returns include, *inter alia*, job creation, empowerment, transformation, education and healthcare.

The table below represents each of the top five clients' listed asset allocation.

Listed Investment Asset Classes

CLIENTS	LISTED EQUITIES	LISTED BONDS	MONEY MARKETS	SIPs	OFFSHORE (GLOBAL)	REST OF AFRICA
GEPF	✓	✓	✓	✓	✓	✓
UIF	✓	✓	✓	✗	✓	✓
CC	✓	✓	✓	✗	✗	✗
CP	✓	✓	✓	✗	✗	✗
AIPF	✗	✓	✓	✗	✗	✗

The table below represents each of the top five clients' unlisted asset allocation.

Unlisted Investment Asset Classes

CLIENTS	PRIVATE EQUITY	REAL ESTATE	IMPACT INVESTING	OFFSHORE (GLOBAL)	REST OF AFRICA
GEPF	✓	✓	✓	✗	✓
UIF	✗	✓	✓	✗	✗
CC	✗	✗	✓	✗	✗
CP	✗	✗	✓	✗	✗
AIPF	✗	✗	✗	✗	✗

Delivering on Clients' Expectations

The PIC delivers on clients' mandates by investing in accordance with an investment philosophy that rests on two key pillars and which is anchored by robust risk management processes. These pillars are Financial Returns and Sustainable Investing.

The PIC's Investment Philosophy

FINANCIAL RETURNS

ALPHA GENERATION	DIRECT INVESTMENT APPROACH	SOCIO-ECONOMIC TRANSFORMATION (SET)
Provide sustainable longer term financial returns to clients in line with the set benchmarks.	Impact Investing for Socio-Economic Transformation across all PIC investment activities in Listed and Unlisted Investments.	Transforming and contributing to the economy to improve sustainability for all citizens. Impact investing to ensure sustainable returns.

SUSTAINABLE INVESTING ESG

Incorporating ESG issues produces sustainable portfolio returns in the long-term

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Protecting the environment to sustain the creation of wealth.	Sharing of the wealth is an insurance for a sustained wealth creation process.	Good governance enhances financial performance.

The investment philosophy is supported by robust risk management processes, as illustrated below.

RISK MANAGEMENT	DIVERSIFICATION	TIME HORIZON	MARKET EFFICIENCY	VALUATION AND ANALYSIS	COST
Avoiding risks that do not provide commensurate returns.	Well-diversified portfolios produce stable distribution of returns.	The PIC is a long-term investor and believes that in the long-term markets revert to their mean. Investment strategies will generally be long-term in nature and will avoid *ad hoc* decision-making based upon short-term factors.	Markets differ in degree of efficiency at macro, sector and asset level. Providing opportunities to generate excess returns over related benchmarks through asset allocation.	Valuation and analysis based upon fundamentals generally produce superior return/risk results. Investment strategies will focus on fundamentally-based processes.	The PIC believes that managing the costs of investing adds significant value to the production of excess returns.

INVESTMENT PROCESS

Mandates and Mandate Fit

The PIC's investment decisions are informed by the provisions of mandates entered into between the PIC and its clients. These mandates are approved by the FSB and, amongst others, they prescribe strategic asset allocations and the asset classes in which the PIC can invest, the risk parameters as well as portfolio limits, with the ultimate objective of generating sustainable returns for the clients on whose behalf the PIC invests.

It is a requirement that any transaction funded by the PIC should fit the mandate and any investment that is misaligned with the mandate cannot be funded. If a transaction fits the mandate, then it is subjected to a thorough due diligence process before an investment decision is taken.

Policies and Frameworks

All transactions are subject to various (Board-approved) policies, as well as ESG frameworks, all of which are based on international best practice and are aligned with applicable legislation and regulations. The PIC also has an approved DoA Framework in place, delegating responsibilities for different transactions to a variety of role-players in the investment divisions (i.e. Listed, Unlisted and Property Investments), as well as to employees in Risk Management, Legal, Compliance, Corporate Affairs and Investment Support. The DoA also outlines the powers of the Board, as well as the Committees of the Board and those of the Executive Directors.

Transaction Approval Process

Once a transaction is presented to the PIC, it goes through an initial screening process to establish if it fits the mandate, is commercially viable and falls within acceptable risk parameters. If it meets these requirements, it is tabled at a Portfolio Management Committee (PMC) to seek authorisation to conduct due diligence. This Committee is chaired by an Executive Director, and its members include a mix of Executive Heads as well as other members of Senior Management.

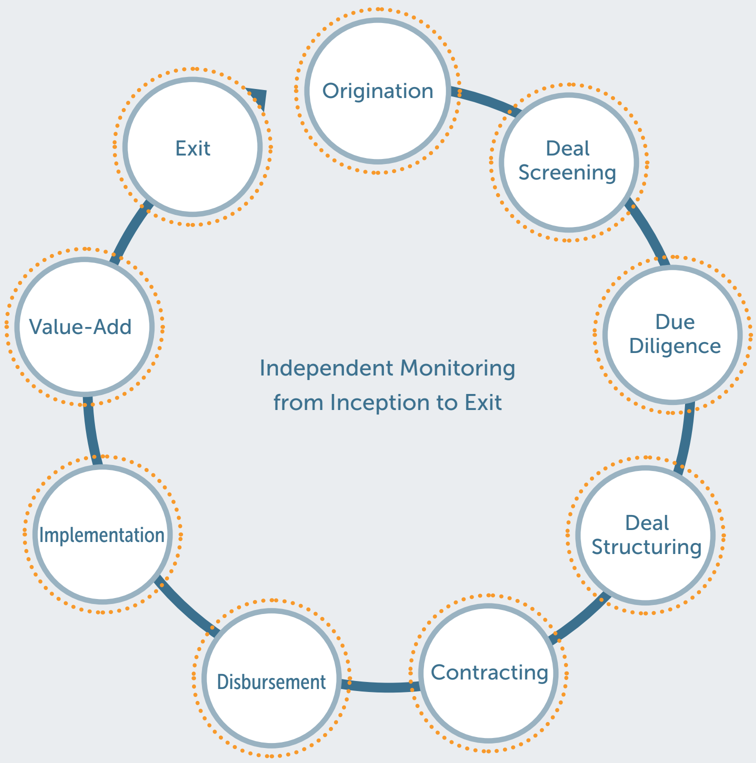
The PMCs comprise of PMC Unlisted (for all transactions not listed on the stock exchange) and PMC Listed (for all transactions listed on the stock exchange). Once the initial deal screening process has been concluded, the outcomes thereof are presented and discussed at a meeting of the respective PMC. Should the PMC at that meeting resolve that a transaction is worth pursuing, the PMC will recommend that a detailed due diligence be undertaken.

A comprehensive due diligence (financial, commercial, operational, legal, technical, regulatory and ESG) is undertaken and initial non-binding terms and conditions of the proposed investment are negotiated with the counterparty. The due diligence is conducted by the PIC and where appropriate, external service providers.

Based on the outcomes of the due diligence, the PMC may either approve the transaction if it is within its approval limits in terms of the PIC's DoA, or decline the transaction. Where the value of the transaction is beyond the PMC's approval authority, the PMC recommends it to the next level of approval. Depending on the type of investment (listed, unlisted or properties), the next level of approval could be any of the following Committees: Fund Investment Panels (FIPs) (Sub-committees of the Investment Committee), the Investment Committee and the Board.

Transactions which present any ESG or reputational risks are also scrutinised by the Social and Ethics Committee of the Board, focusing on the ethical and reputational aspects thereof, as well as sustainability matters. All the Board Committees are comprised of a majority of Independent Non-Executive Directors and are also chaired by Independent Non-Executive Directors.

The Investment Process

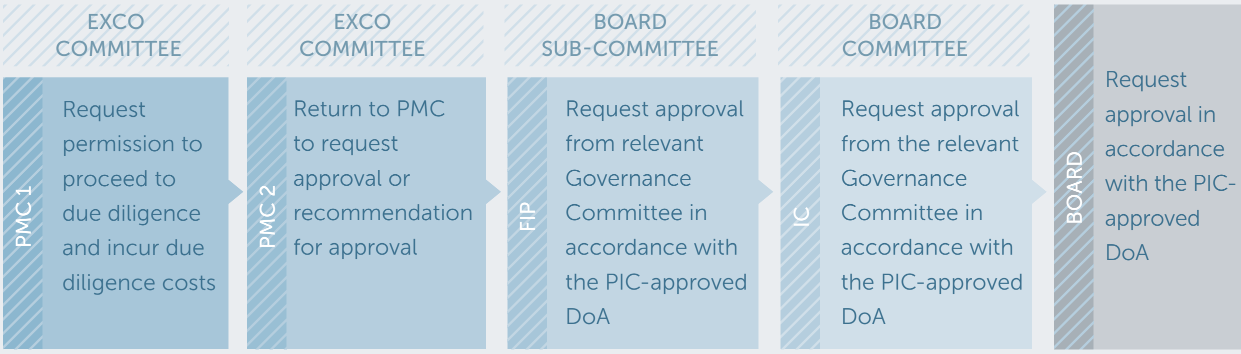


GOVERNANCE

Rigorous interventions at various stages of the investment process.

- This includes independent investment reviews and reports, which are considered alongside the investment appraisal report from: Risk, Legal and ESG.
- Approval Committees comprise:
  - PMC – Management Committee;
  - Specialised Fund Investment Panel – IC Sub-committee;
  - Investment Committee – Board Committee; and
  - Board.

The Investment Committee Approval Process



Investment Committee Mandate

The Board has established various Committees to assist it in discharging its duties and responsibilities. The Investment Committee (IC) was established to provide oversight and decision-making in respect of investment activities. The primary purpose of the IC is to assist the Board to discharge its statutory duties and its oversight responsibilities in relation to listed and unlisted (including properties) investment activities. The IC is comprised of a majority of Independent Non-Executive Directors.

The IC operates in line with approved ToR, DoA Framework and policies which are reviewed on an annual basis.

The responsibilities and duties of the IC are to:

- Ensure that investments, disposals and acquisitions (listed, unlisted and properties) are in line with the PIC's overall investment strategy;
- Ensure that appropriate due diligence procedures are followed when acquiring or disposing of investments;
- Ensure that investments/divestments are in the best interest of clients, increase Shareholder value and meet the PIC's financial and ESG criteria;
- Make recommendations to the Board concerning further action about investment/divestment opportunities;
- Give due consideration to the relevant provisions of the Companies Act, read with the Companies Act Regulations, the PIC Act, the approved DoA Framework, King IV, competition laws and any other legislation and regulations;
- Monitor performance of the investments, at least on a quarterly basis;
- Review and evaluate policies and procedures that PIC Management has implemented to monitor compliance with client mandates;
- Oversee the implementation of client mandates by receiving PIC Management's quarterly reports, including but not limited to, the regulatory requirements under the FAIS Act, the PFMA and the Financial Markets Act, 2012 (Act 19 of 2012);
- Report quarterly to the Board on issues relating to the investment of funds under management;
- Consider and approve investments, acquisitions and divestments in line with the approved DoA Framework;
- Review the deal approval process, policies and criteria on an annual basis;
- Ensure that risk management is incorporated in all investment recommendations and decisions;
- Approve the criteria and process for the selection of external investment managers and notify the Board of approvals;
- Approve the process for establishing the mandates of external investment managers;
- Approve the process for monitoring external investment managers;
- Evaluate performance of external investment managers;
- Make recommendations to the Board, which it deems appropriate, on any area within its authority where action or improvement is needed; and
- Perform such other investment-related functions as may be determined by the Board from time to time.

RISK MANAGEMENT

Risks Associated with Business Model Execution

Through our Vision 2030, the strategic intent is to ensure growth of the AuM and long-term sustainability. Effective risk management forms an integral lever in delivering on this strategy.

Risk management involves the identification, assessment, prioritisation and responses to risks that may impact on achieving strategic and business objectives. The management, monitoring and reporting of these risks ensure that we minimise the probability of negative events, or that we maximise the potential of credible opportunities. The PIC has identified risks associated with its various stakeholders, including its clients, employees, the Shareholder, Government, regulators, investee companies and the wider public. Through risk identification, appropriate responses are developed and continuously updated as the environmental landscape shifts.

The objectives of the Risk Management function are to:

- Integrate risk concerns into the Corporation's daily decision-making and implementation processes;
- Identify and manage risks within the risk appetite and risk tolerance parameters, which coincide with the Board's strategy and objectives;
- Improve the Corporation's ability to prevent, detect, correct, escalate and respond to critical risk issues by executing risk management plans and recommendations, and monitoring them effectively;
- Comply with appropriate risk management practices in terms of corporate governance guidelines and the King IV Code; and
- Create a risk-awareness culture and embed risk-based approaches to decision-making at operational, tactical and strategic levels of the Corporation.

Approach to the Management of Risk

The PIC has adopted an enterprise-wide approach to managing risk, which is defined in our Enterprise Risk Management Framework (ERMF). The ERMF seeks to codify the approach to identifying, measuring, managing, reporting and monitoring enterprise-wide risks. The PIC recognises that, in a complex financial services environment, risk management processes and strategies are evolutionary and subject to ongoing review and modification, taking into account the risk appetite and risk tolerance of the business, as defined by the ERMF.

The principles of the ERMF are embodied in the King Code, the ISO 31000 and COSO frameworks, and is based on a strong governance structure, defining the risk appetite and risk tolerance levels, inculcating a risk-awareness culture, developing and implementing risk-related policies, as well as processes for identifying, assessing, mitigating, monitoring and reporting of all key existing and emerging risks.

In fulfilling its enterprise-wide risk management responsibilities, the PIC uses both top-down and bottom-up approaches to risk identification, assessment and mitigation. The top-down approach entails risk workshops with the EXCO, the Audit and Risk Committee (ARC) and the Board. The focus of these workshops is to identify the key risks that may preclude the organisation from achieving its strategic objectives and control measures to mitigate the identified risks.

Major Risk Categories

The ERMF is continuously enhanced and updated to respond to these risks and to ensure that the management of these risks are embedded in the Corporation's overall corporate governance structures, strategy and strategic planning, reporting processes, policies, values and culture. The PIC has identified the following principal risk categories that are significant to the Corporation: strategic, investment, regulatory and legal, operational, and reputational.

Risk type	Strategic Objective	Risks	Controls
Strategic risk	• To be a leader in impact investing • ESG principles for sustainable returns • Alpha generation, whilst maintaining average fee below market-related fee • Sustainable financial performance • Drive transformation through allocation to B-BBEE service providers	• Inability to fulfil client mandates • Changes in policy which impact PIC business • Inability to implement a direct investment process • Inability to implement the business plan • Imbalance between investment returns and the socio-economic impact (financial sustainability of returns) • Corporate financial sustainability • Reporting (financial reporting)	• Board-approved strategic plan • Board-approved investment strategy • Shareholder compact and corporate plan aligned to national priorities • Strong governance to monitor implementation and reporting • DoA to ensure decisions carried out responsibly • Quarterly reporting to the Board (CEO's report) and NT • Client diversification
Investment risk	• Generate excess returns over benchmarks within client risk parameters • Enhanced understanding of client and client requirements • Strategic partnerships • Optimise portfolio allocation	• Market risk • Liquidity risk • Credit risk • Structuring of transactions • Country risk • Valuation • New products • ESG	• PIC governance, mandate, and Regulatory Compliance Framework • Robust investment process • In-depth research capacity • Strong post-investment management process • Proper performance management system • ESG embedded in the investment process
Regulatory and legal risk	• Implementation and maintenance of robust enterprise risk management practices	• Non-compliance with laws and regulations	• On-going tracking of changes to existing legislation and introduction of new legislation • Automated regulatory hub (Sentinel Service) in place, which generates automated daily alerts pertaining to changes to existing legislation and introduction of any new applicable legislation

Risk type	Strategic Objective	Risks	Controls
Regulatory and legal risk (continued)			• Regulatory universe in place and reviewed annually • Annual internal and external training provided to staff on key pieces of legislation • Regular compliance audits of business units to assess compliance levels
Operational risk	• Implement robust investment and research processes to enable alpha generation • Drive, monitor, measure and report on ESG achievements, and transformation drive for clients and PIC corporate • Implementation and maintenance of robust enterprise risk management practices • Implement robust IT platforms and enable optimal business processes • Enhanced employee value proposition	• Model risk • Lack of human capital management • Data integrity • Technology risk • Business continuity risk • Fraud • Financial crime (internal and external fraud) • Culture and ethics • Corporate ESG risk	• Robust Operational Risk Management Framework (ORMF) in place • Monthly monitoring of operational risks via the Information Technology Risk Committee (ITRC) • Business Continuity Management (BCM) Policy and planning • Disaster recovery planning and testing • Data management reviews and enhancements • Annual model validations • Fraud Policy
Reputational risk		Negative perception of PIC	• Frequent improvement of the business environment and internal control factors • Tracking of reputational Key Risk Indicators (KRIs) to prevent and assess reputational damage

Risk Profile

The PIC's corporate risk profile is a function of the inherent and residual risks of all the process-level business risks identified and assessed in the various business units. The corporate risk profile gives a panoramic view of the performance and rating of the PIC's principal risks as well as the Corporation's risk landscape.

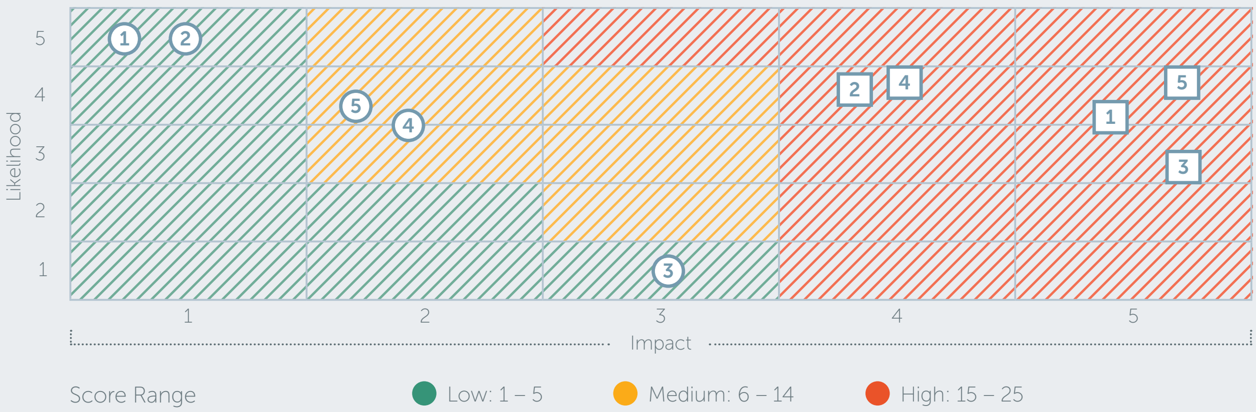
Below is an assessment of the PIC's principal risks.

Principal Risks - Current Assessment

No	Principal risk	Inherent risk	Residual risk
1	Strategic risk	17	5
2	Investment risk	16	5
3	Regulatory and legal risk	15	3
4	Operational risk	16	7
5	Reputational risk	20	8

The heat map below reflects the Inherent risk (☐) and the Residual risk (◯) of the above principal risks.

Principal Risks - Heat Map



The identified risks are evaluated using the approved risk measurement methodology defined in the ERMF. Risk tolerance levels have been determined by the matrix above, which risks are immediately addressed. This process of risk evaluation determines the strategy of managing the identified risk, ranking and determining whether the risk should be terminated, tolerated, outsourced or managed. The table on the next page reflects the PIC's top ten risks.

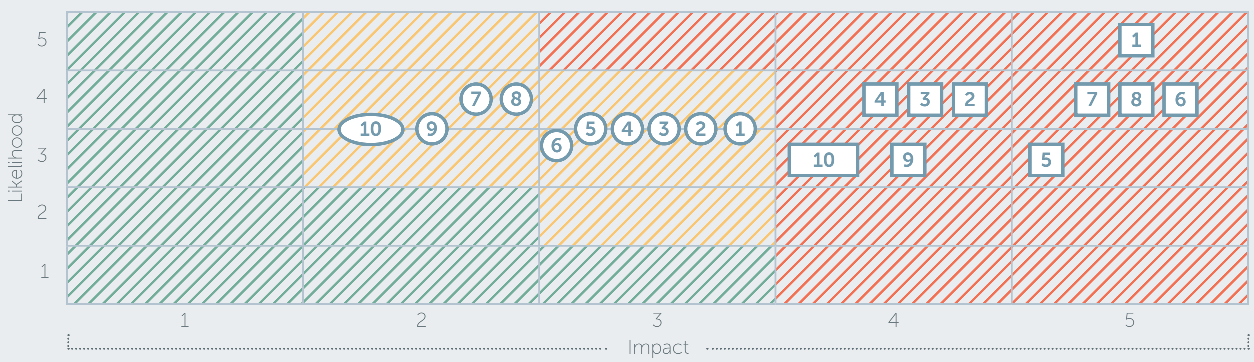
Top 10 Risks

Top 10 Risks

No	Risk	Principal risk	Inherent risk	Residual risk
1	Inability to fulfil client mandate	Strategic risk	25	10
2	Financial sustainability of returns	Strategic risk	16	10
3	Data integrity	Operational risk	16	10
4	Technology risk	Operational risk	16	10
5	Business continuity risk	Reputational risk	15	10
6	Changes in policy which impact PIC business	Strategic risk	20	9
7	Fraud	Operational risk	20	8
8	Negative perception of the PIC	Reputational risk	20	8
9	Culture and ethics	Operational risk	12	7
10	Corporate ESG risk	Operational risk	12	7

The heat map below reflects the Inherent risk (□) and the Residual risk (○) levels of the ten most significant risks to which the PIC is exposed.

Principal Risks - Heat Map



Risk Grade and Score Rating Low: 1 – 5 Medium: 6 – 14 High: 15 – 25

Risk Governance and Combined Assurance

The PIC has defined internal governance processes, where the Board is ultimately responsible for the governance of risk. The Board delegates its responsibilities to the various Board Committees, which in turn delegates daily risk management to the PIC Management and EXCO. Day-to-day risk management activities are undertaken at the business unit level, where risk is identified, assessed, measured and monitored. These risks, and responses to risk, are reported on and communicated to the PIC Management, EXCO and the Board on a periodic basis.

The PIC has also adopted a combined assurance methodology in line with the King Code, to ensure a more integrated approach to managing risks. This methodology is carried out through a collaboration of functions between Management, Risk Management, Compliance and Internal Audit. These internal assurance providers participate in the annual review of the ERMF and the development and assessment of the single risk universe of the Corporation.

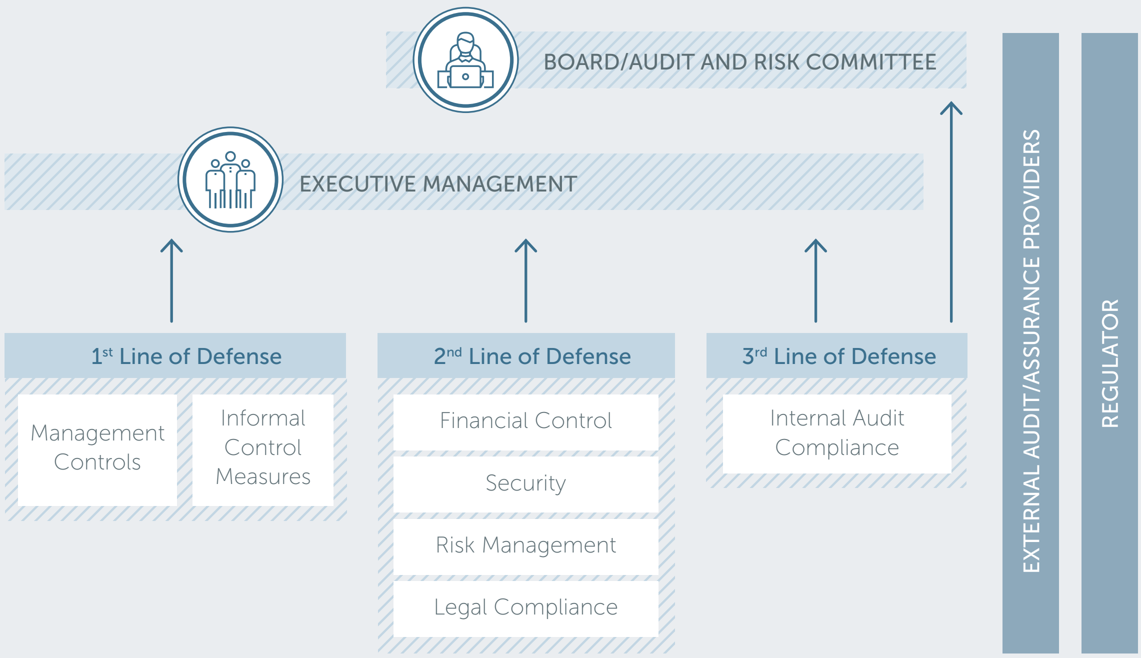
Combined Assurance

The 'Three Lines of Defense' Model

The 'Three Lines of Defense' Model provides a simple and effective way to enhance communications on risk management and control by clarifying essential roles and duties. The first line of defense is line Management, who is responsible for risk management within departments.

The first line is responsible for identification, assessment, measurement and controls for risk to achieve business objectives in line with the ERMF. Line Management also compiles information on new and emerging risks, risk incidents, losses and near-misses, KRIs, as well as issues

The Three Lines of Defense Model



and action plans. Lastly, line Management must compile and maintain their risk management plans, the treatment and responses to existing and emerging risks.

The second line of defense is the Risk Management function, which guides Line Management through risk identification, assessment, response and monitoring, by developing frameworks that define the PIC's approach to risk management. The Risk Management function further provides an independent assessment of exposures to specific risks and reports on these to various forums within the Corporation, and expresses an opinion on the appropriateness of Line Management's responses to identified risks.

The third line of defense is provided by the Internal Audit and Compliance functions. These two functions perform regular reviews of adherence to the ERMF and Policy. They independently assess the effectiveness of the Corporation's risk controls through combined planning with Risk Management and any other assurance provider, to ensure maximum possible coverage of risks and minimal duplication of control testing. In essence, they provide assurance that all material risks have been identified and provide input on the control effectiveness of identified internal controls, based on the results of their audits.

The 'Three Lines of Defense' Model provides a simple and effective way to enhance communications on risk management and control by clarifying essential roles and duties.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The PIC believes in the highest standards of business practices and ethics. Hence, the signing up to the United Nations Principles of Responsible Investing (UNPRI), the United Nations Global Compact (UNGC) and the Principles of Responsible Investment's statement on ESG in credit ratings, as well as being a representative of the Code for Responsible Investment in South Africa (CRISA).

The PIC has embedded ESG considerations in the investment process, thus ensuring long-term sustainability of its investment universe. Furthermore, we are actively driving ESG in partner companies in which we are invested in.

The PIC uses a combination of measures to drive responsible investing:

- ESG Integration
- Engagements with Partner Companies
- Proxy Voting

ESG Integration

The PIC believes that consideration of ESG factors in the investment process improves the risk-return profile of a portfolio. Companies that have an understanding of their ESG issues will remain sustainable in the long-term.

The PIC, as a long-term investor, is concerned with sustainability which is in line with its philosophy of being a long-term investor. The PIC, on an annual basis, reviews investee companies using the internal ESG matrix covering general and sector-specific ESG issues. For every investment in a stock, in addition to the investment analysts' investment case of the company, the ESG assessment is also integrated. Furthermore, the ESG assessment results are used as engagement matters with investee companies.

Engagements with Partner Companies

During the reporting period, the engagement and building of partnership principles were achieved through:

- Site visits which provided the opportunity to periodically review a partner company's ESG practices to ensure that they comply with the regulations, and align these with best practice principles. These visits tend to be targeted towards high- and medium-risk investments.
- Numerous post-investment monitoring meetings were conducted with partner companies during the year.

Engagement themes

Engagement topics on each agenda varied by company. Some common and recurring ESG issues are outlined below:

- **Re-election of Non-Executive Directors**
  The PIC believes that independent Boards who have the necessary competencies are best placed to protect and enhance shareholders' interests. In addition, the Company considers Board tenures and Board refreshments as essential. The PIC, therefore, requires that the Board of Directors should consist of a majority of Non-Executive Directors, of which the majority must be independent.

- **Appointment of independent Audit Committee members**
  The PIC values the oversight role of Audit Committees in investee companies as they safeguard the interests of shareholders. Hence, the PIC prefers that the Audit Committee should comprise exclusively of independent Non-Executive Directors to achieve effective Management supervision.

- **Remuneration Policy issues**
  The PIC supports the principle that companies should remunerate fairly and responsibly. Companies must adopt remuneration policies that create value over the long-term. Short- and long-term incentives should be tied to performance conditions that are within Management's control and which are consistent with long-term value for shareholders. Share-based and other long-term incentive schemes should be linked to performance conditions measured over an appropriate period – not less than three years.

- **Re-appointment of external auditors**
  The PIC Policy supports external auditors' rotation every ten years in order to ensure independence. The Company is of the view that there is a need to replace the external auditors to uphold the principle of independence.

- **Succession planning and transformation**
  Effective succession training for the Board and Executives creates opportunities to ensure that the company's strategic goals are always met. Furthermore, this can be aligned with Board refreshment, and transformation of both the Board and Executive Management.

- **Other sustainability matters**
  The PIC supports and promotes B-BBEE as a business imperative for all South African operating companies to drive economic growth and decrease income inequalities. The PIC is concerned about the impact of climate change on investee companies – air and water pollution, energy use, natural resource depletion and other potential issues that can affect their development and long-term sustainability.

Proxy Voting

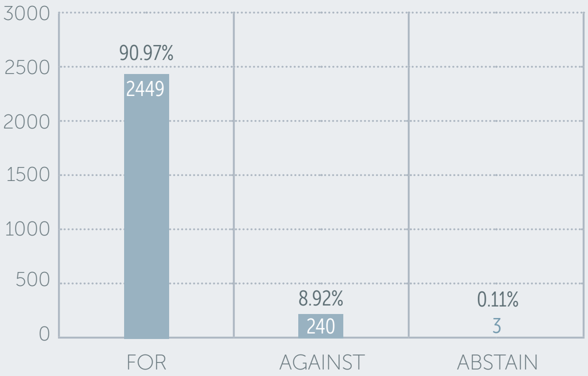
The following table lists all the Listed Company meetings held during the 2016/17 financial year where the PIC exercised voting rights on behalf of all its clients. (In addition, it provides a detailed illustration of the voting for the reporting period.)

The PIC seeks to support and enhance its investment rationale for a company through appropriate levels of engagement and through the subsequent exercise of voting rights. The PIC votes at all company meetings.

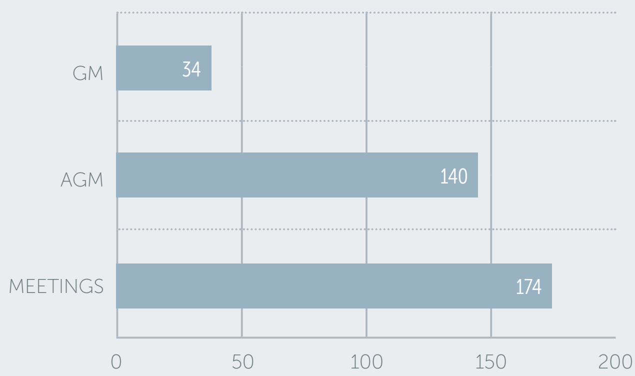
FOR THE PERIOD:

Separate meetings voted at	Total resolutions voted on	Resolutions voted against	Abstentions
174	2,692	240	3

Analysis of Total Voting Summary for the Year



Analysis of Meetings per Type



Total Voting Summary per Sector for the Year

Sector	Meetings	AGM	GM	Resolutions	For	Against	Abstain
Property	34	23	11	481	452	28	1
Investment Services	23	14	9	289	259	30	0
Consumer	38	37	1	655	575	78	2
Industrial	25	18	7	372	341	31	0
Insurance	5	5	0	133	125	8	0
Banks	7	7	0	146	139	7	0
Resources	27	24	3	412	376	36	0
Telecommunications	5	4	1	65	59	6	0
Construction and Engineering	4	3	1	37	32	5	0
Health Care	6	5	1	102	91	11	0
TOTALS	**174**	**140**	**34**	**2,692**	**2,449**	**240**	**3**

PART THREE

GENERATING LONG-TERM SUSTAINABLE RETURNS

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CREATION OF FINANCIAL RETURNS

Economic Review 2016/17

Global Economic Conditions and Outlook

Global growth, while slower at 3.2% in 2016 (compared to 3.4% in 2015), was characterised by an improved outlook for advanced economies (AEs) and emerging markets (EMs) alike. The IMF expects global growth to rebound to 3.5% in 2017 and 3.6% in 2018. While AEs are expected to see growth return to around 2% (revised higher), EMs should see a sharper rebound to 4.5% in 2017 and around 4.8% by 2018.

The momentum in investment demand in the second half of 2016, and the commensurate uptick in manufacturing and trade, are common themes which appear to be supporting a pro-growth narrative into 2017. Commodity prices have also trended higher as a result and have thus offered some relief to commodity-based economies and exporters.

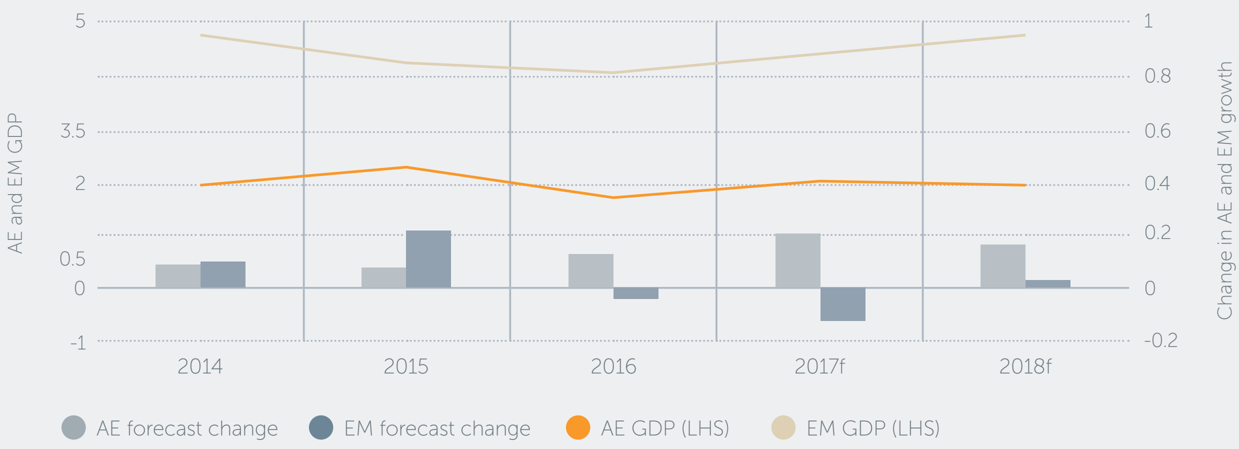
As always, the caveat remains that the gains made in the global economy remain tenuous, fragile and susceptible to a variety of downside risks. These include the potential for policy error among developed central banks precipitating tighter than expected monetary policy and hence, derailing the recovery which is largely supported by what are still accommodative financial conditions globally. Another risk remains the potential for greater trade protectionism and the potential non-delivery of large-scale fiscal promises from the United States. Both may upset global growth expectations and the corresponding buoyancy in many global capital markets.

Advanced Economies

The **United States** (US) economy expanded by 1.6% in 2016 with the sluggish growth attributed to a weaker investment environment and inventory adjustments. This correlates with the uncertainty associated with the US presidential election year. Post the election uncertainty, public sentiment indicators in the US have recovered and remain strong, suggesting a heightened degree of confidence among consumers and businesses, likely to support underlying growth of around 2% in 2017 and 2018.

The US Federal Reserve (Fed) remains cautious with regard to the pace of rate hikes. After indicating a potential four hikes early in 2016, the Fed delivered on only one of these hikes, raising the target policy range by 25bps in December 2016, followed by another two hikes in March

AE and EM GDP Growth Projections and Revisions to Projections



Source: *IMF Forecast change of April IMF WEO to Oct 2016 IMF WEO* and June 2017. However, stronger labour markets and a fairly muted impact on financial markets may slightly embolden the Fed in 2017 and may set the stage for further hikes between now and Q1 of 2018, premised on inflation trending higher and close to the Fed's 2% target. The Fed has also indicated its intention to wind down its balance sheet as another policy tool over the next year and beyond.

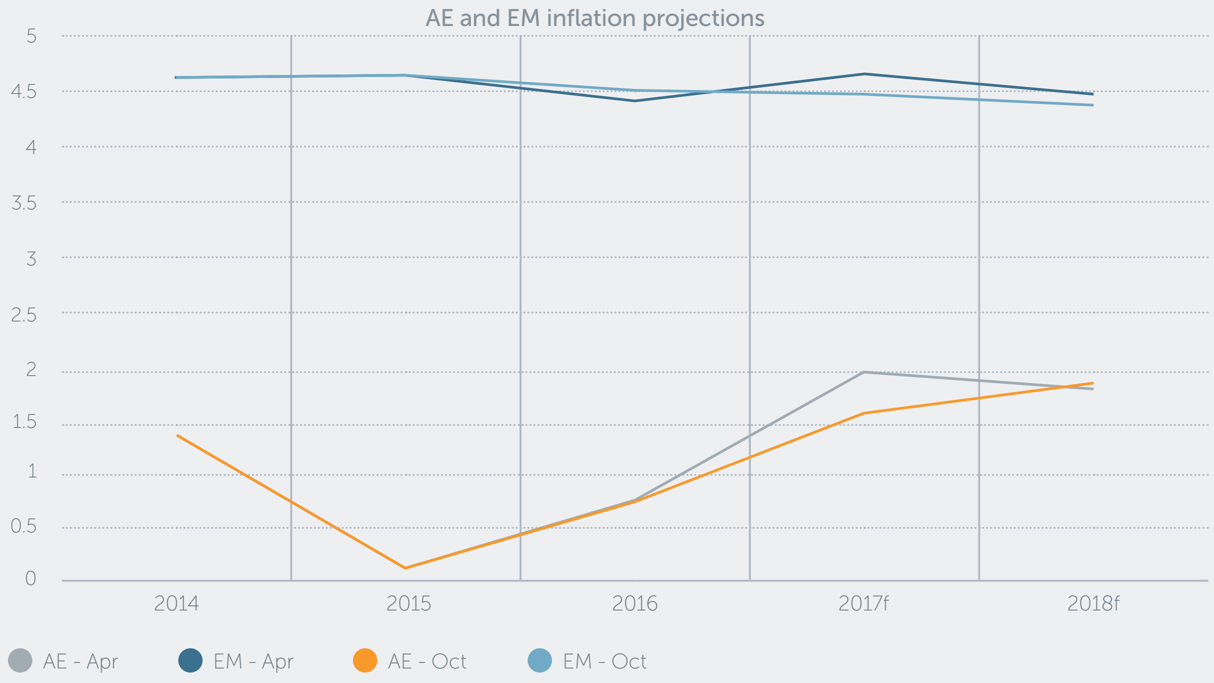
Despite the hikes, the dollar has remained relatively range bound against its trade-weighted partners and hence, the fears of a stronger dollar have not yet materialised, although they do remain a potential risk. The outlook for the US dollar remains key, not only to the trajectory of US growth but also to the fate of EM currencies which remain subject to the vagaries of major global central banks and global financial conditions.

The **Eurozone** saw regional growth of 1.8% in 2016, led by a broad-based stabilisation across most member countries. This is a notable performance considering the geopolitical risks and political uncertainty emanating from the national elections timetable in many key member countries. The European Central Bank (ECB) has maintained a relatively accommodative monetary policy stance by keeping policy rates at historic lows and by continuing to expand its balance sheet. As the outlook for the region continues to firm, the ECB may consider paring back on stimulus initiatives, and this remains a potential risk to the global carry trade which has thus far proven supportive of EMs.

The **United Kingdom** economy grew by 1.8% in 2016 (2.2% in 2015). It is now approximately a year since the UK's shock referendum vote which decided on ending the UK's European Union membership after 43 years (Brexit). The short-term reaction of a weaker pound without the actual impact of exclusion from the Union proved a boon for the economy in the short-term. However, the reality of the Brexit had set in, confidence and investment levels plunged and inflation surged, presenting a quagmire to the Bank of England (BOE). The BOE is currently beleaguered by a choice of providing support to the economy or protecting its inflation target. The path to Brexit is long and arduous and will likely continue to present a drag on UK growth, although this will likely be pushed into 2018.

The **Japanese** economy remains in a difficult position and grew by a tepid 1.0% in 2016. Domestic demand remains deficient and aggregate demand is propped up by massive stimulus programmes, both fiscal and monetary. The specter of deflation remains in play and heightens the vulnerability of the Japanese economy to a downturn in global trade, currently a key engine of its growth model.

The outlook for the US dollar remains key, not only to the trajectory of US growth but also to the fate of EM currencies which remain subject to the vagaries of major global central banks and global financial conditions.



***Source:** IMF Forecast change of April IMF WEO to Oct 2016 IMF WEO*

Emerging Markets

EMs as a whole grew by 4.3% in 2016, unchanged from 2015. While the outlook going forward sees growth accelerating to 4.8% over the next two years, recent revisions from the IMF have been lower, premised on a weaker outlook for some Latin American economies, key Middle Eastern nations mired in civil strife and partially offset by a rebound in commodity prices. This has caused a minor uplift in the inflation metrics, although this has largely been offset by a slowing pass-through from currency depreciations evidenced over the preceding two years.

China grew at 6.7% in 2016 and is expected to grow by 6.6% and 6.4% in 2017 and 2018 respectively. The Chinese growth outlook has been revised higher on the expectation of further policy support and improved global momentum. The Chinese economy is currently in the process of re-aligning from a resource-intensive, investment-led growth model to a more consumption-led growth model. This is part of the natural maturation phase of any major economy, but will likely have a material bearing on the outlook for commodity exporters.

Concerns remain around the burgeoning credit overhang and resource misallocation in China, although authorities appear well aware of these issues and continue on a path of activist intervention to attempt to mitigate against these risks. China continues to strategically position itself for a more material role in an increasingly multi-polar world, as is evidenced by the greater internationalisation of the renminbi, as well as the much touted New Silk Road initiative. The inclusion of the rand in the Chinese currency basket, as well as the fact that China remains a large trading partner, serves to further reinforce South Africa's linkages to the world's second largest economy.

Brazil is escaping a period of deep contraction and is expected to grow by 0.3% in 2017 and by 1.3% in 2018, from a contraction of 3.6% in 2016. Brazil appears to have turned a corner and is garnering interest from the global investor community as the focus shifts towards structural reform. Inflation has started to ease, and monetary policy has followed suit.

Similar trends are visible in **Russia**. After being hard hit by the decline in oil prices, Russia appears to have stabilised, and growth is expected to improve to 1.4% over the next two years from a contraction of 0.2% in 2016.

India remains an EM darling as growth is seen to accelerate from 7.1% in 2016 to around 7.7% by 2018. The much vaunted structural reforms have been slow to materialise in some respects, but India remains well positioned as inflation eases and as fiscal and external imbalances normalise.

Sub-Saharan African growth has been hard hit in the last few years and was weighed down by the poor performances of the South African, Nigerian and Angolan economies. Growth for the region is set to rise from 1.3% in 2016 to 2.7% in 2017 and 3.5% in 2018. The outlook remains muted as commodity-orientated economies need to continue adjusting to structurally lower prices and the knock-on implications for their respective fiscal outlooks. A persistent debt overhang in the region will also limit the ability of non-commodity producers to provide any stimulatory capital spending in the coming years.

Synopsis

The global backdrop remains vital to investments in South Africa. At present, global growth tailwinds and a generally benign risk perception have served to underpin the global search for yield, of which South Africa remains a large beneficiary. This has acted as a buffer to domestic idiosyncratic risks, not just in South Africa but broadly across the EM spectrum. This status quo should not breed a sense of complacency, as downside risks remain material and given the construct provided above, has heightened South Africa's 'beta' to periods of global risk on/risk off. As global central banks begin to slowly tighten financial conditions, the impact for EM capital flows and currencies remains one of underlying vulnerability which warrants some caution.

South Africa Economic Review and Outlook

South Africa's **economic environment** remained challenging, with GDP growth slowing for the third consecutive year to 0.3% in 2016 from 1.3% in 2015. This was the lowest growth rate since the recession in 2009. The main drag on growth was the primary sector, where output contracted by 5.4% in 2016 while output in the secondary sector barely grew (0.2%). Activity in the tertiary sector remained resilient, growing by 1.4% in 2016 from 1.6% in the previous year.

Agricultural production declined by 7.8% in 2016 relative to 2015, reflecting the negative effects of the protracted drought on the sector. Field crops and horticulture were adversely impacted by dry weather conditions, while farmers had to cull their herds. Nonetheless, prospects for the sector have improved, with estimated maize crop 113% higher than the 2016 crop, and 22% above the five-year average. The total area planted increased by almost a third from the previous season to 2.6m hectares, while the expected yield is 6.2 tons per hectare in 2017, the highest yield ever.

Mining output contracted by 4.7% in 2016 due to a broad-based decline in production across different minerals. This can be attributed to sharp increases in electricity and steel prices, as well as persisting policy uncertainty. Two key policies the Mineral and Petroleum Resources Development Act (MPRDA) Amendment Bill and the Mining Charter are yet to be finalised. Output in the sector started the year on a positive note and is expected to remain firm, supported by relatively higher commodity prices, strong economic activity in China and a weaker rand.

Annual Growth in Gross Value Added by Sector

	Agriculture	Mining	Manufacturing	Electricity, Gas and Water	Construction	Retail and Wholesale trade	Transport	Finance	Community Services	Gross Domestic Product
2013	4.5	4.0	1.0	-0.6	4.6	2.0	2.9	2.6	3.0	2.5
2014	6.9	-1.4	0.2	-1.1	3.6	1.6	3.2	2.2	2.6	1.7
2015	-6.1	3.9	-0.2	-1.5	1.7	1.4	1.1	2.8	0.9	1.3
2016	-7.8	-4.7	0.7	-3.5	0.7	1.2	0.4	1.9	1.3	0.3

Source: *Stats SA, SARB*

Within the secondary sector, **manufacturing output** grew by a modest 0.7% in 2016, following a 0.2% decline in 2015. While adequate electricity supply and the absence of prolonged strike action in the sector were positive for manufacturers, lacklustre output in the primary sector, weaker domestic demand, higher electricity costs and subdued business confidence constrained output. Some of the aforementioned factors persist and will continue to weigh on manufacturing production. However, robust global manufacturing activity and improving economic growth in South Africa's key trading partners, as discussed above, remain supportive of the sector.

The **electricity, gas and water sector** remained in recession for the fifth successive year, with production contracting by 3.5% in 2016, worse than -1.5% in 2015. Output in the sector has been dragged down by sluggish economic performance, low electricity demand and mild winter temperatures.

Production in the **construction sector** grew by 0.7% in 2016, lower than the growth of 1.7% in the previous year. Residential and non-residential building activity posted only modest growth, while civil construction has been held back by the lack of new projects. The outlook for the sector is clouded by major infrastructure projects nearing completion with a slowing replacement pipeline. Building activity started the year broadly lower, especially for main contractors. Both civil and building confidence indices remain below their historical averages.

Consistent with sluggish economic activity, output in the **financial and business sector** moderated to 1.9% in 2016 from 2.8% in 2015. Activity slowed in commercial banking, real estate and business services, as well as trading.

Activity in the **retail and wholesale trade** slowed for the fifth successive year to 1.2% in 2016 on the back of lacklustre credit extension, low consumer confidence, moderate growth in disposable income and rising inflation. Activity in the sector may moderate even further this year, as consumers remain under pressure following an increase in personal income taxes, declining wealth effects and weak employment prospects. The gloomy outlook for the sector is confirmed by the lower retail sales growth in the first quarter of 2017.

Output in the **transport, storage and communications sector** edged lower due to weaker output in the real side of the economy, with output rising by only 0.4% in 2016 compared to 1.1% in 2015. Passenger and railway freight transport slowed over the year, while shipping at ports was adversely affected by the decline in international trade volumes.

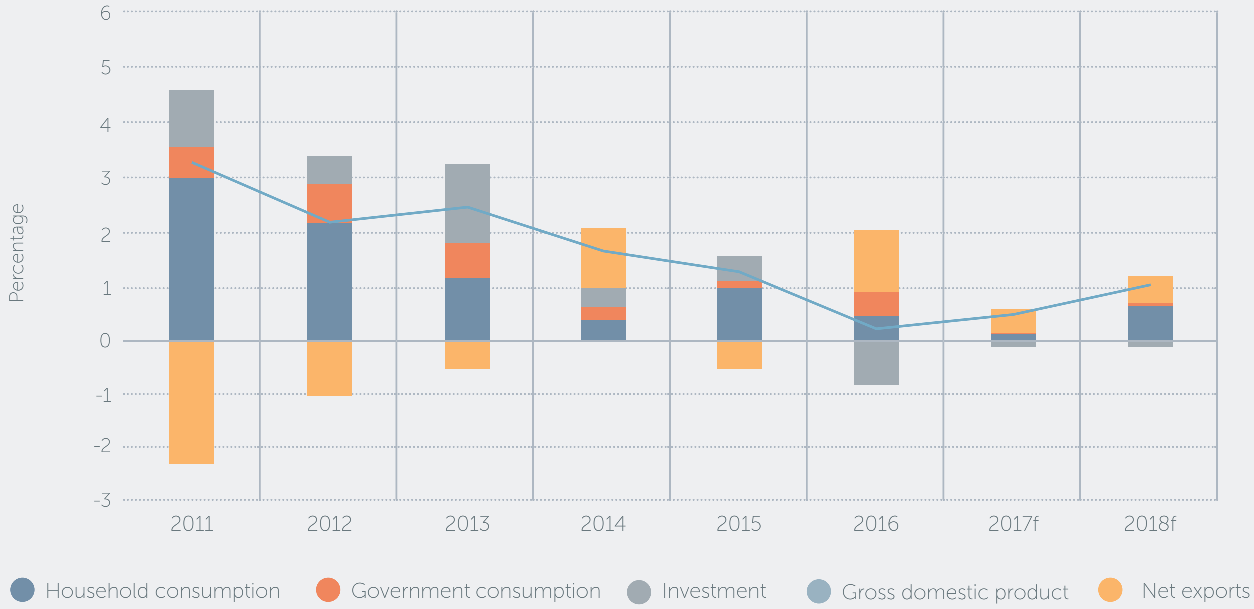
Activity in **general Government** increased to 1.4% in 2016 from 0.8% in the previous year. Output in the sector is likely to be restrained by the freezing of positions in Government and other efforts to reduce the workforce.

Looking at the expenditure side of the economy, **domestic demand** dwindled, with gross domestic expenditure (GDE) contracting by 0.7% in 2016, its lowest level since the 2009 financial crisis. **Household consumption** expenditure grew by 0.8% in 2016 from 1.7% in 2015 as spending on durable goods fell sharply (-7.3%), while spending on semi-durable and non-durable goods slowed. Higher inflation, an increase in debt service costs and low wage growth negatively affected consumer confidence and turned their willingness to spend. In contrast, growth in Government expenditure rose to 2.0% in 2016 from 0.5% in the preceding year.

Growth in **gross fixed-capital formation** declined by 3.9% in 2016 (2015: 2.3%) due to a contraction in investment by the private sector and public corporations. Private sector investment fell by 6.0% in 2016 owing to increased political uncertainty, low business confidence and sluggish economic performance. The contraction also reflected lower investment in renewable energy projects by independent producers. Investment by public corporations was negatively affected by Transnet postponing some of its capital projects and Eskom's major projects approaching completion. Growth in investment by general Government decreased significantly to 1.1% in 2016 (2015: 13.4%) due to lower spending on social and economic infrastructure by municipalities. We expect growth in gross fixed-capital formation to contract in 2017 and 2018 on the back of weak business confidence and heightened political risks. The impact of the credit ratings downgrades has resulted in some pressure on funding costs for projects, and higher funding costs may well serve to constrain the viability of potential projects, further weighing on the investment demand outlook. Investment by general Government will be constrained by spending cuts and prioritisation, while investment by SOEs will be held back by weak balance sheets and higher borrowing costs.

South Africa recorded a **trade surplus** of R15 billion in 2016 following a deficit of R38 billion in 2015, underpinned by a recovery in global demand and higher prices of several locally-produced commodities. This was the first annual surplus since 2011. Exports rose by 6.4%, with mining and manufacturing exports increasing. This also reflected higher shipment of goods to Europe, Asia and the rest of the African continent. The value of imports grew by 1.2%, depicting subdued domestic demand, evidenced by contracting import volumes for most of 2016. The improvement in the trade account, combined with a narrowing in the deficit of the services, income and current transfer account, resulted in the **current account deficit** reducing to 3.3% of GDP in 2016 (2015: -4.4%). Looking ahead to 2017 and 2018, we anticipate export growth to be supported by stronger growth in EM economies and renewed impetus in AEs, a competitive rand and firm commodity prices. The downside risk to export growth stems from the possible implementation of protectionist policies in the US and other economies responding similarly. Import growth is anticipated to be restrained by lower consumer and investment spending and a projected weaker rand.

Demand-side Contribution to GDP



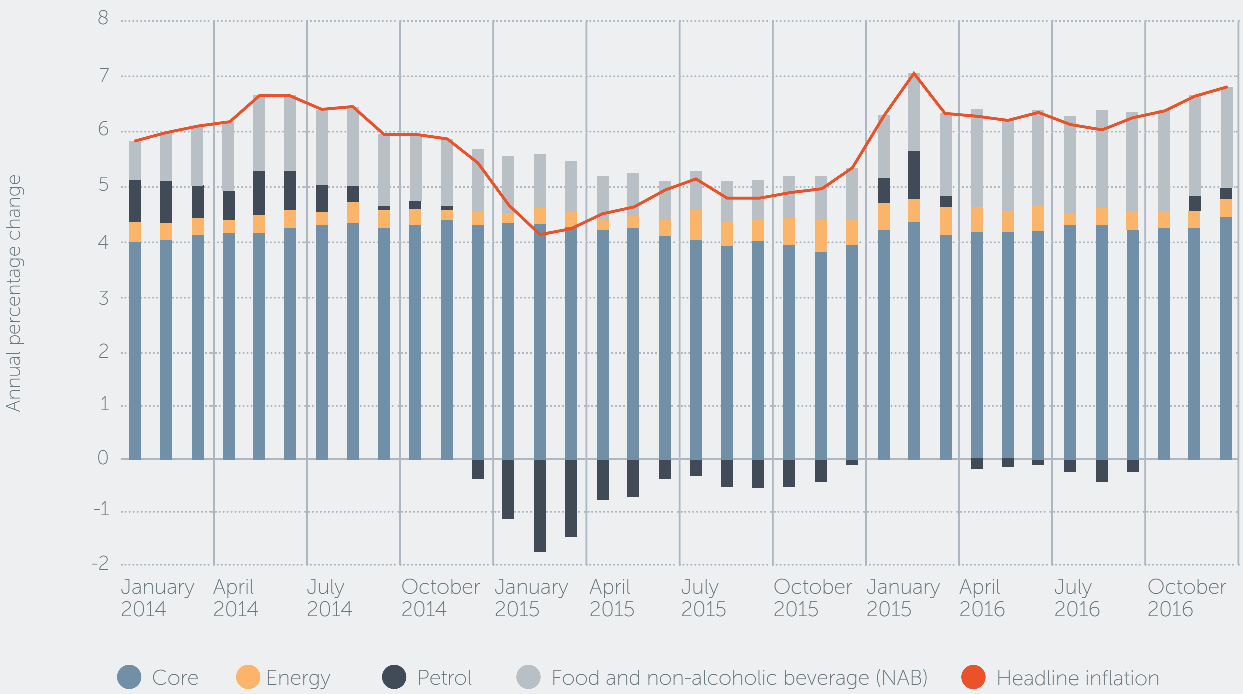
Source: *SARB, STATS SA*

Overall, we expect economic growth to remain modest over the medium term, rising from 0.3% in 2015 to 0.5% and 1.1% in 2017 and 2018, respectively. Unless the implementation of structural reforms are fast-tracked, South Africa will remain in a low-growth environment for longer. Currently, potential growth is 1.1%, much lower than a growth rate of over 5%, envisaged in the NDP by 2030. An area in which Government has made notable progress with regard to the **structural reforms**, is labour relations. Earlier in the year, the Government adopted the National Minimum Wage (set at R20 per hour), which will be implemented in May 2018. This is aimed at helping reduce the prevailing inequalities and poverty in the country. The Government also launched Invest SA, to encourage and facilitate investment into South Africa and provide after-care services to investors. More work needs to be done in reducing policy uncertainty and improving governance at SOEs.

Against a backdrop of sustained low economic growth and increased political and policy uncertainty, the **unemployment rate** came in at 26.5% in the fourth quarter of 2016, marginally lower than 27.1% in the third quarter. Youth unemployment remains above 50%. In order to reduce unemployment and achieve inclusive growth, South Africa should, in the near-term, invest in and incentivise labour-intensive industries (agriculture, tourism, retail and wholesale trade, and construction). At the same time, up-skill and train low-skilled labourers in order to meet the rising demand for skilled workers in the economy and set the economy on a higher growth trajectory. Reforms are also needed in the education sector, with an emphasis on the quality of education outcomes.

Headline consumer inflation remained above the upper end of the inflation target for most of 2016, averaging 6.4% from 4.6% in the previous year. Inflation was mainly driven by exogenous factors (the drought-induced surge in agricultural prices and a weaker rand) and unfavourable base effects in transport prices. Food inflation accelerated to 10.8% in 2016 from 5.1% in 2015, reflecting higher, double-digit growth in prices of bread and cereals, fruits, vegetables and oils and fats. The price of Brent crude oil decreased to USD44/bbl. in 2016 from an average of USD52 in 2015 due to market oversupply and high inventory levels. Core inflation remained relatively steady at 5.6% in 2016 (2015: 5.5%) and has receded to 4.8% by mid 2017, reflecting a lack of demand pressures. In response to high inflationary pressures, the **Reserve Bank** raised interest rates by a cumulative 75 basis points to 7% by year-end. However, given favourable inflation outcomes in the first half of 2017 and lower inflation projected over the next 12 months, the Reserve Bank cut the repo rate by 25 basis points to 6.75% in July 2017.

Headline Inflation and Selected Components



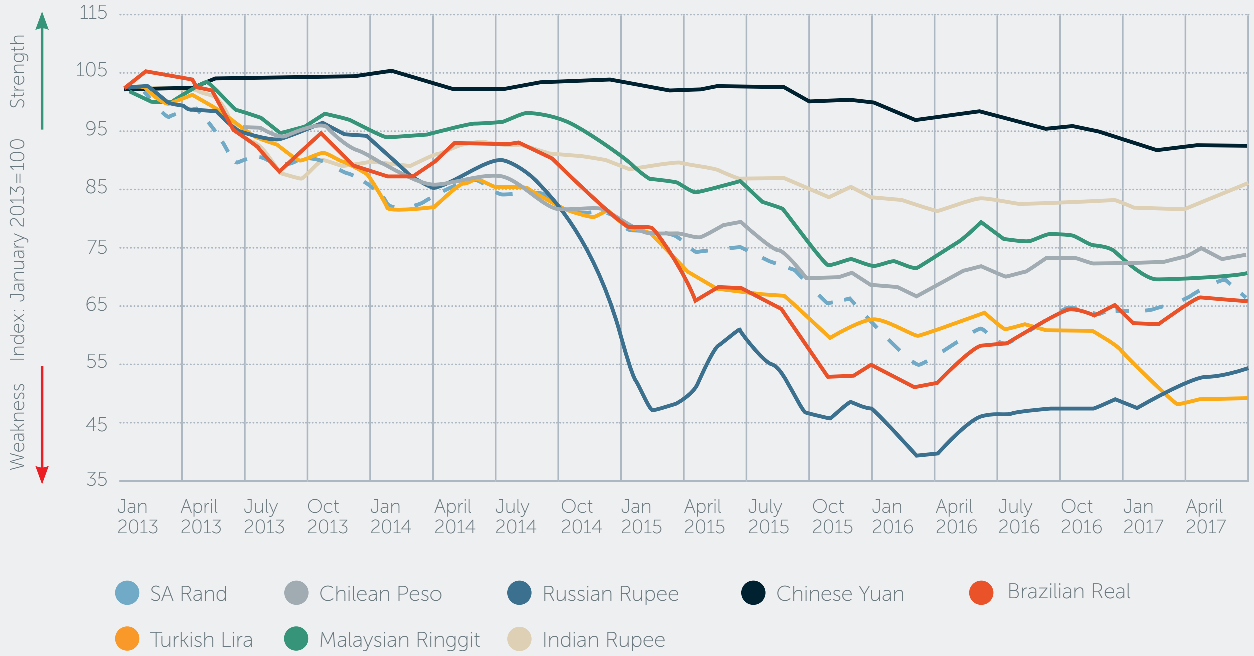
***Source:** STATS SA*

The inflation outlook has improved over the medium term, with inflation expected to average 5.5% in 2017 due to less rand depreciation and lower exchange rate pass-through, deceleration in food inflation and a lower electricity price assumption. However, potential rand volatility and higher than expected electricity price increases pose upside risks to inflation. Following the unexpected rate cut in the July meeting, we now anticipate the Reserve Bank to lower rates further by a cumulative 50 basis points in November and January 2018, in order to utilise the finite window of opportunity before base effect declines in inflation are worked out.

After touching R16.79/USD at the start of 2016, the rand gradually appreciated to close the year at R13.74. The currency averaged R14.72/USD in 2016, 14.8% weaker than in 2015. Globally, the expectations of, and the eventual tightening of monetary policy in the US, the decision of the UK to leave the European Union and the US presidential election weighed on EM currencies, including the rand. Domestically, increased political uncertainty, credit rating downgrades and disappointing growth outcomes contributed to the increased volatility in the rand. However, improvement in South Africa's terms of trade, recovery in commodity prices and a solid Medium-term Budget Policy Statement supported the rand in the second half of 2016.

The rand has continued to strengthen in 2017, stronger than market expectations, driven by the global search for yield and benign risk perceptions discussed above. However, we expect the rand to weaken from current levels and to average R13.34/USD in 2017. This view is premised on an expectation of one more rate hike from the Fed and implementation of a balance sheet reduction, resulting

EM Currencies



***Source:** Bloomberg, PIC Research*

in a stronger US dollar. Local idiosyncratic risks include the prospects for further credit rating downgrades and heightened political risks ahead of the ANC leadership conference, and the commensurate volatility of capital flows associated with such risks.

Following the Cabinet reshuffle in March 2017, **rating agencies**, Standard and Poor's (S&P) and Fitch, lowered South Africa's sovereign credit ratings as they believed that the reshuffle posed risks to policy continuity, Government contingent liabilities, public finances and governance standards. The ratings agencies' views are that these risks are deemed likely to weaken economic growth and result in fiscal slippage. Fitch downgraded both local and foreign currency rating to sub-investment grade and placed South Africa on a stable outlook. S&P cut the foreign currency rating to sub-investment grade and the local rating one notch above sub-investment grade. The agency placed South Africa on a negative outlook, with prospects for further downgrades if the political risks worsen. After placing us on review for a downgrade, Moody's lowered South's Africa's longer term foreign and domestic ratings to Baa3 (BBB-equivalent) from Baa2 on 9 June 2017. This is now one notch above sub-investment grade. The downgrade was mainly due to a weakening institutional framework, lower growth prospects and rising public debt and contingent liabilities. Of concern is the fact that Moody's has also maintained a negative outlook implying that further downgrades are likely in the event that conditions continue to worsen. The outlook for ratings remains negative, and the risks for further downgrades in the first half of 2018 have increased:

- Following the recent downgrades, growth outcomes have been lowered, and this may result in unintended fiscal slippage.
- Substantial spending cuts may be difficult ahead of the 2019 national election.
- Risks for fiscal deterioration as the public sector wage negotiations are planned for 2018.
- There has been little progress on SOC reform, and their financial position remains weak.

Synopsis

The local backdrop remains strained by low levels of confidence premised on policy and economic uncertainty. This has served to constrain levels of economic activity and investment, and acts as a negative feedback look in the medium term.

Domestic idiosyncratic risks are real and may have dire ramifications should they result in heightened investor nervousness and a slowing if not a reversal of capital inflows, vital to the funding of South Africa's twin deficits.

For now, monetary policy remains well calibrated and somewhat accommodative, while debt sustainability issues will hamper the ability to provide any fiscal impetus to the economy. Despite some cyclical uplift from global tailwinds, potential growth remains low and may only be alleviated by deep structural reform across various sectors of the economy.

Structural reform is not a quick fix, but rather a long-term commitment likely to only yield results in the fullness of time. Interventions need to balance the need for 'quick wins' in boosting growth and the labour-absorptive capacity for unskilled labour in the short-term, with a longer term focus on upskilling the labour force to improve productivity and competitiveness in the longer term. It is imperative that these interventions, and initiating structural reforms, occur now in order to build and sustain a better socio-economic trajectory into the future.

Structural reform is not a quick fix, but rather a long-term commitment likely to only yield results in the fullness of time.

Listed Investments Portfolio

The contribution of Listed Investments towards the PIC's vision, "To be the leader in developmental investing for sustainable financial prosperity of our stakeholders", is made through the following:

- Alignment with the NDP, focusing specifically on SOE infrastructure projects;
- ESG integration across investment processes (direct engagement and active proxy voting);
- External Manager Programme for growing sustainable black-owned asset management businesses; and
- Adoption of B-BBEE in all aspects of our business.

Divisional Highlights for the 2016/17 Financial Year

- Approved R23.9 billion in allocations to BEE fund managers after the successful completion of domestic Request for Proposals (RFPs);
- Significant allocations for programmes on the African continent – both through direct investments and external managers' strategies;
- Continued support for black stockbroking businesses through internal trading processes and by mandating external managers;
- Supporting the role of SOEs in the South African economy as per the NDP and in accordance with client mandates; and
- Enhancement of quality research portal on the Top 40 companies listed on the JSE.

Key Achievements

Notable transactions concluded during the 2016/17 financial year:

- The Listed Equities team acted in the interest of shareholders by opposing the takeover of Shoprite by Steinhoff, which, the PIC believed would have been detrimental to shareholders.
- On the African continent, the PIC undertook a strategic investment in KENGEN. The company is expected to benefit from the strong domestic growth and contribute to the generation of renewable energy using naturally generated steam.
- Recognising the essential contribution of SOEs to economic development, the PIC has contributed significantly to SOE funding requirements by investing in bonds, mainly through public auctions and a few private placements. During the previous financial year, the Investment Committee of the PIC gave approval for the Fixed Income team to invest in a R20 billion private placement with Eskom, of which the last payment was made on 18 July 2016.
- The Externally Managed Funds team advertised an open tender, inviting suitably qualified B-BBEE service providers, both developmental and established, to submit proposals for asset management services across various local asset classes in the 2016/17 financial year. Tenderers that

Recognising the essential contribution of SOEs to economic development, the PIC has contributed significantly to SOE funding requirements by investing in bonds, mainly through public auctions and a few private placements.

successfully met the criteria were placed on a database of service providers, and a subset were selected to manage assets on behalf of PIC in the interim. It was a requirement for all businesses to be at least 51% black-owned, with additional criteria being black female ownership and black female management representation. Through the completion of this project, an amount of R23.9 billion was allocated to developmental and established managers across various asset classes, i.e. local equity, fixed income and hedge funds.

Divisional Performance against the PIC Corporate Plan

The performance of the Listed Investments Division was measured against the following key strategic objectives:

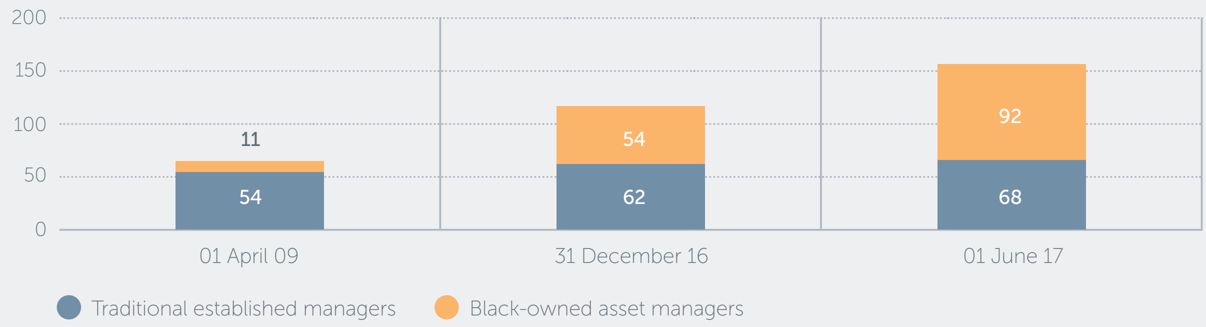
- The main objective was to deliver returns in excess of our client benchmarks, while complying with the clients' risk parameters. This goal was achieved for the 2016/2017 financial year.
- Growing the economy through listed investments in Africa (non-domestic) was achieved through allocations directly into the market, as well as the appointment of managers invested in Africa fixed income and equity strategies.
- The PIC aims to facilitate B-BBEE and skills development through our investment activities:
  - By allocating at least 50% of awarded assets to B-BBEE service providers, the Externally Management team has far exceeded this minimum requirement. In addition, at least 20% of the 50% should be allocated to developmental managers (owned by female asset managers), or people living with physical disabilities, or developmental managers with a 50% female representation at the management level. This was achieved.
  - A minimum of 55% of total brokerage paid to brokers certified at least on Level 1 - 4 BEE rating, based on the new B-BBEE Codes, 51% ownership by HDIs and 30% management control by HDIs. This was achieved.

Portfolio Performance

The Listed Investments portfolio outperformed the composite index over the three-year period to 31 March 2017.

- The internal listed equities portfolio outperformed the benchmark. Performance has improved significantly on a risk-adjusted basis, due to portfolio positioning in key sectors.
- The internal listed property portfolio had an outstanding performance over this financial year, far outperforming its benchmark index (J253). For 2016/17, the portfolio returned 3.60% compared to the benchmark's 1.46%. The 36-month performance was affected by the 2014/15 period, which was the year of rebalancing the portfolio.
- Bond trading activity was mainly centred on RSA Government bonds during the period under review. In terms of performance, the fixed-income portfolios for our clients outperformed the mandated ALBI benchmark over a 36-month period.
- The largest challenge for the Fixed Income team was revisions to client mandates, which posed restrictions

PIC Externally Managed Assets



in terms of realigning the portfolio with the new benchmarks.

- The external manager composite continues to deliver positive active returns over the longer term periods, with the equity composite and listed property composite contributing to the client outcome.

Uncertainty in the global macro- and political landscape, as well as the possibility of a downgrade to our investment grade, posed challenges in making investment decisions during the period under review.

The eventual downgrade of the sovereign ratings reduced the ratings of listed companies that have a large exposure to the South African economy. This placed pressure on the share prices of local retailers, banks and industrial companies, despite trading at discounts to their intrinsic values.

Our goal remains to deliver sustainable equity returns for our clients over the medium to long-term. The PIC recognises that events beyond our control occur periodically and if these fundamentally change the outlook for our investments, we make appropriate interventions. Our approach to unexpected 'negative events' is to look for opportunities to buy more of certain stocks if prices get cheaper.

Divisional Contribution to B-BBEE and Transformation

Brokerage

The PIC shares the general concerns about the slow pace of transformation in the financial services sector and therefore stipulated that at least 40% of the total fixed-income brokerage allocation be channelled to brokers whose BEE credentials are in line with the PIC's requirements.

To this extent, the PIC Fixed Income team exceeded the PIC's requirement by channelling 87% of brokerage payments to firms with a Level 3 or better BEE rating. The PIC Fixed Income team will continue to encourage counterparties in the market to promote economic and social transformation, and will continue to ensure that entities adhere to such.

Regarding equity brokerage, over the last three financial years we have increased the percentage of brokerage spend to BEE brokers from 40.9% in the 2014/15 financial year to 56.6% during 2016/17, with the intention to improve this over the medium term.

External managers are mandated to allocate at least 40% of brokerage spend to black-owned brokerage firms. All managers have met this minimum criteria.

Emerging B-BBEE Managers Developmental Programme

The B-BBEE Developmental Asset Manager Programme commenced in 2009 with the purpose of transforming the asset management industry and increasing the participation of black investment professionals in the industry. This was to be given effect through allocations to black asset managers and holding traditional established firms accountable to transformation targets within their businesses.

At that stage, R64 billion was invested across 18 mandates, with seven of those managed by black-owned firms. Over 80% of assets were allocated to traditional established firms across listed equities and listed properties funds.

By December 2016, these assets had grown to R116 billion through market movement, as well as additional allocations by the PIC. The number of mandates remained at 18, but 14 were now fully managed by black-owned firms. Eleven of the black-owned firms started in the PIC Developmental Manager Incubation Programme, where PIC's support had enabled them to grow into sustainable, established businesses in the South African asset management landscape.

Over R30 billion was allocated to black asset managers in the 2016/17 financial year, R23.9 billion of which was the successful conclusion of the RFP process. As at 1 June 2017, 57.4% of externalised assets are managed by black-owned firms.

In the 2016/17 financial year, the PIC allocated the first fixed-income mandates to external managers.

Contributing to Job Creation

Since the inception of the B-BBEE Developmental Asset Manager Programme, the PIC's initiatives have had a positive impact on creating jobs in the asset management industry. Employment opportunities were created within these firms, and skills development programmes are being run by certain managers.

Equally, the PIC's continuous participation in rights issues to support the expansion of businesses, contributes to job creation across different sectors of the economy. For example, the following of our rights on PPC and Lonmin preserved large numbers of jobs at these companies.

The Listed Equities team invested in numerous Special Purpose Acquisition Company (SPAC) listings that have community and business development initiatives that will facilitate employment in the respective industries.

By increasing the brokerage paid to BEE brokers, the PIC contributes to the creation of stronger BEE brokers where more jobs in equity trading and research are created.

Outlook

The PIC team believes that the slowdown in the macroeconomic environment, with the recent downgrade in the foreign currency investment grading of South Africa, will be headwinds to investment returns on the JSE. This could result in a total return of approximately 7% over the next 12 months.

The listed properties sector should, however, on average be insulated from anticipated slower growth as leases in the sector are long-term in nature, and the average rental escalations are still, on average, above inflation. The sector should also be protected from interest rate risks as current loan-to-values in the sector average around 30% and more than 85% of the debt is fixed.

The JSE is trading at a premium to its ten-year average P/E ratio, and therefore stock selection would be key to excess returns.

The Listed Investment team will continue to focus on adding value by outperforming the client benchmarks in terms of their risk and return objectives. The Listed Equity Research team aims to enhance the coverage of Top 60 companies, while the team will be making selective investments into the Rest of Africa and lay the foundations for building our capability to invest into the global equity markets.

The Externally Managed Assets team continues to focus its key strategic initiatives on the allocation of capital to achieve both client goals of alpha generation and transformation of the financial services sector.

Fixed-Income Market Overview

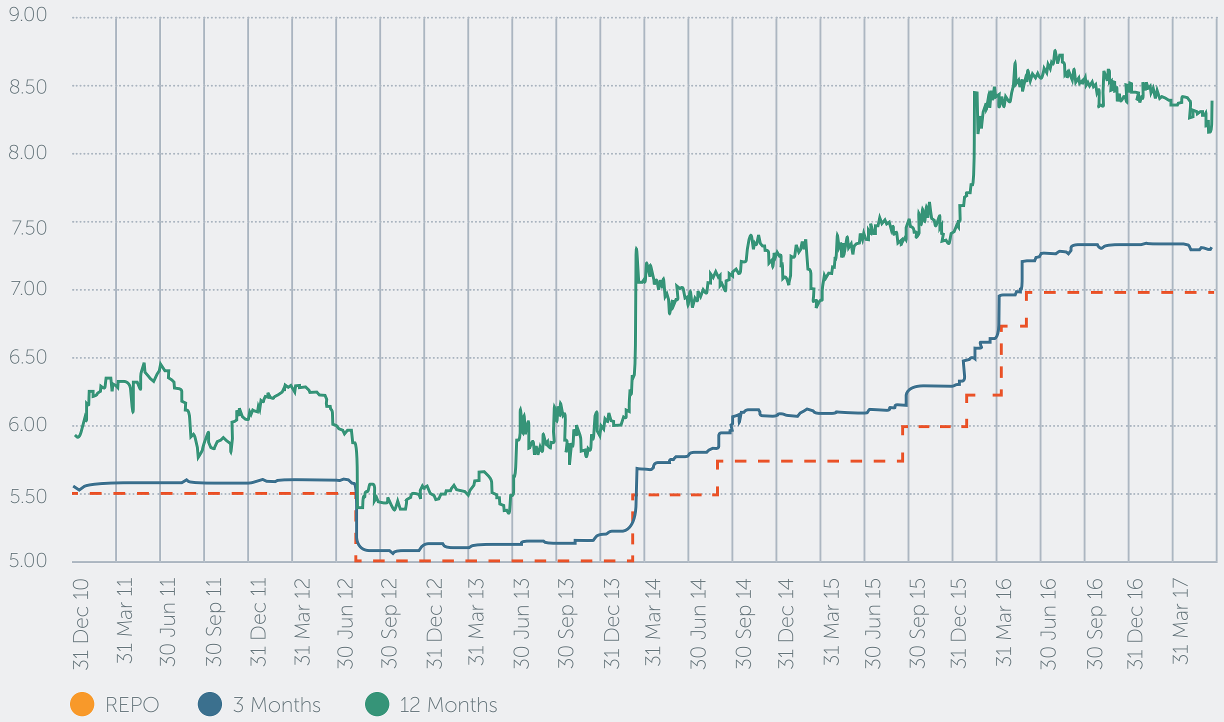
In December 2016, the South African Reserve Bank's Monetary Policy Committee highlighted that it was the end of the hiking cycle and kept the repo rate steady at 7%. Pass-through pressures from the rand weakness remained a key concern for the near-term inflation outlook. A persistent improvement in the inflation trajectory was cited as a requirement before cutting rates was considered. The 2016/17 financial year was not inspiring for Money Market investments, as reflected by a return of only 7.54% during the period under review.

The three months' Johannesburg Interbank Average Rate (JIBAR) was steady at 7.35% for most of the period, while the 12 months' JIBAR experienced some volatility, trading as high as 8.80% during May 2016 and as low as 8.20% towards the end of the financial year. The spread between the three and 12 months' JIBAR rates were also volatile throughout the period under review, due to short-term rates repricing on sovereign credit downgrade outcomes.

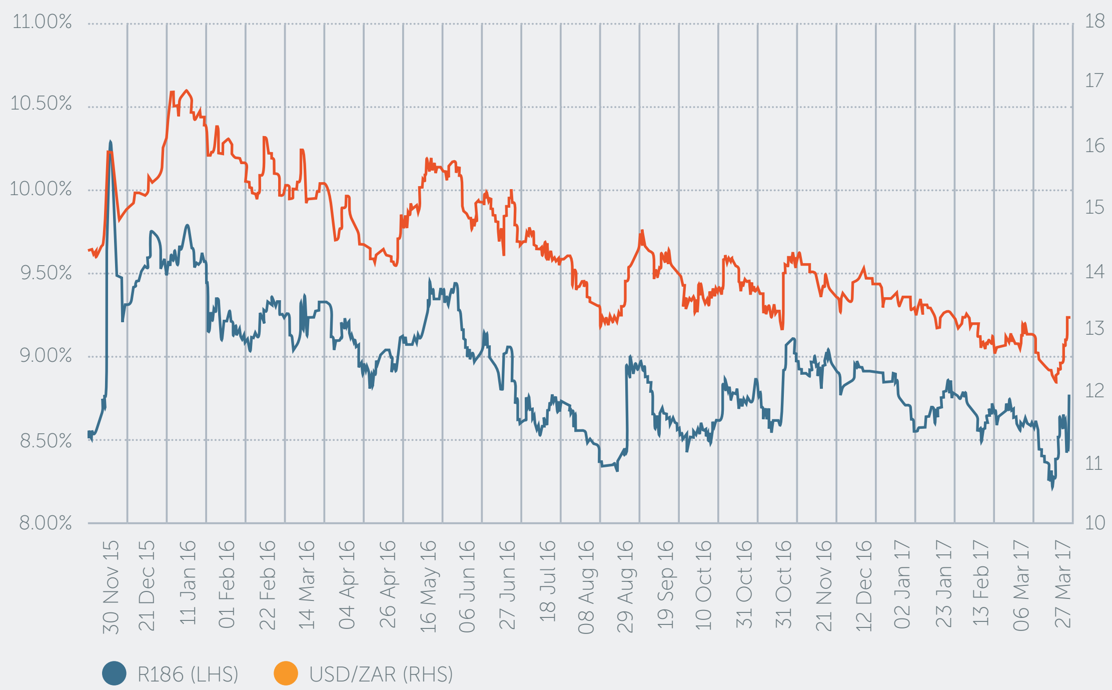
The domestic bond market experienced a far more uncertain trajectory in so far as returns were concerned, this mainly being due to political uncertainties in the domestic economy. The benchmark bond R186 (maturing 2016) started the year trading at 9.00%, but then weakened sharply thereafter to trade as high as 9.47% at the end of May 2016, only to regain strength and to trade as low as 8.44% during August 2016.

EMs saw renewed foreign investors acquiring bonds in search of higher yields. South African Government Bonds and the rand were notable beneficiaries from this carry trade. However, bonds lost some ground towards the end of Q1 2017 on heightened domestic political uncertainties and subsequent credit rating downgrades. SOE credit spreads widened significantly in response to the credit rating adjustments, implying higher funding costs for them and that accessing both domestic and global debt markets for funding would not only be more costly, but potentially more difficult for SOEs.

Money Market Yield Curve



Correlation between RSA Benchmark Bond (R186) and USD/ZAR Exchange



The PIC Fixed Income team will continue to encourage counterparties in the market to promote economic and social transformation.

Impact Investing for Inclusive Growth

The role of SOEs in the South African economy is crucial to achieving Government's developmental objectives as set out in the NDP, especially in light of a shortage of key infrastructure relating to electricity, transport, ports and rail technologies. SOE infrastructure projects, such as those undertaken by Eskom, Transnet and SANRAL undoubtedly have positive spill-over effects for the South African economy. To achieve these objectives, SOEs have huge funding requirements from domestic and international capital markets. SOEs present large investment opportunities for investors, but face a number of unique risks that should not be discounted. In the last year, the ability of SOEs to raise funding became increasingly difficult amid credit rating jitters. Local investors continued to shy away from participating in SOE public auctions. Specific governance concerns in some SOEs translated into investors being reluctant to buy SOE paper.

Notwithstanding operational challenges affecting the generation of sustainable revenue from SOEs, corporate governance in SOEs also needs to be improved through promoting transparency, efficiency and effectiveness.

Recognising the essential contribution by SOEs towards economic development, the PIC has contributed immensely to the SOE funding requirements by investing in their bonds, mainly through public auctions and a few private placements. During the previous financial year (2015/16), the Investment Committee of the PIC gave approval for the Fixed Income team to invest in a R20 billion private placement with Eskom, of which the last payment was made on 18 July 2016.

Investing in SOE debt has not only helped the PIC to fulfil the broader objectives of sustainable investment returns - generating alpha return for clients - but also made the PIC an effective enabler to assist in achieving Government's developmental objectives.

Fixed Income Brokerage

The PIC Fixed Income team will continue to encourage counterparties in the market to promote economic and social transformation, and will continue to ensure that entities adhering to such recommendations are appropriately incentivised and reimbursed through brokerage.

Trading and Performance

Bond trading activity was mainly centered on RSA Government bonds during the period under review. In terms of performance, the fixed-income portfolios for our clients outperformed the mandated ALBI benchmark over a 36-month period. The biggest challenge for the Fixed Income team was revisions to clients' mandates, which necessitated the liquidation of some asset classes and, more specifically, certain bonds, of which the proceeds generated will be reinvested in different asset classes and/or bonds.

Unlisted Investments Portfolio

Impact Investing Portfolio

In terms of the Impact Investing mandate concluded with the GEPF, UIF, CC and the CP, the PIC may invest in projects which yield satisfactory financial returns and have a positive socio-economic impact. In order to meet these twin objectives, investments need to be made in new enterprises or in existing enterprises seeking to increase its productive capacity. These mandates allow for the PIC to make investments in economic and social infrastructure, SMEs and projects in labour-intensive sectors such as manufacturing, agriculture, agro-processing and beneficiation.

There are certain core principles embedded in executing the Impact Investing mandate concluded with clients. These principles are summarised below:

- Investments should generate commercial returns, whilst having positive social outcomes;
- ESG principles are embedded in investment decision-making process;
- The PIC should act as a catalyst in stimulating investment from other institutions (public and private) in the targeted sectors, whilst embracing a similar investment philosophy;
- The investment portfolio should be diversified across the various pillars mentioned above, and
- Impact must be measured and reported to promote transparency and accountability.

Highlights for the Financial Year

Investment Activity

The level of investment activity (new approvals) dropped by 53% from R29.31 billion in the 2016 financial year to R13.83 billion in the current financial year. This decrease is attributable mainly to the R55 billion allocation for impact investing by the GEPF being made only in November 2016. Disbursements, including in respect of approvals concluded in the 2015/16 financial year, amounted to R11.2 billion compared to R13.1 billion of the prior financial year. The value of the portfolio increased by 79% to R40.89 billion.

In October 2016, the GEPF approved an allocation of R55 billion for impact investing in South Africa and the rest of the African continent. Included in the R55 billion is an allocation of R5.5 billion to the Fund of Funds which will enable the Fund of Funds team to implement its strategy of developing, supporting and increasing the participation of black fund managers in South Africa (and African nationals in the Rest of Africa).

The PIC acts as a catalyst in stimulating investment from other institutions (public and private) in the targeted sectors, whilst embracing a similar investment philosophy.

Notable Transactions Concluded

Investments span different parts of the economy and will continue to play an integral part in how we plan to expand our client portfolio by 2030. Below are some of the notable transactions approved for the period under review:

Kefolile Health Investments Proprietary Limited (Kefolile)

Kefolile is a black-owned company that will invest in the healthcare and consumer goods sectors. The PIC approved an investment of R1.775 billion to fund Kefolile to acquire equity in Ascendis Health Limited (Ascendis) and Bounty Brands Proprietary Limited (Bounty Brands). Both companies are majority held by Coast 2 Coast Proprietary Limited (C2C), an investment holdings company with over R5 billion in value.

Resultant Finance (Pty) Ltd

The PIC approved R1.7 billion funding to Resultant Finance (Pty) Ltd (Resultant) to fulfil asset rental contracts with their clients. Resultant is an asset rental company that rents mainly IT, yellow metal and medical equipment to blue chip companies, as well as public sector entities.

Industrial Development Corporation

The PIC approved a debt funding package of R5 billion to Industrial Development Corporation, aimed at facilitating job creation and preservation, particularly in distressed sectors through subscription in the unlisted, unrated, privately placed Bond Programme.

Export Trading Group (ETG)

The PIC approved an investment of USD196 million for a 49% equity stake in ETG Input Holdings (EIHL), a subsidiary of the Export Trading Group (ETG). ETG imports and exports soft commodities such as fertiliser, grains, sesame, cashew, cotton, oilseeds, edible nuts, spices, sugar and rice to a number of African countries, including Tanzania, Kenya, Malawi, Mozambique, Nigeria and South Africa. It also has chain operations in China, India, America, the Middle East and South East Asia; merchandising desks in Europe; and treasury companies in Singapore, Mauritius and Dubai. With its presence in over 42 countries worldwide and present in 22 countries in the African continent, ETG has been identified as a strategic partner that the PIC will use to identify and execute investment opportunities in South Africa and the rest of the African continent.

SA Small and Medium Enterprise Fund

The PIC approved a R500 million equity funding commitment to the SA SME Fund (the Fund). The Fund is a private sector-led initiative with joint effort from Government. The Fund has already received commitments of approximately R1.5 billion. Committed investors have already paid the required upfront 10% contribution of their commitment. The Fund will build a high-quality mentorship base to provide business and other forms of support to SMEs and entrepreneurs funded by it. The Fund seeks to provide equity funding to funds in order to invest in high-impact SMEs.

Divisional Performance Against Set Goals

The Impact Investing Division's goals comprise of a mix of financial and social developmental goals. Financially, the division continues to focus on ensuring that our investments move through the J-Curve seamlessly and efficiently. The early-stage nature of our investments has been a drag on our Internal Rate of Return (IRR), but despite this, our investments are performing in line with our expectations.

We continue to invest in projects that yield not only good financial returns, but also support positive, long-term economic, social and environmental outcomes, and transformation in South Africa and the Rest of the African continent.

Portfolio Performance

Investments in new enterprises or projects typically have a J-Curve shape because in its early stages the projects will have high fixed costs, whilst gradually increasing its revenues. Consequently, returns (blended return of debt and equity) on investments considered over the last three years have been low.

The lower return on investments of less than three years is attributable to the following main factors:

- Projects financed are in its infancy stage with low, but growing revenues and profits. As they reach a more mature stage, both revenues and profits grow and, consequently, the value of the portfolio will grow. This is typically referred to as the J-Curve effect in private equity parlance.

- Some investments were impaired because of macroeconomic factors peculiar to certain sectors, such as those in agri- and agro-processing, poultry, transport and logistics.
- Given the early stage of investments, accounting standards require that no upward adjustment be made to investment values which are less than 12 months old or are under construction. These investments are required to be maintained at cost.

The approval of the impact investing allocation by GEPF seven months into the financial year resulted in the PIC having only five months to execute and conclude transactions and meet 2016/17 targets. Furthermore, in respect of energy investments there were delays in signing of Power Purchase Agreements (PPAs) for projects in the sector. The effect is that projects that had been approved could not reach financial closure and projects that had been bidding have still not been awarded.

The shorter time frame within which to conclude transactions resulted in the Impact Investing Division not meeting the 2016/17 investment targets.

In future, the division will diversify off-taker risk and look at alternative buyers where possible.

Contribution to BEE and Transformation

The minimum BEE ownership requirement at company project level for renewable energy projects is 20%. The minimum participation level for community trusts is 2.5%. These levels have been met across all investments.

Outlook

The investment environment for impact investing is expected to be challenging following the downgrade of South Africa's credit rating, with domestic consumers continuing to be under increased pressure.

It can be expected that investments in other African countries that are not dependent on oil will increase. Such anticipated investments will be supported by the growing population numbers and rising middle-class figures.

A recovery in the domestic agriculture sector is anticipated. We will closely focus on potential partnerships with the private sector on enterprise and supplier development. A revival in the energy sector is expected, and we anticipate that the projects that have been awarded preferred bidder status will reach financial close by March 2018. Updating of the Integrated Resource Plan will assist in providing policy direction to the energy requirements for the country and determine when and how much additional energy will need to be procured. However, a continued decline in the economy may mean investments in energy may be pushed further out.

Focusing Ahead

Some priority areas include:

- Black industrialisation;
- SME/Entrepreneurship – the PIC will look to partner with existing investee companies who have the infrastructure to provide training, mentoring, as well as other non-financial support to SMEs. High job creation businesses will also be a focal point of SME investments;
- Partnerships with the private sector on enterprise and supplier development. The PIC will continue to look at unlocking SME opportunities that have arisen as a result of preferential procurement, enterprise and supplier development programmes and those facilitating job creation;
- The focus on the energy sector will be in closing projects that have been awarded preferred bidder status, in both the renewable energy and coal sectors;
- Scaling up delivery of education and housing products to the GEPF Members; and
- Partnerships with Development Finance Institutions (DFIs) to accelerate impact investing outcomes.

CASE STUDY

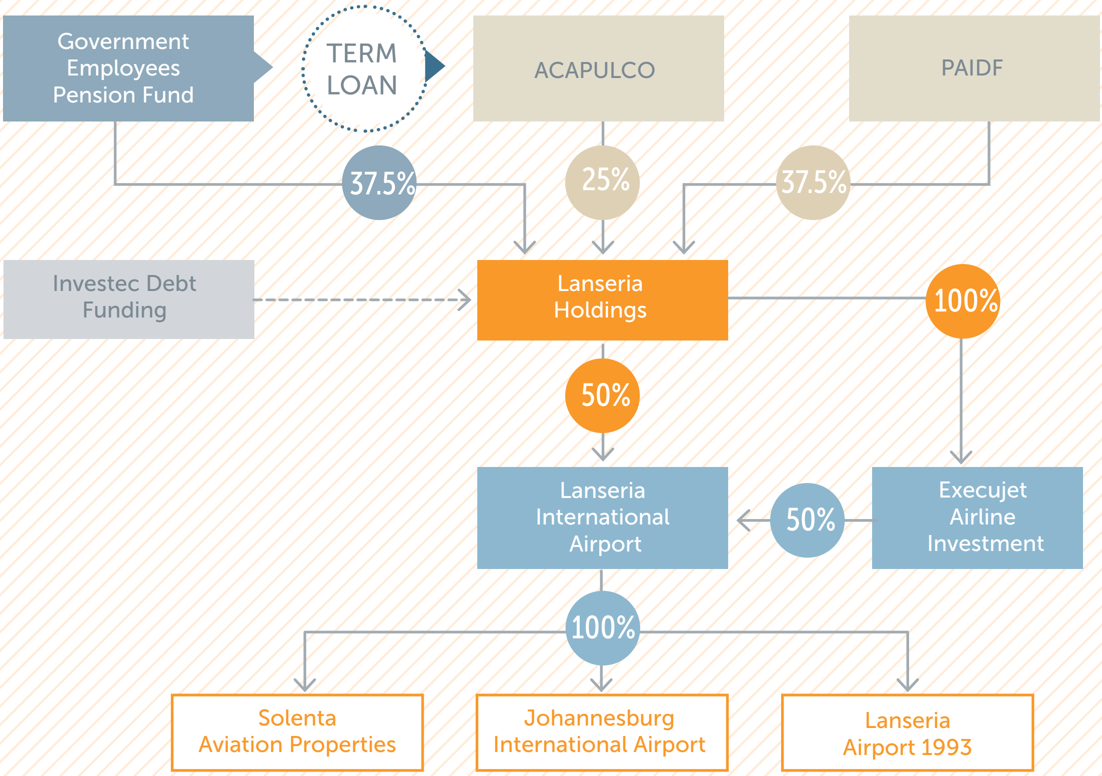
LANSERIA INTERNATIONAL AIRPORT

Geographically, the Lanseria International Airport (LIA) is strategically located and in close proximity to Johannesburg, Pretoria and Krugersdorp. It is the second largest airport in the Gauteng province after Oliver Reginald Tambo International Airport. In terms of passenger numbers, Lanseria is the fifth largest airport in South Africa.

Lanseria was built in 1974 to serve as an alternative international airport in the Gauteng province. Strategically, the airport is located between the metropolitan cities of Johannesburg, Tshwane and Mogale, with easy access to the N14 national highway.

A Consortium comprising of the GEPF, the Pan Africa Infrastructure Development Fund (PAIDF) and Acapulco (a B-BBEE group) participated in the acquisition of 100% of the LIA in 2013. The airport shareholding structure is shown below.

Airport Shareholding Structure



LIA has grown substantially over the past five years, from an airport that catered primarily for small aircraft training schools and corporate chartered flights to a fully-fledged commercial air transport hub. It remains one of the busiest general aviation airports in South Africa in terms of aircraft movements with approximately 24,000 aircraft movements in 2016 and approximately 13,500 aircraft movements in 2017. It derives its revenue from mainly fuel sales, aviation and property rental.

In addition to its primary mandate, mentioned above, LIA has recently become the secondary base of operations in Gauteng for a number of airlines offering flights within South Africa, including Kulula, Mango and FlySafair. The majority of corporate aircrafts from Gauteng are either based at or operate from LIA.

Most overseas charter or corporate aircrafts en route to South Africa use Lanseria as a port of entry and temporary base for regional operations.

Business Model

Drivers:

- Key revenue drivers of the airport are twofold:
  - Volume of air traffic (air traffic movements), and
  - Volume of passengers.
- Revenue of the airport is divided into five streams;
  - Aviation (landing fees, aircraft parking, passenger levies);
  - Fuel and oil;
  - Property;
  - Air Traffic Navigation Services (ATNS); and
  - Sundries.

Capital Expenditure

Since acquiring the airport, the Consortium has carried out a number of capital expenditure projects to enhance the airport and to position it to take advantage of growth in the overall aviation industry. These include:

- Widening and lengthening of the main runway. This project is now fully operational.
- The new fire station and control tower projects have been completed and are now fully functional with all the relevant certifications.

There are currently two capex projects underway, namely Alpha taxiway intersections and the multi-storey parkade.

- Taxiway Alpha Repairs: The budget allocation is R16 million and Infracor has been appointed as main contractor. The project, thus far, has been progressing well without incidents or delays. Work includes repairs on A1, A2 and A4 runways. A1 runway has been completed and work has commenced on A2 runway.
- Multi-storey parkade: The project has commenced and has been divided into two phases:
  - Phase 1 - Removal of existing infrastructure, construction of raised road and pedestrian tunnel and bulk earthworks to create the platform. The contractor has been appointed and the project is progressing without incidents. The expected completion date is October 2017.
  - Phase 2 - Building the actual structure, which includes the construction of the building and all associated roadworks. The tender list has been finalised and the built programme is scheduled to start on 1 October 2017, with completion expected by the end of September 2018.

These enhancements will improve the LIA's capacity to take advantage of growth that is expected from increases in the number of domestic flights and passengers, as well as regional passengers and aircraft movements.

Conclusion

The original investment thesis for the LIA was that, as one of the larger privately owned infrastructure assets within South Africa, it presented a unique opportunity to acquire the airport and grow the airport infrastructure. It is expected that the growth potential of the airport will deliver a positive return to investors.

Growth is forecasted to continue and potentially accelerate, as more regional airlines begin to fly to LIA. It is also anticipated that more domestic airlines will begin to fly to more regional destinations. Due to the airport being strategically situated and because of its modern infrastructure, LIA has attracted a lot of business from privately owned aircraft and scheduled airlines.

CASE STUDY

EDULOAN*

The PIC, on behalf of its clients, the GEPF, the UIF and the CC, invested in Eduloan, a company that focuses exclusively on the provision of education finance and related activities to individuals.

LOANS TO OVER **30,000** PEOPLE

95% OF LOANS DESIGNATED TO **PREVIOUSLY DISADVANTAGED** INDIVIDUALS

60% ARE **WOMEN**

The target market is mostly those individuals who do not qualify for finance through the formal banking sector or the existing Government student aid scheme, the National Student Financial Aid Scheme (NSFAS).

Eduloan currently provides loans to over 30,000 people with a total of R443 million in disbursed amounts. 95% of these loans are designated to previously disadvantaged individuals, of which 60% are women.

Challenges with Student Finance

As at 2014, three million students attended fee-paying, basic education schools. More than 1.3 million students attended higher education institutions, where over 50% of students required some sort of financial aid, amounting to approximately R14 billion annually. This demand is expected to grow between 7.5% and 9.5% annually.

The current funding solutions in the market can be classified into three broad categories, namely:

- Bursaries;
- Government assistance through NSFAS; and
- Commercial banks.

NSFAS provides for students whose household income ranges from R13,000 to R16,000 per month and caters for other conditions. Commercial banks lend to individuals with good credit scores at high interest rates. Therefore, there is a category of students that do not qualify for NSFAS funding nor commercial bank loans, and these are commonly referred to as the "Missing Middle".

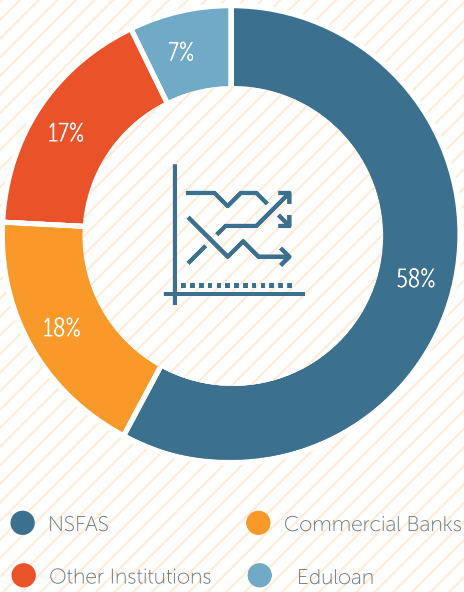
** Now known as Fundi.*

Background to Eduloan

Eduloan was established in 1996 and has, to date, provided loan finance of approximately R5 billion to more than 849,000 students, the majority being from historically disadvantaged backgrounds. Eduloan offers study loan solutions that cover not only course fees but additional expenses such as textbooks, registration fees and technology products like laptops, tablets and other equipment associated with academic studies. Eduloan has offices located on all major tertiary education campuses around the country and also offers fund and bursary administration solutions to assist students and bursars alike in effectively managing bursary funds, training funds, corporate social investment (CSI) funds, cashless payments and class attendance of students and learnership beneficiaries. The company is a Level 2 B-BBEE contributor.

Current market share of finance providers in this space are as follows:

Distribution of Market Share



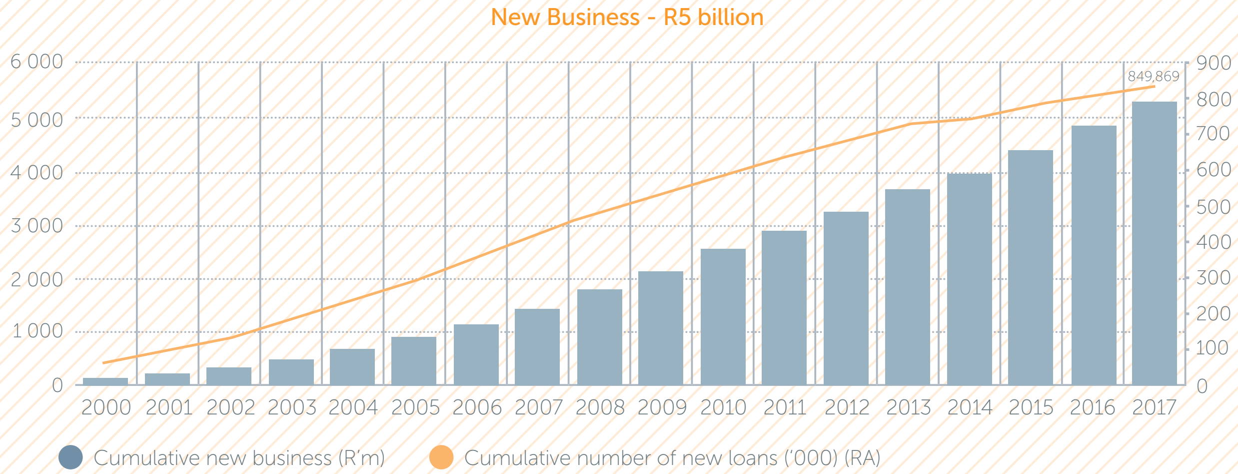
Eduloan offers study loan solutions that cover not only course fees but additional expenses such as textbooks, registration fees and technology products such as laptops, tablets and other equipment associated with academic studies.

PIC Intervention

Social Infrastructure is one of the investment areas which resides under the PIC's Impact Investing programmes. Social Infrastructure includes investments into Education, which covers the broad areas of building institutions of basic and higher education, building student accommodation and financing students. The PIC seeks to make education more accessible and more affordable through its investments. The issue of affordability typically affects the "Missing Middle" category, since they do not qualify for NSFAS nor commercial bank loans. Therefore, a partnership with Eduloan falls within the mandate of the PIC.

The PIC, on behalf of its clients, initially funded Eduloan through a loan in 2011. When the opportunity to take up equity in the business through the issue of new shares arose, the PIC subscribed to 40% equity in Eduloan and provided further loans on behalf of its clients. The total investment in Eduloan is R245 million. Using the average loan size of R12,000 when the investment was made, PIC funds were able to facilitate more than 20,000 student loans per annum.

Since PIC first invested in Eduloan, the business has doubled the number of new loans from approximately 400,000 to more than 800,000 cumulatively.



Results

As at June 2017, Eduloan had achieved the following:

- 30,288 active loans with a target of 42,678 active loans;
- R443 million value of loans outstanding;
- 95% of the loans to previously disadvantaged individuals over the rolling 12 months; and
- 60% of the loans to women.

Inclusive Growth

This investment has achieved inclusive growth as follows:

- Addresses access to education through funding the cost of education;
- Contributes to the affordability of education through lower than market interest rates (lower than commercial banks);
- Addresses the "Missing Middle" who cannot access funding for education;
- Promotes financial inclusion of previously disadvantaged individuals; and
- Promotes gender equality through funding women.

CASE STUDY

FUTUREGROWTH AGRI FUND

The PIC has invested R700 million (R200million – GEPF and R500million – UIF) in agricultural land, together with Old Mutual (R762 million) through a fund managed by Futuregrowth with the United Farmers Fund as fund advisor.

The Fund is aimed at providing investors with solid financial returns by investing in farmland and agricultural infrastructure, while at the same time creating jobs, alleviating poverty through rural economic development, empowerment of farm workers, and contributing to environmentally responsible farmland operations in South Africa. The Fund is set up as a limited liability partnership under the laws of the Republic of South Africa (*en commandite partnership*) with a limited lifespan of 10-12 years.

The Fund aims to identify underdeveloped farm land with the aim of developing this land by setting up the relevant infrastructure in line with a development plan agreed with a lessee who would then operate the farm. The lessee is charged a lease fee over the period of the lease, with the aim of the Fund selling the farm at a higher value after 12 years.

The Fund has invested in farms in the Northern Cape, Western Cape, Limpopo and KwaZulu-Natal as shown in the table below:

Farm Name	Hectares	Acquisition Date	Location	Primary Crop	Total Investment
Marble Hall	936	Dec-10	Limpopo	Citrus	121,000,000
Northern Cape Grape Farm	3,183	Aug-11	Northern Cape	Table grapes	151,000,000
Piketberg Investment	1,035	Nov-11	Western Cape	Deciduous fruit	73,000,000
Eshowe	714	Jan-14	KwaZulu-Natal	Citrus and bananas	88,000,000
Marble Hall Cash Crops	1,734	Oct-14	Limpopo	Cash crops (cotton, cauliflower etc.)	40,000,000
De Riviere	1,080	Aug-15	Western Cape	Citrus and table grapes	99,000,000
Bonathaba	780	Dec-15	Western Cape	Citrus and table grapes	101,000,000
Brandwacht	172	Oct-15	Western Cape	Table Grapes	29,000,000
Leeu-Gamka	3,145	Feb-17	Western Cape	Olives	50,000,000

Social Impact

As part of the lease fee, operators are required to provide healthcare and educational programmes through CareCross and Open Learning Group (OLG) to farm workers and their dependants. CareCross provides affordable primary care, which includes an HIV/AIDS disease management programme. Through OLG, the Fund provides adult basic education and training (ABET) (numeracy, financial literacy and basic computer skills), as well as life skills training, and provides extra packages to talented employees who are identified.

The table below outlines some of the key social impact indicators achieved:

Indicator	31-Mar-17	30-Jun-17
Healthcare		
Number of employees with access to prepaid primary Healthcare	482	622
Number of insured employees that visit the health service at least once a year	195	279
Number of employees with access to (any) HIV/AIDS services	2,603	2,328
Number of extended (farm-based) family members of employees with access to healthcare	2,280	1,944
Education		
Amount of money spent (by the Operator/Fund) on education of farm workers	R166,206	R581,892
Number of employees receiving ABET	80	86
Number of employees receiving basic agricultural education	1,076	1,212
Number of employees receiving management training	24	29
Number of (farm-based) children of employees with access to primary education	1,815	1,574
Number of (farm-based) children of employees with access to secondary education	1,775	1,534
Job Security and Labour Conditions		
Total number of employees	2,603	2,328
Number of employees with temporary contracts of six months or less	1,486	1,308
Number of employees with temporary contracts between 0.5 and one year	318	212
Number of employees with temporary contract longer than one year	799	808
Percentage of permanent employees with a salary of minimum wage or above	100%	100%
Percentage of seasonal employees with a salary of at least minimum wage or above	100%	100%
Amount of money spent on health and safety measures (e.g. protective clothing)	R438,091	R1,030,150
Food Security and Reduced Environmental Impact		
Total number (cartons) of (major) crops produced (annual basis)	3,465,423	3,469,533
Amount of money spent on environmental management system	R219,428	R264,043

CASE STUDY

STUDENT ACCOMMODATION

Investment in public infrastructure has impacted South Africa's economic development and population growth for more than three decades. The country's political legacy has been largely responsible for this, particularly with regard to infrastructure disparities in various areas.

A FIRST-YEAR STUDENT HAS A **40% CHANCE OF PASSING** IF THEY ARE **NOT ADEQUATELY HOUSED** BY THE UNIVERSITY

UNIVERSITY **THROUGH-PUT RATE** IN **SOUTH AFRICA = 18%**

UNIVERSITY **THROUGH-PUT RATE GLOBALLY= 25%**

In relation to student accommodation, the on-campus facilities at public institutions, specifically housing, has severely delayed the growth in enrolment, driven by a policy of universal access without matching capital budget allocations, particularly for on-campus residential purposes.

The influx of students that is increasingly representative of the economic profile of the average South African, has exacerbated the educational infrastructure challenges. The profile of students is currently that of a black individual from a low-income household and from a far-flung area (townships and rural towns) representing the hopes of the family and community as the first individual to attend a tertiary education institution.

Transport for these students to and from home to university is time-consuming, inconvenient, inadequate and prohibitively expensive. This has intensified the need for affordable accommodation in proximity to teaching facilities, which, for historical reasons, is generally in or close to the inner city.

According to research done by STAG African Property Development Group, a first-year student has a 40% chance of passing if they are not adequately housed by the university. This is particularly the case in non-urban universities, where students hail from rural communities and find it difficult to settle into studying while concentrating on basic needs such as housing. STAG also believes that the university through-put rate in South Africa, currently at 18% (global: 25%) can be improved to 23% with good accommodation.

Universities around the country have a shortage of student accommodation, mainly because of the massive investment needed to build and maintain student residences and the surge in the number of students attending tertiary institutions.

According to the Department of Higher Education's Ministerial Review of SA University Accommodation, less than 10% of first-year students can be accommodated. However, much of the available off-campus accommodation remains dilapidated, unhygienic and unsafe.

The supply shortfall figures in higher education often ignore or exclude the requirements at private higher education institutions (HEIs), which saw enrolment grow by 40% from 2008 to 2012, FET's and colleges (inclusive of nursing colleges and police academies), which account for another 755,000 students in the post-school training phase.

The Department of Higher Education's review of the provision of student housing at South African universities confirms that the tertiary institutions have delivered minimal new stock. The reasons vary from a lack of funding to the fact that the provision of student accommodation is not regarded as the core function of the university, and is therefore not prioritised.

Furthermore, universities have had to deal with their existing student housing stock becoming outdated and in need of repair or redevelopment. Based on university estimates, the value of the current national maintenance and refurbishment backlog is R2.5 billion. If existing residence stock is to be modernised to render the residences 'fit-for-purpose', then a further R1.9 billion is required.

PIC Intervention

The PIC, on behalf of its clients, the GEPF and UIF, and under the auspices of its Social Infrastructure mandate, has invested in projects that alleviate the student housing crisis, whilst earning above-inflation returns. The investments in these projects take cognisance of the fact that the student accommodation residential market requires active and skilled management capabilities. As such, in 2015, the PIC acquired South Point Management Services (SPMS) as part of its Impact Investing mandate to invest in projects that address the social needs of South Africa.

One of the leading reasons for the PIC to acquire SPMS was access to a business that manages student accommodation on a large-scale basis. With 10,000 beds under management, the company was and still is the most experienced team to manage large-scale student accommodation throughout the country. SPMS was identified as the ideal partner, as the company has been in existence since 2003 and has become a market leader in South Africa in respect of independently owned and managed student accommodation, targeting undergraduate and post-graduate students at public and private institutions nationally.

Today the PIC seeks to expand its student accommodation investment strategy to rural or peri-urban areas and has identified synergies in the SPMS long-term growth strategy, which also includes the provision of student accommodation in rural areas.

SPMS seeks to expand its vision to grow to 50,000 student beds under management over the next ten years in urban and peri-urban areas.

As such, the PIC is partnering with SPMS to significantly increase student accommodation beds in urban and peri-urban areas across the country.

Furthermore, the PIC has made the following investment commitments in the student accommodation market:

- A black-owned and managed student accommodation partnership that will address the housing needs of 10,000 students nationally.
- A black-owned and managed student accommodation partnership that will address the housing needs of 10,000 students in Limpopo.

The current projects are expected to create more than 20,000 temporary jobs and 1,500 permanent jobs.

The PIC prides itself in facilitating the following developmental agenda:

- Providing high-quality accommodation to previously disadvantaged students from largely low-income households and those from households with parents employed by the Government;
- Supporting a high proportion of first-generation students from rural areas;
- Facilitating support structures and providing an environment conducive to learning;
- Supporting the national agenda of universal access to tertiary education;
- Black-led management teams with experience in the sector; and
- Entrepreneurship advancement and enhancement of B-BBEE.

Private Equity and Structured Investments Portfolio

The Private Equity (PE) and Structured Investment Products (SIPs) seek to optimise returns, while achieving transformation and advancing economic participation.

It remains an important source of Foreign Direct Investment (FDI), indirectly through the raising of offshore funds by local fund managers and directly through co-investments by foreign investors.

The PIC's participation in the unlisted market has a catalytic effect on foreign investors who look for significant local backing before considering an investment into PE funds in South Africa and the Rest of Africa.

The PIC continues to advocate the importance for pension funds to include an allocation to unlisted equity opportunities in their asset allocation. Not only do pension funds stand to benefit from outperforming an active investment management strategy, but it also allows for the creation of a more diversified portfolio by providing clients access to non-traditional sectors, unique business opportunities and differentiated economic cycles, versus the traditional listed equity market.

Highlights for the Financial Year

Investment Activity

The level of investment activity (new approvals) increased 54% by R9.15 billion in the 2016 financial year to R14.13 billion in the current financial year. Disbursements, including in respect of approvals concluded in the 2015/16 financial year, amounted to R12.63 billion compared to R7.03 billion of the prior financial year. The value of the portfolio increased by 24% to R26.98 billion.

In October 2016, the GEPF approved an allocation of R15 billion for the Private Equity South Africa Fund II (PE SA II) and the Private Equity Rest of Africa Fund II (PE RoA II).

The PE SA II seeks to drive meaningful transformation by supporting B-BBEE partners with a clear value-add strategy. Similarly, the PE RoA II supports indigenous Africans with a sound value proposition.

The Fund of Funds received an allocation of R1.5 billion from the GEPF, which is up to 10% of the total allocation of the R70 billion to PE. This allocation will enable the Fund of Funds team to implement its strategy of developing, supporting and increasing the participation of black fund managers in South Africa (and African nationals in the Rest of Africa).

Notable Transactions

Investments span different parts of the economy and will continue to play an integral part in how we plan to build out our Client portfolio by 2030.

The KZN Growth Fund

Fund of Funds invested in KZN Growth Fund. The KZN Growth Fund invests in priority sectors which include tourism, transport and logistics, manufacturing, agro-processing, mining and mineral beneficiation, as well as social infrastructure in the form of healthcare and education. These sectors are expected to contribute to job creation and socio-economic development. The Fund will invest in projects that require growth or expansion capital. The Fund will seek to promote B-BBEE by investing in projects sponsored by black people as defined.

Sphere

Fund of Funds invested in Sphere Holdings in partnership with Sphere management. Sphere is an investment holding company which targets the mid-market industrial services businesses that are in the expansion phase. Sphere's investment strategy is underpinned by current investments in the industrial sector. Sphere's current investment portfolio is well positioned to benefit from the maintenance and expansion of South Africa's critical infrastructure, such as power stations and transport. Sphere, therefore, seeks to be aligned to, and benefit from the country's Black Industrialist Programme (BIP).

Project Mosikiri

The PE Division facilitated a B-BBEE transaction by supporting the Southern Palace Group of Companies in acquiring a 100% buyout in Murray and Roberts infrastructure and building platform. This transaction created a black empowerment player in the construction sector that will contribute to infrastructure development and the objectives for inclusive growth.

Project Sierra

The PE Division facilitated a B-BBEE transaction by funding the Lancaster Group in acquiring a stake in Steinhoff International. This was a landmark transaction as it introduced black ownership into a significant retail player. Through this transaction, the BEE partner will promote participation of black-owned companies in the supply chain, as well as develop, mentor and fund black entrepreneurs in the retail sector.

Divisional Performance

The PE Division's goals comprise of a mix of financial and social developmental goals.

Financially, the division continues to focus on ensuring that our investments move through the J-Curve seamlessly and efficiently. The early-stage nature of our investments has been a drag on our IRRs. Despite this, our investments are performing in line with our expectations.

Our transformation focus has resulted in significant parts of the South African economy, including construction, the financial services and retail sectors, being transformed through some of our investments and notable investment support.

Portfolio Performance

The performance of the Fund is illustrated below:

Investments considered over the three years have recorded an IRR of 8.20%.

The team has become a lot more discerning when assessing transactions in order to increase the probability of approval by the relevant PIC Committees. The team has also become more collaborative in assessing and processing transactions. (New Fund approval from clients need to be secured prior to depletion of existing Funds.)

Contribution to BEE and Transformation

As at 31 March 2017, 56.58% (target 55%) of total brokerage was paid to brokers with a minimum of 51% ownership by HDIs and a minimum of 30% management control by HDIs. During 2016/17, 86% Fund of Funds investments were committed to BEE Private Equity Asset Managers with more than 30% black management control.

Focusing Ahead

The PE team will focus on sectors that show upward and long-term growth trends.

The Fund of Funds team will focus on supporting funds that are aligned with the thematic investment areas that are outlined in the Impact Investing mandates, as well as to look at possible ways of facilitating the incubation of black-owned and-managed fund managers with the intention to accelerate the pace of transformation.

CASE STUDY

AFGRI LIMITED

AFGRI Limited is a leading agricultural services company with a core focus on grain commodities and a vision of driving food security across Africa. The company provides services across the entire grain production and storage cycle, offering financial support and solutions, as well as inputs and hi-tech equipment through the John Deere brand.

AFGRI AGRI-**SERVICES**

AFGRI **FOODS** (PHILAFRICA FOODS)

AFGRI **FINANCIAL** SERVICES

AFGRI is divided into three divisions, namely:

- AFGRI Agri-Services;
- AFGRI Foods (Philafrica Foods); and
- AFGRI Financial Services.

In 2014, a consortium consisting of the Government Employees Pension Fund (GEPF), AgriGroupe Holdings (Pty) Ltd (Agrigroupe) and Bafepi Agri (Pty) Ltd (Bafepi) participated in the 100% acquisition and delisting of AFGRI. AFGRI's shareholding structure is shown below:

Current Transaction Structure

BAFEPI	JIH	PIC	Management
20%	60%	15%	5%

AFGRI Holding LTD
100%

The group aims to be an integral part of food security in South Africa and the Rest of Africa through providing farmers with high-quality products and services to enable them to operate at optimum levels.

AFGRI's revenue has grown to 20% since the acquisition. Over the past three years, the company has grown its operations in the Rest of Africa and Australia. The group aims to be an integral part of food security in South Africa and the Rest of Africa through providing farmers with high-quality products and services to enable them to operate at optimum levels. The group also has a financial services division which has, to date, rendered financial assistance of nearly R12 billion to farmers.

Since the acquisition, the group has also bolstered its Australian operations through the acquisition of an Australian John Deere distribution business. This acquisition positioned the group as one of the largest farming equipment distribution businesses south of the equator.

In terms of transformation, the company has made significant strides with an improvement in B-BBEE rating levels from Level 6 to Level 3 over the life of the investment.

Business Model

The key revenue drivers for AFGRI are:

- The activity in the agricultural sector; and
- The activity in the consumer goods sector.

Challenges in the Agriculture Sector

Food insecurity is a critical challenge in Africa and the situation is likely to increase with population growth. Given the rate of the latter and current agricultural methods in Africa that result in lower yields than global standards, Africa will remain a net importer of food. The current estimated gap for cereals, for instance, is 20%.

The inefficient use of resources, poor agricultural practices and significant imports of processed and unprocessed foodstuffs, all highlight an opportunity to industrialise agriculture on the continent by substituting imports with local processing.

Agricultural output is dominated by small-hold farmers who face core constraints, including lack of access to inputs and limited access to markets. Hence, innovative models are required to address these limitations.

The Opportunity and Strategy

AFGRI is in a position to be a player that provides solutions to this growing challenge through its AFGRI Agri-Services, Philafrica Foods and its financial services division. On-going capital expenditure and acquisitions are focused on bolstering the three business units. These are described in more detail below:

AFGRI Agri-Services represents the assets and operations from the original farmers' co-operative. AFGRI Agri-Services comprises retail (providing a full range of agricultural inputs, home and garden, outdoor and DIY products, selected building materials and services to farmers, small-holding owners and the general public through retail outlets), mechanisation (supplying mechanised equipment tailored to the needs of farmers) and grain management (providing a handling and storage of grain service through 65 grain silo's and nine bunkers across the country).

Philafrica Foods is a diversified food company with a vision to transform African agriculture to create a market-pull through food processing. Philafrica Foods owns and operates maize mills, wheat mills, an oilseed plant for crushing, extraction, and refining, as well as animal feeds manufacturing categories.

AFGRI Financial Services provides financial products to customers in the primary agricultural sector, the food processing sector and the Group as a whole. AFGRI Financial Services comprises GroCapital Financial Services (providing specialised finance, treasury, international trade finance and commodity price risk management services to corporates that are involved in the agricultural value chain), Broking (one of the largest traders of agricultural commodities on SAFEX), AFGRI Insurance (providing insurance broking services in personal insurance, business insurance, farming insurance, crop insurance, partnership assurance, investments, financial planning, life insurance, credit life insurance, healthcare/medical aid and estate planning), and AFGRI Financial Services (originating and managing tailor-made finance to farmers in AFGRI service areas on behalf of the Land Bank).

Conclusion

PIC's original investment thesis was premised on AFGRI being an African agricultural player that fulfills a major role in reducing the key barriers to raising agricultural production in Africa by addressing constraints such as the lack of advanced seeds and other inputs required for the continent's ecological conditions; inadequate infrastructure to bring crops to the market; and the lack of technical assistance and finance for farmers. Based on AFGRI's product suite, it is well placed to reduce these barriers.

CASE STUDY

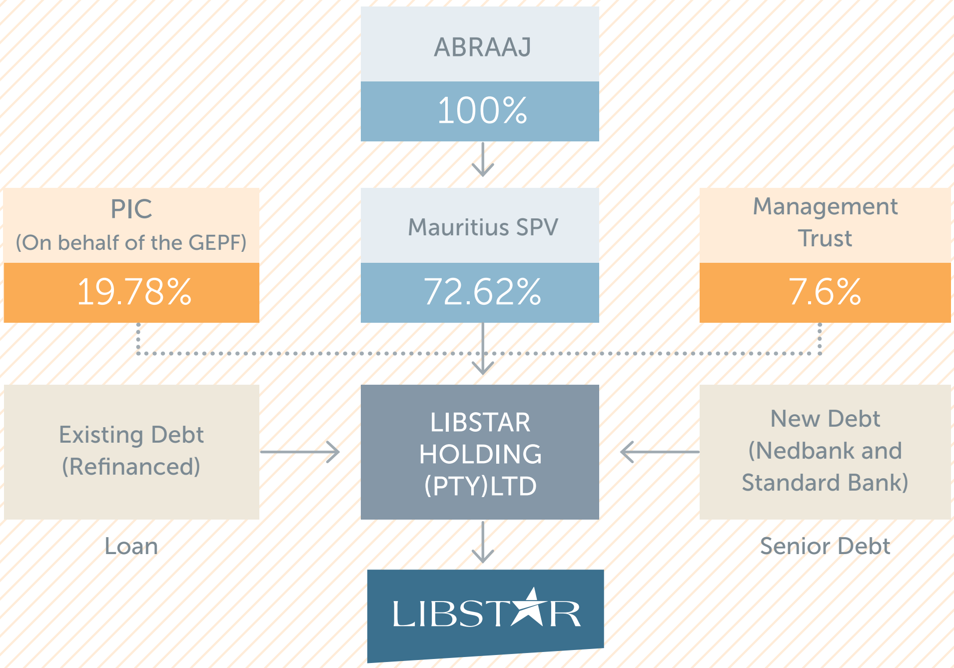
LIBERTY STAR CONSUMER HOLDINGS (PTY) LTD

Liberty Star Consumer Holdings (Libstar) is a holding company in the Fast Moving Consumer Goods (FMCG) industry, with interests in enterprises that manufacture and distribute food, beverages, household and personal care products.

Libstar was formed in 2005 with the vision of serving the growing Private Label (PL) brands in the home and Contract Manufacturing (CM) markets, including Quick Service Restaurants (QSRs).

Libstar is headquartered in Johannesburg, South Africa, and has annualised net revenues in excess of R7 billion. The Group consists of 28 business units that operate nationally across 31 sites in Gauteng, Mpumalanga, KwaZulu-Natal, the Western Cape and Eastern Cape provinces. In December 2014, the PIC, on behalf of the GEPF, participated in a consortium led by Abraaj Investment Management Limited (Abraaj) by providing a capital investment for a 19.78% equity shareholding in Libstar. The initial shareholding structure is shown below.

Initial Shareholding



Management has identified the Group's M&A activity as an important value proposition and a key component of the Group's forecasted growth prospects.

In 2015, the PIC committed a further capital investment towards Management's planned acquisitions. The current shareholding is as follows:

- Abraaj - 72.63%;
- PIC - 19.82%; and
- Management - 7.55%.

Business Model

Libstar's revenue is generated from four core business avenues:

- **Private Label (PL):** PL products are those products that retailers sell as their own brands. In most cases they bear the name of the retailer selling them, such as Woolworths, Pick 'n Pay, Shoprite, Checkers, Spar, Clicks, and others.
- **Contract Manufacturing:** These are products that Libstar manufactures primarily for the customer. The customer typically provides the design, ingredients and specific inputs it seeks in the product, such as Unilever and Tiger Brands.
- **Brands:** These are products that appeal to consumers and that are marketed to sustain a premium over PL. Additionally, Libstar produces the majority of its own brands in this category, such as the Lancewood brand for dairy products.
- **Imports:** Libstar has secured distribution rights for foreign brands in South Africa, which requires Libstar to manage the supply chain in delivering these products to the respective retailers.

Libstar's increasing revenue trend is primarily driven by the organic growth and the exceptional performances from key business products, such as Lancewood, FinlarFine Foods, and Cape Herb and Spice.

In addition to the aforementioned, the Management team continually assesses opportunities to acquire merger and acquisition (M&A) targets that will integrate and grow within the Group. Management has identified the Group's M&A activity as an important value proposition and a key component of the Group's forecasted growth prospects. The relative success of the Group's M&A strategy is evidenced by the number of acquired entities, which have become more established and have contributed to revenue and EBITDA growth (earnings before interest, tax, depreciation and amortisation). The Elvin Group, Glenmor Soap and Contactim (Pty) Ltd, form part of acquisitions in 2012, which have since made a notable contribution to the Group's revenue and EBITDA growth.

Acquisitions

The following acquisitions have been made since December 2014: Natural herbs and spices, Patleys, Raith Gourmet and Denny Mushrooms. The rationale for these acquisitions are as follows:

- The acquisitions will accelerate and enhance Libstar's portfolio rationalisation strategy by immediately improving EBITDA margins;
- The acquisition of relevant brands into the Group structure will capitalise on Libstar's manufacturing range of products and capability; and
- The acquisitions will accelerate the EBITDA target for potential listing or merger, in anticipation of an eventual exit. The front-loading of acquisitions at the onset of the investment will provide time for integration and provide a platform for Libstar to demonstrate and achieve organic growth, which will be important to realise maximum value at the time of exit, as opposed to a back-ended acquisition strategy (which was the initial investment thesis).

Conclusion

The original investment thesis was that Libstar was well-positioned to take advantage of key market trends such as grocery consolidation and growth, the rise of PL penetration rates, and the growth of the local QSRs. The future focus will be on maintaining longstanding relationships as a leading supplier to major retailers and QSR chains, driving organic growth amongst the existing business units and the integration of new businesses, as well as maintaining existing relationships. The company will also look for acquisitions outside of South Africa and further grow the export business of the Libstar Group through Berfin and direct exports to the various Libstar subsidiaries.

The future focus will be on maintaining longstanding relationships as a leading supplier to major retailers and QSR chains, driving organic growth amongst the existing business units and the integration of new businesses, as well as maintaining existing relationships.

CASE STUDY

KLEOSS FUND I

The PIC, on behalf of the GEPF, committed R750 million to the Kleoss Fund I in 2014. The Kleoss Fund I is a generalist South African private equity fund that invests in the mid-market segment of the economy across various sectors. One of its core strategic focus areas has been to provide a platform for health and wellbeing businesses.

Support of South Africa's Health Initiatives and Financial Wellbeing

South Africa has one of the highest rates of obesity in the world. Levels of obesity has risen rapidly in the country and statistics point to around 70% of women and 40% of men being either overweight or obese. Obesity is also prevalent amongst South African children. It is rated as among the top five causes of early death.

High levels of sugar consumption is one of the main contributors to the prevalence of obesity in South Africa. South Africa, for instance, ranks amongst the top ten countries in the world when it comes to the consumption of soft drinks. To this end, Government has announced the implementation of sugar tax on drinks with a high sugar content.

Other diseases related to obesity are also increasing, including diabetes and heart disease. These diseases often become chronic, costlier to manage and to live with, and they negatively impact the quality of life of those affected.

South Africa is one of the most indebted countries in terms of disposable household incomes. In 2014, South African citizens borrowed more than any other country in the world. There were 23 million active credit users, almost 13 million of whom were in good standing, while some 10 million had impaired records. Financial literacy and awareness remain relatively low.

Background to Kleoss

The fund manager, Kleoss Capital, was founded in 2013 by Hale Matsipa (CEO) and Andile Keta. Kleoss is a 100% black-owned and -managed private equity fund manager with five highly skilled, experienced and qualified black investment professionals.

Kleoss seeks to generate high returns through both income and capital gains for investors by investing in top performing unlisted mid-market companies that have strong fundamentals and are poised for growth.

PIC Intervention

The PIC was an anchor investor in the Fund. The PIC supported Kleoss in establishing its governance structures and in complying with regulatory requirements.

Results

Kleoss has significantly strengthened its governance and reporting processes, and has increased its investment rate, resulting in attractive and well diversified investments that are in line with its investment strategy.

Kleoss intends to continue its health- and wellbeing-focused investment strategy by identifying other leading assets in addition to its existing healthy food and chronic disease management companies. It will grow its existing health-focused assets through bolt-on acquisitions and mergers.

The Fund's debt counselling company will be utilised to bring financial relief to consumers and promote financial literacy and awareness.

Inclusive Growth

The PIC's investment in the Fund has not only assisted with establishing a black fund manager, but has also empowered other businesses that Kleoss has invested in. Furthermore, the Fund's investments have a strong social benefit of improving the health of previously disadvantaged people. Likewise, the Fund's debt counselling investment is contributing towards financial literacy and awareness of ordinary South Africans across different social levels through various financial awareness initiatives, such as presentations and marketing campaigns.

The PIC's investment in the Fund has not only assisted with establishing a black fund manager, but has also empowered other businesses that Kleoss has invested in.

CASE STUDY

SPHERE HOLDINGS

The PIC, on behalf of the GEPF, in partnership with Sphere Management, acquired an equity interest in Sphere Holdings (Pty) Ltd (Sphere). The equity interest was acquired from Sphere's institutional shareholders.

SPHERE ESTABLISHED A **STUDENT SPONSORSHIP PROGRAMME**

WHICH OVER THE LAST 15 YEARS IDENTIFIED AND PROVIDED **MENTORSHIP** AND **FUNDING** OF MORE THAN **R100 MILLION**

TO OVER **800 STUDENTS** FROM **DISADVANTAGED FAMILIES**

Sphere invests primarily in industrial companies that are key to the expansion and maintenance of South Africa's critical infrastructure, such as power stations and rail transportation. The partnership is expected to create a large and diversified black-owned and -managed industrial holding company.

Supporting South Africa's Critical Assets

South Africa's infrastructure assets are vital to the country's economic growth. Needless to say, investments in economic infrastructure and related services increase the productivity of other types of physical capital, such as transport, power and water systems.

There is a backlog in the development of economic infrastructure in South Africa due to low economic growth, however, investments in the maintenance of infrastructure is still required.

It is on this premise that Sphere invests in companies that service the critical infrastructure of the economy, especially in the rail and power services industries. Rail is the primary form of transportation for entities such as Transnet, Eskom and mining companies. Power, in turn, is the primary resource required to conduct business on a daily basis in South Africa. Sphere understands these needs and seeks to make further investments within these industries.

Investment in Learning Solutions

In addition to investing in economic infrastructure, Sphere has invested in Pearson South Africa. Pearson is a global leading education company, with a presence in over 70 countries. The company offers learning solutions from early childhood to professional certifications. In so doing, Sphere is also investing in South Africa's most important asset, its human capital.

Background to Sphere

Sphere was founded in 2003 by Itumeleng Kgaboesele and Pulane Kingston. Itumeleng has been the CEO of the business since inception, while Pulane transitioned from Executive to Non-executive Director in 2008. The company was established as a black-controlled and -managed investment holding company that sought significant minority or control equity positions in leading medium to large South African industrial companies.

The company has experienced substantial growth since it was founded and has developed a well-diversified high-growth portfolio with a net asset value of over R1 billion. The PIC committed R50 million to Sphere's maiden fund, Sphere Fund I, in November 2005. The Fund has delivered a gross IRR of over 28%, which catapulted it into one of the top performing funds in South Africa for its vintage. A significant portion of Sphere's investment portfolio is in infrastructure services. Consequently, the portfolio is well-positioned to benefit from the maintenance and expansion of South Africa's important infrastructure, such as power stations and transport.

The Sphere team is predominantly black, with key Management having worked together for over 10 years. Sphere is a Level 1 B-BBEE contributor.

PIC Intervention

The Department of Trade and Industry's (dti's) Black Industrialist Programme was set up with the intention of shifting the demographic composition of South Africa's industrial sector. The programme is aimed at facilitating growth and competitiveness of black-owned businesses in South Africa.

The PIC, as a major player in the South African investment landscape, is continuously driving economic development and transformation. As such, initiatives such as the Black Industrialist Programme form a backdrop for investment decisions.

The PIC's investment in Sphere will assist Sphere's Management, which is 100% black, to increase economic ownership of their business. This is in line with owner-managed business philosophy and long-term view on investments.

Sphere has been a champion of transformation at both a holding and portfolio company level. Through Fund I, which the PIC invested in, Sphere was instrumental in improving three of its six portfolio companies from not having BEE ratings to Level 4 BEE ratings. This was achieved by the same Management team that is in partnership with the PIC. The highlights of Sphere's investment has been improved transformation, both at company and portfolio company levels, high returns and a well-diversified portfolio in largely industrial and defensive businesses.

Results

Sphere has a proven track record of delivery, and the Management team has achieved the following:

- Sphere Fund I: Gross IRR of over 28%; and
- On balance sheet investments worth over R1 billion.

Inclusive Growth

The PIC facilitation of the transaction with Management increased the number of black shareholders in Sphere.

Through investments in companies that serve South Africa's infrastructure sector, Sphere is playing a critical role in delivering access to affordable electricity, clean water and efficient public transport.

Sphere invested in Pearson South Africa, which provides solutions and partnerships that improve and provide access to quality basic and higher education. Sphere has established a Student Sponsorship Programme, that over the last 15 years has identified and provided mentorship and funding of more than R100 million to over 800 students from disadvantaged families who had demonstrated leadership and academic potential. These students have, as a result, attended some of the very best public and private schools in Johannesburg, Pretoria, East London, Grahamstown and Somerset West.

SIYANDA RESOURCES

Siyanda Resources is a South African, black-owned and -controlled, diversified mining and resources investment holding company that was established in 2005.

THE COMPANY HAS:

CREATED
± 350 NEW JOBS

SUSTAINED
1,400 JOBS

AN ADDITIONAL
110 JOBS WERE **CREATED**
SINCE PIC'S INVESTMENT

The company focuses on energy, mineral processing and beneficiation, with a strong emphasis on the following resources:

- Platinum Group Metals (PGMs);
- Chrome;
- Coal; and
- Ferrochrome.

Siyanda currently has four revenue contributing operations, which are focused on ferrosilicon, chrome and PGMs. These include:

- Amandebult (chrome);
- Masa Chrome (chrome); and
- Dense Media Separation (ferrosilicon).

In 2015, the PIC, on behalf of the GEPF, acquired a 30% equity shareholding for a maximum amount of R315 million in Siyanda Resources. Subsequent to this, another R200 million one-year bridge facility was accorded to Siyanda to facilitate the buy-out of the minority interest in one of the Group's core assets. This brought the total investment in Siyanda to R515 million.

Since the PIC's investment in Siyanda Resources, the Group has grown its valuation from R513 million to c.R1.5 billion. The company has created approximately 350 new jobs and sustained 1,400 jobs. An additional 110 jobs were created since the PIC's investment. The company has entered PGMs' underground mining space through a Sale-and-Purchase Agreement with Anglo American Platinum for Union Mine. The Amandebult Chrome Extraction also became operational in the current financial year.

Business Model

The key revenue drivers for Siyanda Resources are global economic conditions, exchange rates and commodity prices.

Challenges in the Mining Sector

- The mineral deposits in the country are relatively low-grade, which increases extraction costs for miners.
- The newly proposed Mining Code will increase compliance costs and taxation rates for miners, which will dent already weak margins and poor investor sentiment. The new Mining Codes have increased compliance requirements for transformation, including an increase in equity ownership being one of the new proposals. The minimum ownership has now increased to 30% for current and new mining rights holders.
- Intermittent power supply will curb the sector's production growth outlook. Since 2008, load shedding has cost the country's industry an estimated USD28 billion in lost revenue.
- Global commodity prices have fallen in recent years, driven by the slowdown in the Chinese economy. A significant portion of the PGMs sector is loss-making at current prices.
- Another factor is the high cost of labour as a percentage of total costs among the major producers, averaging around 60%, whereas peers such as the United States and Australia average around 30-40%. Instability in the labour market and excessive wage demand pressures, linked to social wage issues, have contributed to this.

The Opportunity and Strategy

Siyanda Resources is in a position to be a significant black-owned player in the mining industry with the potential to create a black mining conglomerate that can and will preserve jobs, create new jobs and meet Government's empowerment objectives. The main operational assets are described in more detail below:

- **Union Mine:** Union is PGMs' mine, for which Siyanda signed a Sale-and-Purchase Agreement with Anglo American Platinum earlier this year. The operations of Union consist of two underground shafts, three concentrators, as well as two Mortimer smelters. The purchase of Union Mine will preserve 4,500 jobs, as well as facilitate transformation within the mining industry.
- **Amandebult and Masa Chrome:** These are chrome extraction businesses. The majority of chrome is sourced from Amandebult and Union Mine.
- **Dense Media Separation (DMS)** manufactures dense media ferrosilicon (FeSi), which is used in the extraction of diamonds, minerals and metals throughout the world. DMS FeSi products are used in a process known as Dense Medium Separation, whereby materials are extracted in a sink-float separation process. The company's operations are located in Meyerton, approximately 80km south-east of Johannesburg.

The original investment thesis was premised on Siyanda having solid assets with strong fundamentals, and an experienced and capable management team with the ability to create value through project development. Additional projects, such as Amandebult, have been brought on board, indicating Siyanda management's ability to deliver value-accretive projects. The proposed purchase of Union Mine is in line with Siyanda Resources' approach to purchase operational assets where Siyanda can use its industry expertise to unlock value. Siyanda Resources is also making a measurable contribution to job creation and transformation within the mining industry.

Siyanda Resources is in a position to be a significant black-owned player in the mining industry with the potential to create a black mining conglomerate that can and will preserve jobs, create new jobs and meet Government's empowerment objectives.

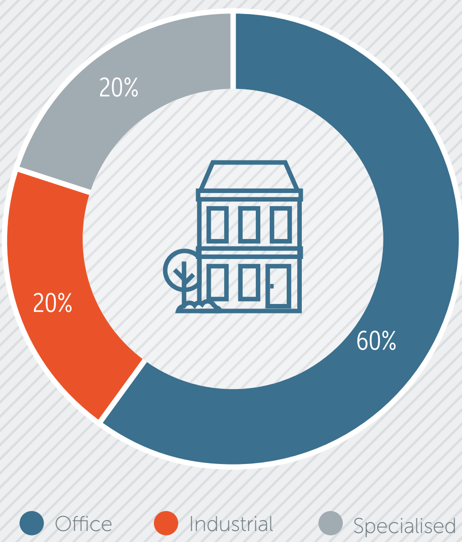
Unlisted Properties Portfolio

The Unlisted Property Investments portfolio includes both Directly Held and Indirectly Held properties. The total value of the properties held within the portfolio is R43 billion, representing assets of approximately 1,260 000 m^2 in size for both the UIF and the GEPF.

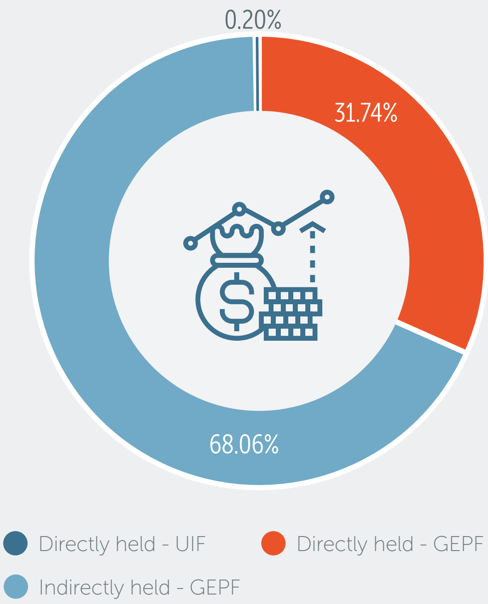
The target asset allocation for the GEPF is 3.5% of AuM and 5% of AuM for the UIF. As at the end of the 2016/17 financial year, the actual asset allocation under the GEPF mandate was 2.6% and 1.2% for the UIF mandate. Both the actual asset allocations for the GEPF and UIF are within their mandate prescripts, that is 0% - 7% of the strategic allocation for the GEPF, and 0% - 5% for the unlisted property target asset allocation under the UIF mandate.

The following graphs provide an illustration of the key characteristics of the property portfolio:

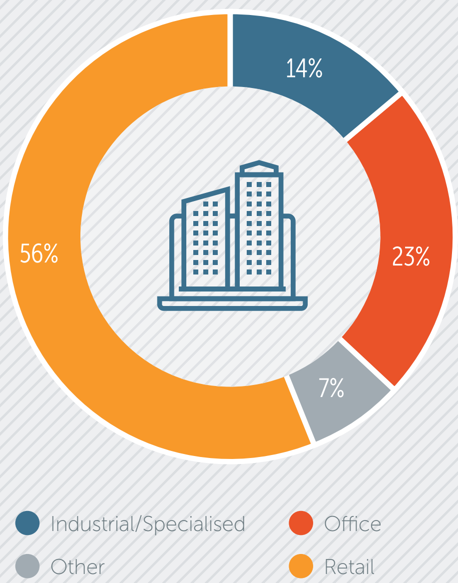
Property Sectoral Split - UIF

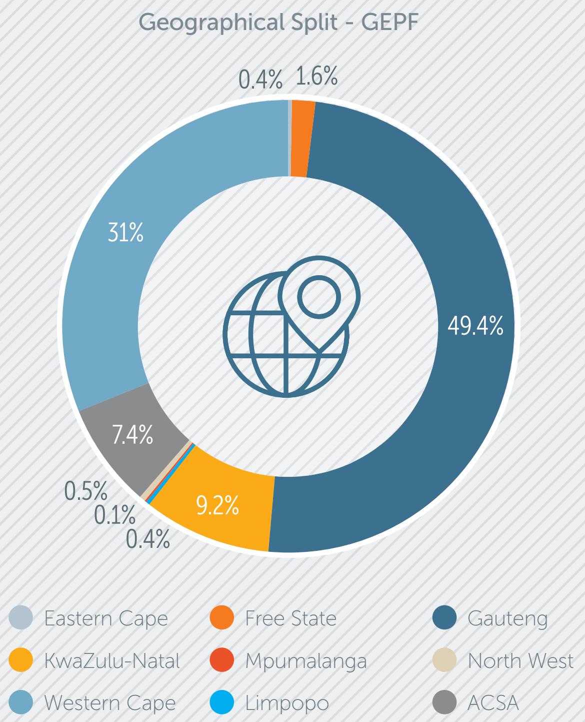


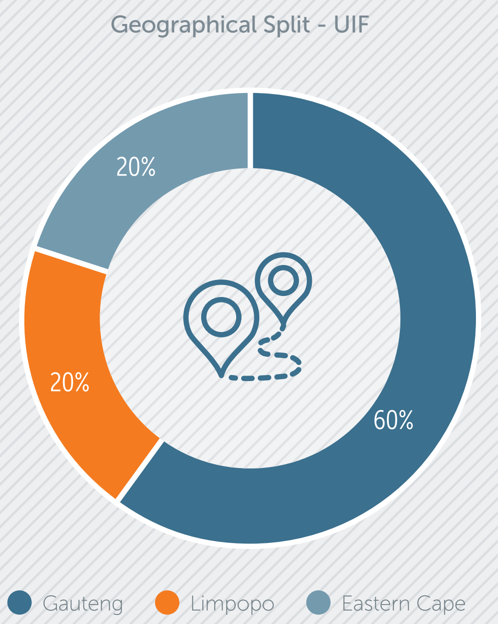
Asset Allocation Property



Property Sectoral Split - GEPF







Portfolio Performance

The property business prioritises the performance of all property investments across all portfolios to ensure clients' expected returns as per the strategy and mandate.

Macroeconomic conditions in the country continue to be of concern. High interest rates and the recent credit downgrades by rating agencies are key risks to achieving optimal performance.

Despite volatility in the domestic currency due to the prevailing macroeconomic environment, investor confidence continues to improve. Regional and super-regional malls prove to be resilient in adverse economic conditions, unlike neighbourhood and community shopping centres. The retail property portfolio, which largely comprises of regional and super-regional shopping centres, continues to benefit from this resilience. The PIC manages super-regional shopping centres for the GEPF in three indirectly held property investment companies, namely Pareto (76%), Business Venture Investments (76%) and the V&A Waterfront (50%). The industrial sector is also experiencing increased demand for sustainable vacancies and rental rates. Despite the positive prospects, the office market continues to remain under pressure with slow growth in rental rates.

Going forward, it should be noted that low consumer confidence and weakened household consumption infer cautious optimism, as GDP growth in the economy remains weak.

Indirectly Held Portfolio

Key Achievements and Milestones

- Concluding the acquisition of a 24% stake in Pareto by a BEE partner, Belelani Capital. This was the second largest B-BBEE transaction since the joint acquisition (with Growthpoint) of the V&A Waterfront. The Belelani transaction underlies the status of the GEPF and the PIC as leaders to advance transformation within the property sector.
- Completing the R2.5 billion redevelopment of the iconic Menlyn Park shopping centre, making it one of the largest malls in the southern hemisphere.
- The V&A Waterfront, in which the PIC retains a 50% stake, witnessed 2.4 million international visitors for the financial year.
- The construction of the Zeitz Museum of Contemporary Art Africa (MOCAA) at the V&A Waterfront, which is to host the world's largest collection of contemporary art from Africa and its diaspora, is progressing on schedule in line with its anticipated September 2017 opening.
- Green sustainability continues to be a key pillar with the V&A Waterfront continuing to receive accolades and awards.
- Menlyn Maine Investment Holdings (MMIH) successfully opened its two flagship centres, Central Square and Ballito Junction.
- ACSA has completed three solar plants at the Kimberley Airport, George Airport and the Upington International Airport.
- ACSA is increasing its footprint by creating partnerships with other countries, including Ghana (Ghana Airports Company Limited) and Germany (Munich Airports Group).

Pareto and Business Ventures Investments (Pty) Ltd (BVI)

Pareto is valued at R17.9 billion and owns super-regional and regional shopping centres and hotels in primary metropolitan areas. Properties in the portfolio include Sandton City, the Pavilion, Cresta and Westgate, the Sandton Sun and Towers, and Sandton Holiday Inn hotels. BVI is a special purpose vehicle that owns 100% of Menlyn Park, which is currently valued at R2.2 billion. The managing agent for BVI is Pareto.

In the preceding financial year, the PIC facilitated the second largest BEE acquisition within the South African real estate market when Belelani Capital subscribed a 24% stake in Pareto Limited and BVI. This not only furthered the transformation mandate of the GEPF, but reduced the concentration risk for the GEPF by bringing on board a partner with a wealth of experience in the property sector in the form of Belelani Capital.

The redevelopment of Menlyn Park was also concluded, and this culminated in one of the largest malls in the southern hemisphere with a gross lettable floor space of approximately 170,000m^2.

V&A Waterfront

The V&A Waterfront is a mixed-use property investment comprising residential and commercial property, hotels, retail, dining, leisure and entertainment facilities. The property is located around the historic Victoria and Alfred basins which form part of Cape Town's original harbour. Covering 123 hectares and catering for both local and international visitors, the V&A is one of the most visited destinations in Africa. The current value of GEPF's 50% of the investment is R8.82 billion.

The V&A remains a leader in environmental sustainability. A number of developments have been undertaken particularly within the Silo District thereby creating a significant job impact within the V&A precinct. The construction of the Zeitz MOCAA Museum was amongst the greatest contributors to the jobs created. To date, the estimated direct and indirect jobs created amount to approximately 39,000.

Menlyn Maine Investment Holdings

MMIH is an Investment Holding and Intellectual Property Company, which was incorporated in 2005 with the express goal to acquire and develop a Connected Green City which is now known as Menlyn Maine. Menlyn Maine is South Africa's first green mixed use city precinct and one of the 18 initial global projects working with the Clinton Climate Initiative in the pursuit of green developments and striving towards becoming "climate positive". It addresses the dual challenge of climate change and rapid urbanisation, demonstrating that cities can grow in ways that are "climate positive" by reducing the amount of on-site greenhouse gas emissions to below zero. The asset is valued at R660.8 million. MMIH has recently completed two flagship developments, namely Central Square and Ballito Junction. Central Square is co-owned by MMIH and the GEPF, which both hold 50% respectively. Ballito Junction was opened in March 2016 and Central Square in September 2016.

ADR International Airports South Africa (ADRIASA)

ACSA was incorporated in 1993 and is mandated in terms of the Airports Company Act, 1993 (Act 44 of 1993) to undertake the acquisition, establishment, provision, maintenance, management control or operation of any airport, any part of any airport or any facility or service at any airport normally related to the functioning of an airport. ACSA currently owns and manages six international airports and three regional airports in South Africa, along with equity investments in Brazil and Mumbai. The current value of the GEPF's share in ACSA is valued at R2.2 billion.

Directly Held Portfolio

As at 31 March 2017, the PIC managed assets to the value of R13.8 billion in the directly held portfolio on behalf of the GEPF, the UIF and the CC. This is an increase of 3.04% compared to last year's valuation of R10.76 billion. The increase in value is attributed to significant capital expenditure on a number of the properties across the sector over the last year. Capex was spent on development projects such as the BCX Head Office in Centurion, 72 Grayston Drive in Sandton, and Central Square in Pretoria. These projects are now complete. Capex was also spent on refurbishment projects at The Wedge Shopping Centre in Morningside, with some of the benefits of this spend already reflected in the current values.

The portfolio investment focus is still heavily on the office market which makes up 57% of the portfolio, followed by the retail portfolio at 27% and the industrial portfolio at 12%. The remainder of the portfolio consists of vacant land at 2%, specialised property at 1% and residential at 1%. The portfolio is well diversified within each sector in terms of property type, location and tenant type. In retail, the portfolio comprises small regional centres, community centres and neighbourhood centres, and the office portfolio has tenants from both the public and the private sector. The properties are geographically diversified across South Africa, but they are predominantly located in Gauteng, the Western Cape and KwaZulu-Natal.

Key Achievements and Milestones

- Completed development of a 35,000m^2 new head office for Business Connexion in Pretoria and the redevelopment of 72 Grayston Drive in Sandton.
- Obtained approval for the redevelopment of the 10,000m^2 Kingsley Office building with retail on ground floor and approval for the Tlhabane City Centre which consists of a 30,000m^2 retail centre, offices, new magistrates' courts and police station.
- Overall improvement in the performance of the portfolio underpinned by improved vacancies and debt collections.
- Completed transfer of six township retail shopping centres from the Community Property Fund valued at R1.2 billion to the GEPF's directly held portfolio.
- The developments that commenced during the year included the 55,000m^2 Tshwane inter-modal transport regional mall, Centre Point which is a mixed use retail and residential property in Cape Town, and the redevelopment of the Wedge Shopping Centre in Sandton.

The PIC's outlook will include maintaining its leading position by focusing on quality new developments and redevelopment of non-performing assets.

Outlook

The following objectives will form the core of the property portfolio's focus:

- Sustained management techniques to ensure maximum performance of existing portfolios;
- Diversified service delivery to underserviced markets such as rural towns and townships;
- Investing in quality shopping centres, catering for low- to high-income consumers;
- Using the growth strategy in portfolios to impact aggressively on transformation through development of B-BBEE property managers and developers;
- Maintaining PIC's leading position by focusing on quality new developments and redevelopment of non-performing assets;
- Creating jobs in communities through development projects;
- Ensuring that the existing office space in prime business nodes meets the new preferred trend of efficient and sustainable office buildings to attract and retain quality tenants;
- Sustained investment and the diversification of portfolios in line with the clients' mandate;
- Continuing with acceptable industry environmental standards practices across the portfolio, through initiatives such as water conservation, energy conservation and waste management;
- Ensuring practices of spatial integration according to industry standards by creating trade areas and establishing ties with the core areas and surrounding communities;
- Ensuring continuous stimulation of local economic development in communities where investments are situated;
- Ensuring continuous community engagements and involvement in all development projects;
- Positioning the PIC clients as the preferred provider of office space accommodation for Government and related entities, while developing effective rental collection mechanisms; and
- Developing effective business systems to ensure maximum operational efficiency.

CASE STUDY

PARTNERING WITH EMERGING BLACK PROPERTY DEVELOPERS

The PIC regularly receives enquiries from black property developers who either want to start or expand existing property development companies with requests for the PIC to become a partner and/or funder. In most cases, these developers do not have the required funds in place to sustain their companies. In certain instances, some of the skills to package a development to the required standards are also lacking.

Some developers, for example, may not have built relationships or a track record with key retailers. These key retailers are the national tenants who are required to commit to taking up significant space to ensure the development is financially feasible.

The PIC Intervention

In 2014, the PIC had the opportunity to re-craft the strategy of the property business.

Based on the experiences above, the PIC decided it would explore the idea of partnering with emerging black property developers as part of its AuM growth strategy. The opportunity presented to eligible developers was for the PIC to acquire equity and provide debt on bankable schemes. In addition, the PIC team offered the skills and the relationships with the market, especially the national retailers. For their projects to become bankable projects, BEE developers had to work hard to ensure that appropriate rights were secured and that the correct pre-let conditions were met.

One of the conditions in the PIC funding guidelines is the offering of the proverbial "skin in the game". For some emerging developers this is a stringent and near impossible requirement. For the PIC this is an essential display of commitment, and also an alignment of interests. Where this proved difficult for the developers, the efforts in putting together land and rights are considered and recognised in financial terms. The value created then translates into "skin in the game" and the equity position for the PIC, and debt for the developer, are apportioned accordingly. As the PIC, we recognise that land assembly and obtaining rights are a difficult part of, and yet fundamental to the success of a development project. The PIC also acknowledges that this is not an inexpensive

THE **DEVELOPMENT** OF THE REGIONAL **SHOPPING CENTRE** IS OF **KEY STRATEGIC IMPORTANCE** FOR THE CITY OF TSHWANE.

IT INCORPORATES **TAXI**,

A **BUS RAPID TRANSIT SYSTEM**, AND

TRAIN STATION **INFRASTRUCTURE.**

The PIC, on behalf of the client, purchased a 70% undivided share in the land and further participated in the development of the Tshwane Regional Mall by contributing equity, debt and skills.

exercise, as some professionals must be remunerated at significant costs to the developer.

An example is a recently completed office development in Centurion. This development not only provided the developer access to capital and an opportunity to own a brand new state-of-the-art asset, but also offered in excess of 2,000 jobs during construction.

The Denneboom Station Retail Development – Building the Tshwane Regional Mall

Interden Management Services (Pty) Ltd was awarded a concession by the Tshwane Municipality to develop a regional shopping centre at the Denneboom rail and taxi interchange in Mamelodi, Pretoria.

The PIC was approached by Isibonelo Property Services (Pty) Ltd as the agent of Interden Management Services, who was responsible for development management, to:

- Enter into a joint venture to develop a 52,500 m^2 regional shopping centre at Denneboom; and
- Fund the BEE company's contribution with debt.

The approval of the transaction was subject to the following suspensive conditions:

- A pre-let of at least 60% of the gross lettable area (GLA); and
- Final approval of the re-zoning and the site development plan.

The development of the regional shopping centre provides critical transportation infrastructure for the residents of Mamelodi at no additional cost to the City. The project is of key strategic importance for the City of Tshwane as it incorporates taxi, a Bus Rapid Transit (BRT) system and train station infrastructure. The concession ensures that the asset will be transferred back to the City at the expiry of the lease.

The PIC, on behalf of the client, purchased a 70% undivided share in the land and further participated in the development of the Tshwane Regional Mall by contributing equity, debt and skills.

Progress to Date

The development is under construction and currently stands at a 20% completion level. It is scheduled for opening in November 2018.

We envisage that when the centre opens, approximately 1,040 people will have secured permanent employment. Approximately 400 people are employed on a temporary basis.

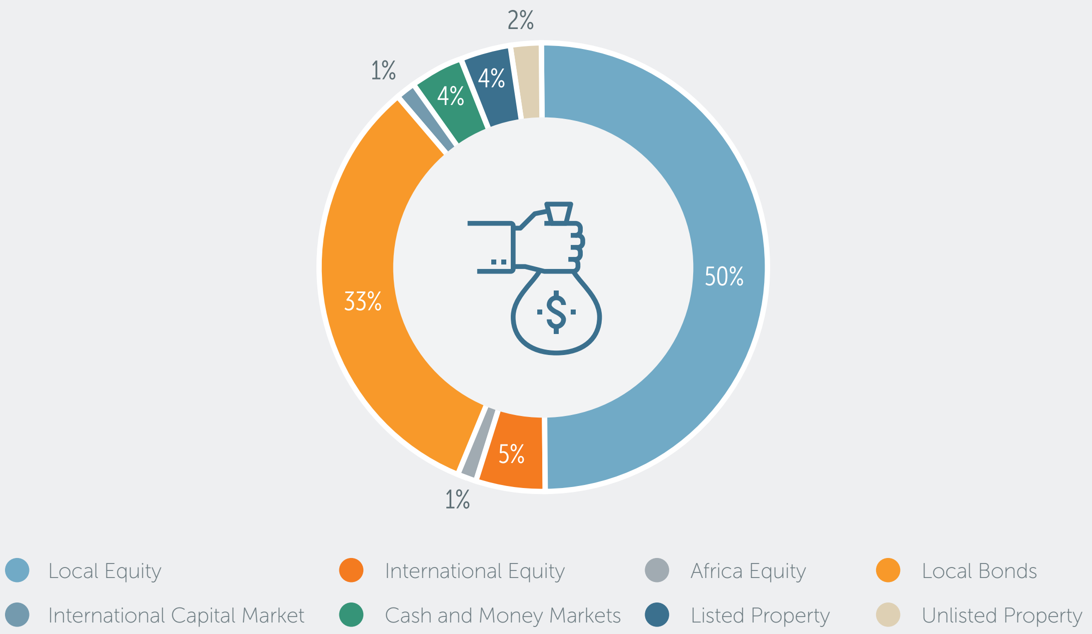
Client Portfolio Performance

Government Employees Pension Fund

Asset Allocation

The GEPF portfolio is made up of various asset classes that include Money Markets, conventional bonds, inflation bonds, listed equities, local listed property, Africa equity, international bonds, international equity, listed property, unlisted property, private equity and impact investing.

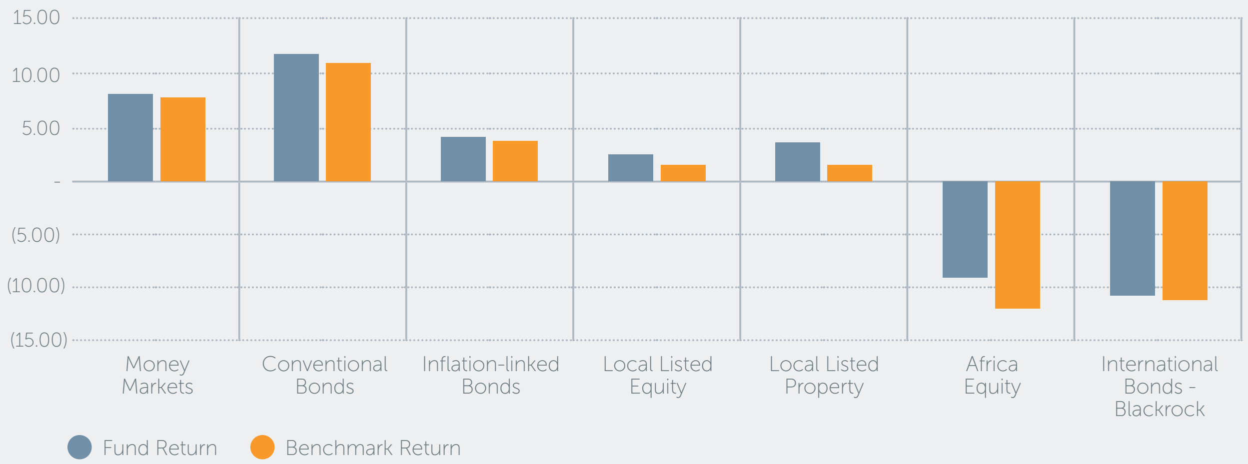
GEPF Actual Asset Class Allocation



Fund Return

The GEPF portfolio returned 4.31% against the benchmark performance of 3.23% over the 12-month period. The graph below shows the performance of each asset class against the benchmark.

GEPF Fund Return

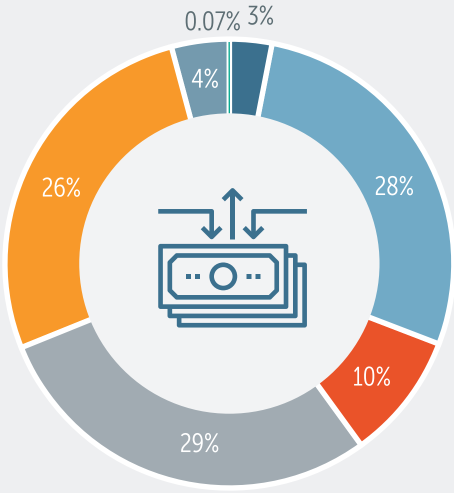


Unemployment Insurance Fund

Asset Allocation

The UIF portfolio is made up of a mixture of assets that broadly include equities, conventional bonds, inflation-linked bonds, listed property and Money Markets.

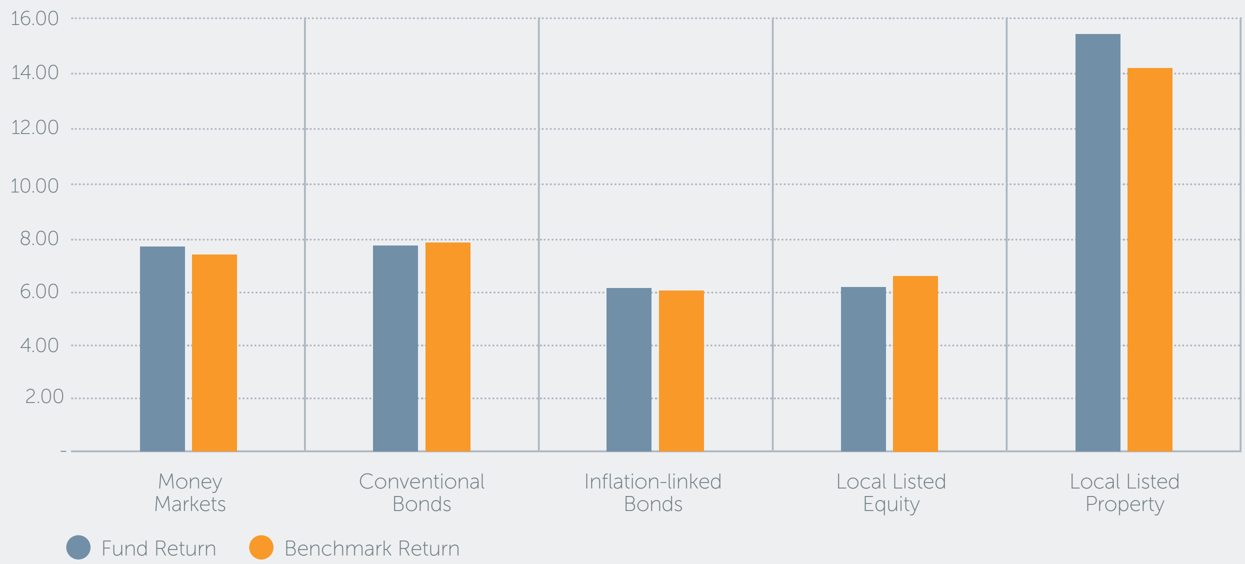
UIF Actual Asset Class Allocation



Fund Return

The UIF portfolio continued to outperform by returning 5.44% against the benchmark return of 4.91% over the 12-month period. The graph below provides a comparison of each asset class performance against the benchmark.

UIF Fund Return



Compensation Commissioners Fund and the Compensation Commissioners Pension Fund

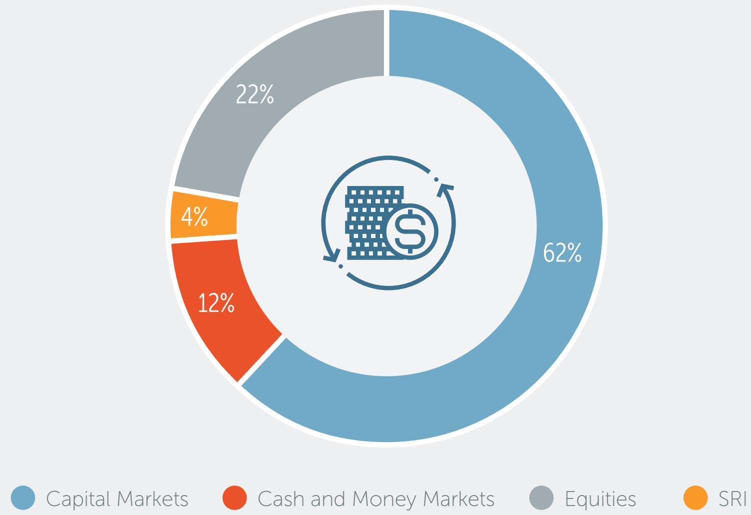
The PIC manages two Funds, which are the CC and the CP.

Compensation Commissioners Fund

Asset Allocation

As with the CP, the asset allocation of the CC is less complex. It is made up of conventional bonds, listed equities and cash and Money Markets. The capital markets include conventional bonds and inflation-linked bonds.

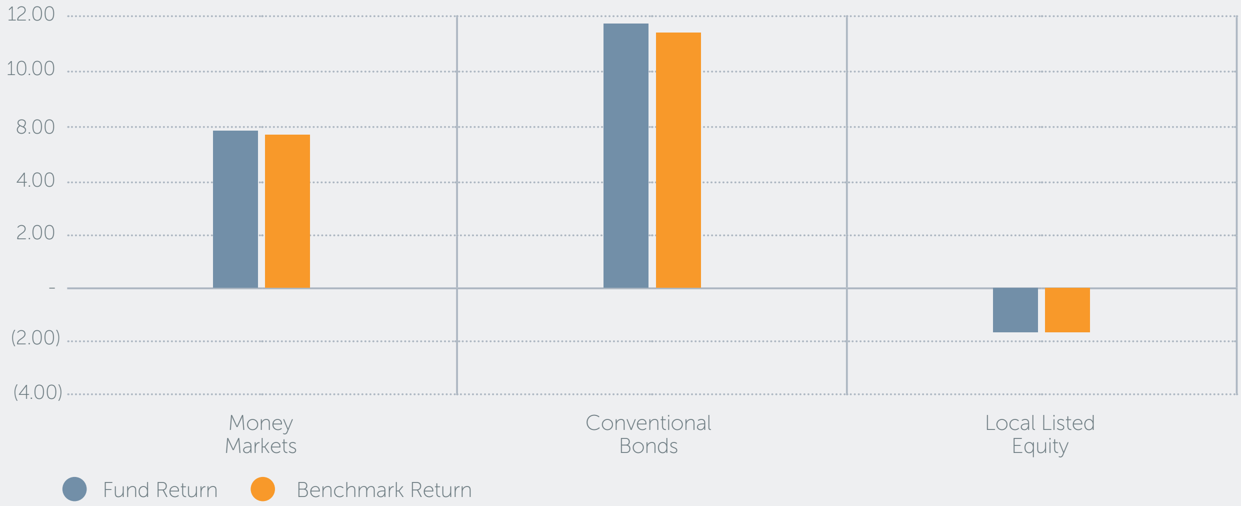
CC Actual Asset Class Allocation



Fund Performance

This Fund returned 8.07% against the benchmark performance of 8.33% over the 12-month period. The performance of each asset class against the benchmark is represented in the graph below.

CC Fund Return

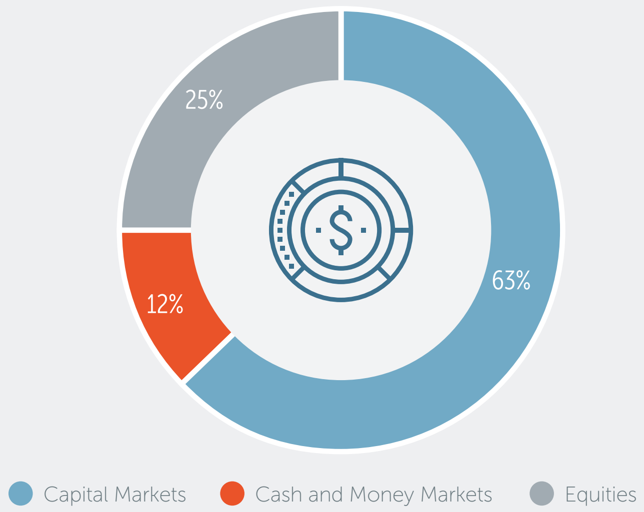


Compensation Commissioners Pension Fund

Asset Allocation

The CP's asset allocation is less complex. It is made up of capital markets, listed equities and cash and Money Markets. The capital markets include conventional bonds and inflation-linked bonds.

CP Actual Asset Class Allocation



Fund Return

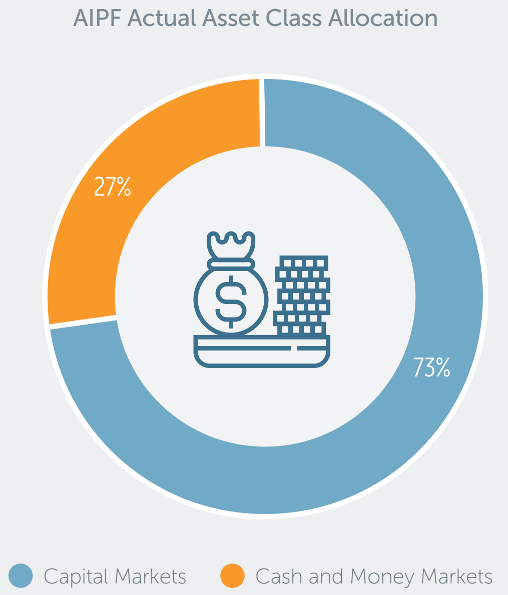
The CP slightly underperformed the benchmark by returning 5.14% against the benchmark performance of 5.35% over the 12-month period. The graph below shows how each asset class performed against the benchmark.

CP Fund Return

Associated Institutions Pension Fund

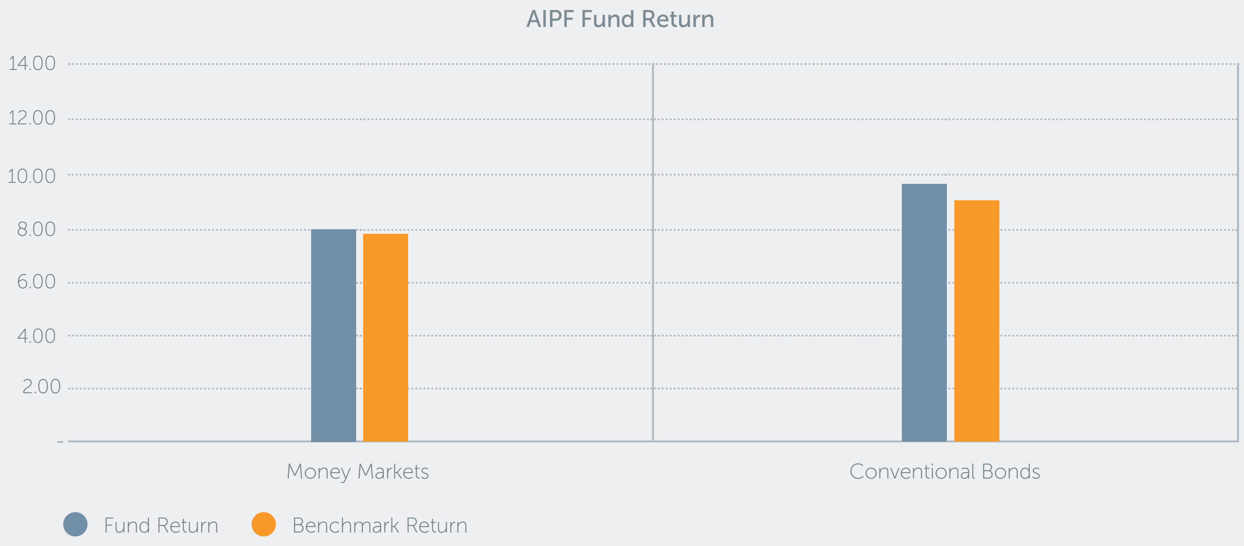
Asset Allocation

The AIPF portfolio is made up of two types of assets, namely capital markets and cash and Money Markets. Capital markets refer to conventional bonds.



Fund Return

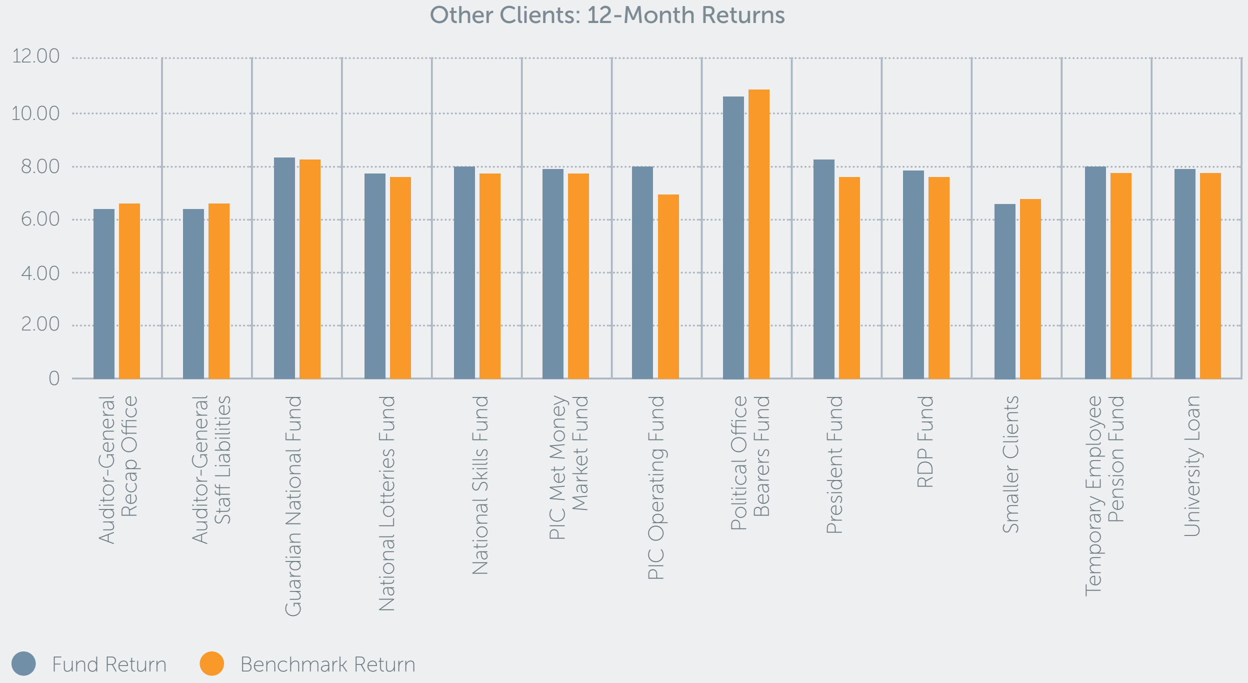
The Fund outperformed the benchmark by returning 10.63% against the benchmark performance of 10.23% over the 12-month period. The actual performance of each asset class is represented in the graph below.



Other Funds

The PIC manages funds with small portfolios, as well as collective scheme investments products. The underperforming portfolios predominantly held cash and overnight instruments over the 12-month period. The other portfolios are invested in bonds, equities, property on Money Markets, with longer maturity, and they have outperformed the Stefi Composite Index.

Funds	12-Month Return	12-Month Benchmark Return	12-Month Relative
Auditor-General Recap Office	6.69%	6.95%	-0.26%
Auditor-General Staff Liabilities	6.70%	6.95%	-0.25%
Guardian National Fund	8.39%	8.33%	0.06%
National Lotteries Fund	7.71%	7.42%	0.29%
National Skills Fund	8.00%	7.56%	0.44%
PIC Met Money Market Fund	7.79%	7.56%	0.23%
PIC Operating Fund	8.02%	6.99%	1.03%
Political Office Bearers Fund	10.76%	11.02%	-0.26%
President Fund	8.28%	7.56%	0.72%
RDP Fund	7.83%	7.56%	0.27%
Smaller Clients	6.70%	6.95%	-0.25%
Temporary Employee Pension Fund	7.97%	7.56%	0.41%
University Loan	7.95%	7.56%	0.39%



Relative returns may be affected by rounding.

SOCIAL IMPACT OF UNLISTED INVESTMENTS

The PIC, along with its clients, seeks to optimise total returns - income and capital appreciation - through investments that are directed to support and fund socio-economic development. The Unlisted Investments portfolio focuses on addressing many social and environmental challenges, as there is a growing appetite amongst investors to effect positive social change through their investment actions.

Investments are geared towards responding to Government's policy initiatives outlined in the NDP: job creation; advancing B-BBEE; integrating rural communities into the mainstream economy; encouraging community participation; and assisting the drive towards a green economy.

The NDP outlines what South Africa should look like in 2030. The plan outlines a growth path to achieve meaningful development and to raise per capita income.

The PIC's unlisted investments' developmental indicators are also aligned to the United Nations' Sustainable Development Goals (SDGs) 2030. The SDGs 2030 agenda is a plan of action for people, the planet and general prosperity. It recognises that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development. All countries and all stakeholders, acting in collaborative partnerships, should implement this plan.

Employment

A growing economy that creates enough job opportunities has remained an agenda-pressing priority over the past two decades. President Zuma, in his 2011 State of the Nation address, announced several initiatives to boost job creation, including a R9-billion jobs fund. However, unemployment remains one of the biggest social challenges. The NDP highlighted the need to create 11 million new jobs between 2012 and 2030, to reduce the unemployment rate to 6%. This means creating approximately 600,000 new jobs every year.

To date, the unemployment rate in South Africa has increased to 27.7% in the first quarter of 2017, from 26.5 % in the previous period. It is the highest jobless rate since the first quarter of 2004, as the rate of unemployment rose faster than the ability of the economy to create employment with more people entering the labour force. The fact that unemployment exceeds 25% may imply that over a quarter of the South African population is living below the poverty line due to unemployment.

Job creation in the past decade has been slow. Between 2005 and 2015, the private sector created approximately 265,000 jobs on average per year (mostly in the services sector), and the public sector created approximately 50,000 jobs *(World Bank, South Africa Economy Update)*.

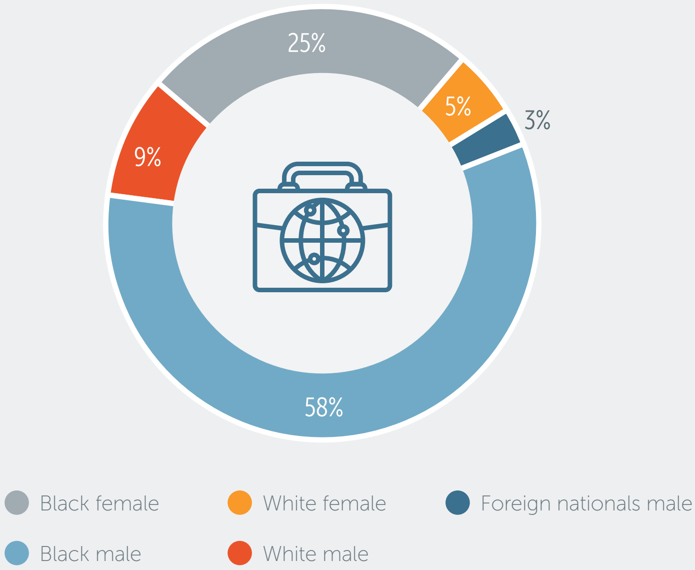
The PIC's Unlisted Investments adopted a responsible investment philosophy to fund companies that have the potential to generate a measurable, beneficial social and/ or environmental impact alongside a financial return. Over the years, the PIC has played a significant role in facilitating job creation, either through the creation of new jobs or sustaining the current jobs in investee companies.

During the year under review, the PIC Unlisted Investments facilitated in excess of 99,637 direct jobs of which 89,106 were permanent and 10,531 temporary. The majority of temporary jobs were in infrastructure development and in the agricultural sector, which relies heavily on seasonal workers during the harvesting period. In addition, 8,610 new jobs were created across all sectors, accounting for approximately 3% of the estimated total number of new jobs created in 2016.

On the other hand, 9,327 jobs were lost across the portfolio of investee companies through retrenchments, retirements and termination of short-term contracts. The annual decrease is statistically minimal when compared to 48,000 job losses reported in South Africa during December 2016 and March 2017. Measured against the decline in total employment, the Unlisted Investments has contributed 1% to the total workforce of South Africa.

The PIC has facilitated employment opportunities for over 15,000 youth and 20 disabled individuals. The PIC's ESG engagement efforts with investee companies emphasises the need to create employment opportunities for people living with disabilities to promote workplace equity. The graph on the next page reflects the gender and racial diversity across the Unlisted portfolio, as reported by our investee companies.

Job Demographics

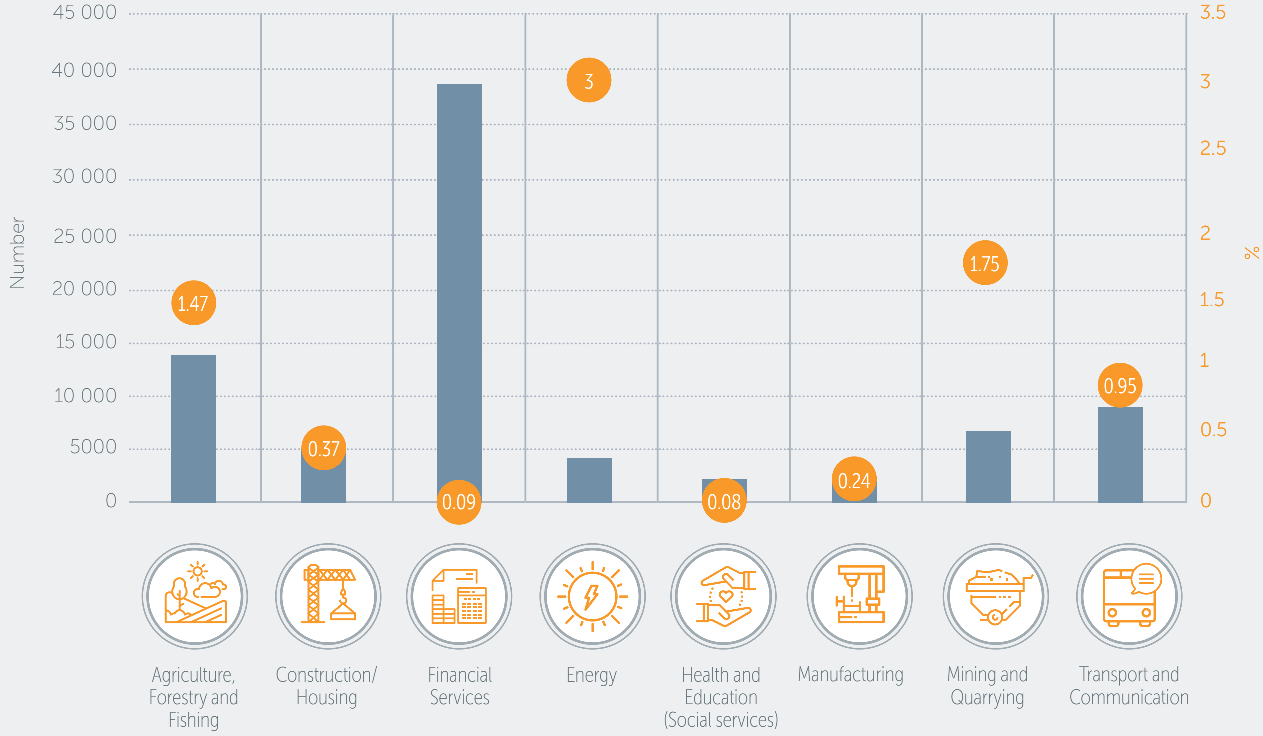


Employment per Sector

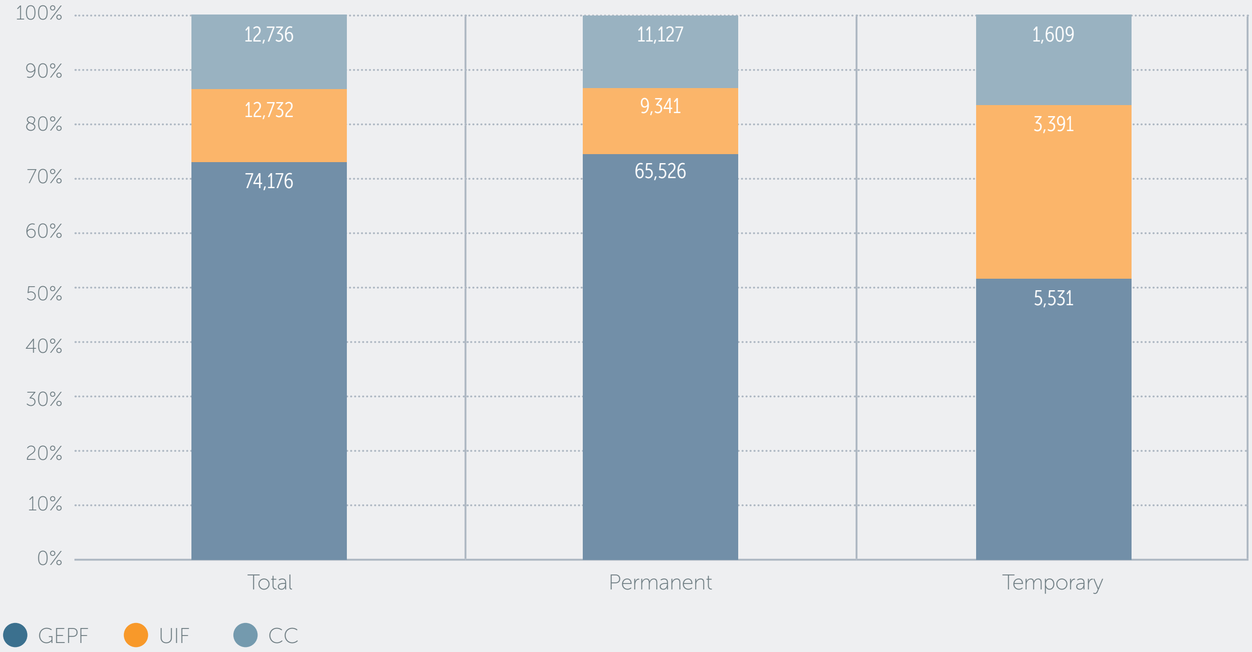
Investments across different sectors contributed meaningfully to facilitate job creation. It is believed that industrial development can help expand production in targeted sectors where a comparative advantage already exists and/or create new opportunities that will contribute to economic growth. The table below and the graph on the next page outline how the jobs facilitated by South African companies have contributed to economic growth in different sectors.

Sector	Total number of jobs/ sector (2016)	PIC Contribution	% Contribution to Sector
Agriculture, forestry and fishing	934,588	13,805	1.47%
Mining and Quarrying	421,397	7,375	1.75%
Manufacturing	1,758,318	4,241	0.24%
Energy	131,420	3,987	3%
Construction/ Housing	1,493,276	5,640	0.37%
Transport and Communication	971,690	9,307	0.95%
Health and Education (Social Services)	3,622,262	3,157	0.08%
Financial Services	2,362,779	38,306	0.09%

PIC Contribution to Jobs per Sector



Jobs per PIC Client



To enhance sustainable employment opportunities, the PIC encourages companies to continue promoting training opportunities, especially for employees with low levels of education.

Training and Skills Development

To enhance sustainable employment opportunities, the PIC encourages companies to continue promoting training opportunities, especially for employees with low levels of education. Skills development ensures the long-term sustainability of projects and promotes ownership and accountability as it instils a sense of recognition and value in the project. Skills development, as advocated by the Skills Development Act and the B-BBEE codes, has increased workplace production and the majority of the investee companies strive to achieve skills development targets required by different legislation.

The agricultural sector plays a leading role in providing ABET, given the socio-economic conditions of their employees who are mainly women from disadvantaged communities. For the period under review, of the 13,805 people employed, more than 1,800 received formal training, including ABET and technical skills in the agricultural sphere.

The construction of renewable energy plants requires new skills sets that are not readily available in South Africa. Young professionals, currently involved in these projects, are being exposed to such skills. Benefits extend to local unskilled labour, with approximately 3,112 employees having acquired new skills in the construction and maintenance of solar energy stations. Infrastructure development is another area that promotes skills development in a market where there is a great focus on unskilled labour and the empowerment of women. Here, the PIC's investments have supported 751 learnership programmes.

Supporting SMEs

SMEs are key drivers of economic growth, innovation and job creation. The NDP proposes that for South Africa to overcome poverty and reduce dependency and social assistance from the State, the SME sector would have to grow significantly. The NDP further expects that by 2030, 90% of new jobs will be created by SMEs. Research by the South African Institute of Chartered Accountants (SAICA) shows an increase in the number of people employed by SMEs depending on the size and the age.

The PIC mandate seeks to give effect to the NDP's directives on economic growth and job creation.

Through the Dinamane initiative, the PIC has directly invested in businesses that support SMEs through financial support and capacity building. During the reporting period, the PIC facilitated the support of 756 SMEs across different sectors. It is anticipated that through our clients' investments in property developments and other infrastructure projects, the PIC is playing a critical role to advance enterprise development in our country through sub-contracting. Although the majority of businesses supported are in Gauteng, there has been a reasonable split to the other provinces including Mpumalanga, Limpopo, Western Cape and KwaZulu-Natal.

Of the 756 SMEs, 32% of those are involved in housing development in Gauteng and the Western Cape, 0.2% is in the oil and gas industries in Gauteng, Limpopo and Mpumalanga, and the rest covers other sectors, including medical, hospitality, tourism and agriculture. In total, the PIC has supported more than 15,000 jobs in the SME sector.

Energy

South Africa is a signatory to the Copenhagen Climate Change Accord of 2009 and has committed to reduce its carbon emissions by 34% by 2020, progressing to 42% by 2025. The NDP proposes that gas and other renewable resources like wind, solar and hydro-electricity will be viable alternatives to coal and will supply at least 20,000MW of the additional 29,000MW of electricity needed by 2030.

The PIC has shown its commitment to renewable energy by investing directly and indirectly in this market. The PIC has facilitated a total of 16 direct investments in renewable energy projects with a total of 1,119MW. If indirect investments are included, the PIC has invested approximately R11 billion towards the REIPPP programme and the 56 projects benefitting from these will have contributed 1,861MW to the national grid. The PIC investment contributes 35.3% of the total projects awarded to date.

The 56 projects are located in the rural communities of Limpopo, Free State, Eastern Cape, Northern Cape, Western Cape and one in Mozambique, and the local communities have the opportunity to acquire equity stakes in the projects. The PIC has financed the equity stake of six communities in Limpopo, Free State, Western Cape and Northern Cape.

These investments have contributed to social development through education and public health. The projects are required to allocate approximately 1.5% of the revenue to Socio-Economic Development (SED) and 0.6% to Enterprise Development (ED) of the community. The majority of the beneficiaries reported that they have invested their SED allocations towards bursary programmes, Early Childhood Development (ECD), electrifying the community where there is no electricity and support to other community initiatives, were some of the other interventions listed. The PIC's direct investments have contributed over R30 million to SED and ED projects in these rural communities.

The PIC has shown its commitment to renewable energy by investing directly and indirectly in this market.

THE PROGRAMME, "**DO AND LEARN**", SUPPORTS **220 DISADVANTAGED PRIMARY SCHOOLCHILDREN** AND HAS BEEN IMPLEMENTED BY A LOCAL NON-PROFIT ORGANISATION

Solar Capital De Aar

Skills Development and Education

Solar Capital De Aar 3 is funding a highly successful community initiative to improve the reading skills of local children in the Emthanjeni Municipality. The programme, "Do and Learn", supports 220 disadvantaged primary school children and has been implemented by a local non-profit organisation, the Karoo Eisteddfod Trust, for the last five months. The programme recruits local volunteers from De Aar who are then trained as reading coaches. These coaches present classes at various schools in the larger municipality on a daily basis. Tests have shown that the average speed at which a child involved in the programme reads has improved by 51% in one month.

SOLAR CAPITAL DE AAR 3 **COMMUNITY TRUST** HAS AN **18% EQUITY STAKE** IN THE PROJECT

B-BBEE: Ownership and Community Trusts

Through the PIC's investments, there has been a collaborative drive towards informed consent by all communities affected by new developments. Affected communities have formed part of decision-making through initiatives that support community ownership through trusts. This drive has seen projects actively involving communities as shareholders and thus ensuring adequate representation of the community with regards to project oversight and increased collaboration between communities, governments and all other stakeholders.

The minimum shareholding, as per the Department of Energy requirements, is 2.5% for community trusts. The PIC, through the Isibaya BEE Policy, has actively encouraged and implemented an increase in community trusts shareholding beyond the legislated percentage. Solar Capital De Aar 3 Community Trust has an 18% equity stake in the project, which is well above the minimum required as stipulated by the Department of Energy for Renewable Projects.

INSTALLATION OF **20 WI-FI HOT SPOTS**, **14 LOCATIONS** BEING IN **SCHOOLS**, AND THE **OTHERS AT PUBLIC FACILITIES** IN THE COMMUNITY

Access to Technology

In De Aar, access to the internet by members of the community is limited due to limited basic infrastructure, as well as a lack of funding for data. During stakeholder engagements with educators, municipal members and local business forums, Solar Capital realised that social and economic development of children and adults in De Aar can be supported if access to the internet became available to previously disadvantaged community members. Free community Wi-Fi was a necessity.

The first part of this programme has seen the installation of 20 hot spots, 14 locations being in schools, and the others at public facilities in the community. To date, expenditure on the installation of both hard- and software, as well as data, has been R745,000. Solar Capital implemented plans for the maintenance and expansion of the network, thus ensuring that this project will deliver the latest technology and be sustained for the next 20 years at least.

The Company has designed and installed a computer laboratory to equip their Community Training Centre (CTC) in De Aar. The computer lab has 13 stations with the latest IT and training software. Moreover, the Wi-Fi network will allow for additional students to be trained while using electronic tablets. Some of the training needs that will be addressed are: basic computer training; entrepreneurial development; Excel; basic web design; and project management. Plans for maintenance and expansion of this centre are in place to ensure the community has access to the latest technology. Current expenditure on this project is R700,000.

Enterprise Development and Preferential Procurement

Solar Capital launched a research project to enable economic growth in the municipal area of Emthanjeni. In collaboration with the Business School of the University of the Free State (UFS), a competition was held which called for business plan proposals to be submitted, of which the top 20 were chosen. The UFS developed a programme curriculum that introduces subjects on entrepreneurship in the following areas: financial, strategic, project and time management, as well as marketing and administrative skills.

Once a participating candidate completes the training, they receive seed capital within a structured format, which assists them to develop their new business. SMEs were provided free access (for a pre-determined time) to small businesses, with Solar Capital being the business incubator in De Aar. The project spent a total of R2 million on this ED initiative for SMEs.

SOLAR CAPITAL LAUNCHED A **RESEARCH PROJECT** TO **ENABLE ECONOMIC GROWTH** IN THE MUNICIPAL AREA OF EMTHANJENI

Socio-Economic Development

In 2000, the Foundation for Alcohol Related Research (FARR) received an invitation from the Department of Health to conduct a Fetal Alcohol Spectrum Disorder (FASD) Prevalence Study in De Aar. During this study (2001 – 2003), it was reported that 12,2% of the babies born in De Aar were affected by FASD. De Aar was identified as the town with the highest reported FASD rate in the world. Since 2006, FARR has intensified its efforts to raise awareness in De Aar about the teratogenic effects of pre-natal alcohol use on the fetus and to motivate women of reproductive years to plan their pregnancies. This has culminated in FARR implementing their Healthy Mother Healthy Baby (HMHB) Programme that has been developed in line with the WHO and Department of Health's policies, the Department of Social Development's Substance Abuse Strategy, and the National Millennium Development Goals.

To date, the HMHB Programme has been extremely successful: it has resulted in a 30% drop in the incidence of FASD in De Aar. De Aar is consequently now also the first community in the world with a reduction in a FASD prevalence rate. Through the REIPPP, Solar Capital has been able to fund the HMHB Programme for the past two years with donations of R2.1 million. This programme has won various national and international awards.

TO DATE, THE **HMHB PROGRAMME** HAS BEEN **EXTREMELY SUCCESSFU**L: IT HAS RESULTED IN A **30% DROP** IN THE **INCIDENCE OF FASD** IN DE AAR

Housing

The Human Settlement Vision 2030 strategy identified the term "Gap Housing", which describes the shortfall or gap in the housing market between residential units supplied by the State and houses delivered by the private sector. This segment typically includes people who earn between R3,500 and R15,000 per month, which is too little to enable them to participate in the private property market, yet too much to qualify for State assistance.

The PIC investment in the housing sector is founded by this policy, as the investment is aimed at providing affordable housing and financing the gap market. The PIC has participated in the development of 646 housing projects that have facilitated access to 44,625 housing units, which are mainly located in Gauteng, Western Cape, Limpopo and Northern Cape. The houses are available either for rental or purchase, and the developers are able to facilitate finance. To date, the total number of loans facilitated is 7,875, of which 3,147 are for GEPF employees.

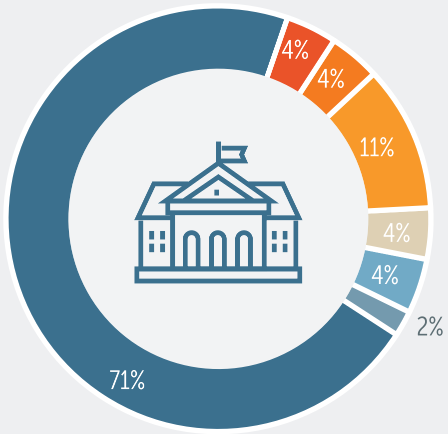
Education

Basic Education

The aim of the Department of Basic Education (DBE) is to develop, maintain and support a South African school education system. In a league table of education systems drawn up in 2015 by the OECD, South Africa ranks 75th out of 76. In November 2016, the latest Trends in International Mathematics and Science Study (TIMSS), a quadrennial test was undertaken by 580,000 pupils in 57 countries, South Africa performed at, or near the bottom of its various rankings, though its scores had improved since 2011. South African children overall even lag behind those in poorer parts of the continent. An estimated 27% of pupils who have attended school for six years cannot read, compared with 4% in Tanzania and 19% in Zimbabwe.

The PIC has invested in a fund that finances school, operators who provide affordable and quality education for parents whose combined household income is below R426,000. During the reporting period, the fund financed 24 schools - 12 primary and 12 secondary schools. The overall enrolment of the children was 15,590 in 2016. A total of 815 learners wrote grade 12 and achieved a pass rate of 93.3 %, of which 44.3% passed on Bachelor. The geographic location of the schools is as follows:

Approved Schools



Higher Education

Student Accommodation

It is anticipated that South African universities have a shortage of 216,000 beds to accommodate all students enrolled at these institutions of higher learning. For South Africa to meet the 2030 enrolment target set in the Post School Education and Training Policy and the NDP, an extra 400,000 beds are needed. A survey conducted by the Department of Higher Education of 50 public Technical and Vocational Education and Training Colleges, revealed that for 710,000 students enrolled at colleges, there were only 10,120 beds.

The PIC investment strategy for Education is giving priority to student accommodation, as it is regarded as an enabler to learning. The existing investments provide 11,964 student beds located in campuses in Johannesburg, Cape Town, Pretoria and Durban.

The PIC has approved two further investments, which plan to add 20,000 student beds over the next five to seven years. It is anticipated that the majority of these projects will commence construction during the 2017/18 financial year.

Financial Support

A gap market also exists in student funding where children in lower income families may not qualify for assistance. The average tuition fees range from between R25,000 to R50,000, depending on the university and degree enrolled for. The PIC investment with Fundi, formerly known as Eduloan (Pty) Ltd, has realised access to education for 48,663 students studying in South Africa and Zimbabwe.

Healthcare

In South Africa, private and public health systems exist in parallel. The public system serves the vast majority of the population, but is chronically underfunded and understaffed. The World Health Organisation (WHO), indicated that the worldwide provision of healthcare-related products and services consumed on average 9.95% of GDP in 2014. Over the same period in South Africa, total expenditure on healthcare accounted for 8.5% of GDP, with an annual increase of 8.8% projected for 2013–2017. Private healthcare is available to a much smaller section of the South African population (16.3%), but accounts for a disproportionate 52% of the total expenditure on healthcare.

There are more than 400 public hospitals and more than 200 private hospitals in South Africa. The provincial Health Departments manage the larger regional hospitals directly. Smaller hospitals and primary care clinics are managed at district level. Although there are more than 200 private hospitals in South Africa, the majority of these are located in suburban areas in Gauteng and the Western Cape to the exclusion of rural and peri-urban communities.

The NDP proposes key interventions in healthcare, i.e. strengthening the health system and addressing health infrastructure backlogs; reducing the disease burden by proper provision of medical care; adequate financing of the health system and phasing-in of national health insurance; and addressing the human resources issues that plague healthcare (including for example, the re-opening of nursing colleges).

To date, the PIC has invested in three hospitals in Gauteng and Mpumalanga with a total capacity of 436 beds. One hospital is in Soshanguve Township (outside Tshwane) and the other is on the outskirts of Nelspruit in Mpumalanga.

Botshilu Private Hospital

The 100-bed facility caters for patients from communities north of Pretoria – from Soshanguve to Mabopane, Ga-Rankuwa and Winterveld. The population of the area is estimated to be over 700,000. It is anticipated that the majority of the residents are civil servants with medical aid who may need a hospital of this kind, but are only serviced by two private hospitals in the city.

The hospital has a 24-hour emergency and trauma unit, which will always have a doctor on duty. The number of beds include six in the intensive care unit, four neo-natal beds, 27 medical beds, 38 surgical beds, 10 in the paediatric ward and 15 in the maternity ward.

The hospital has three theatres, rooms for specialist doctors and consulting rooms for part-time medical staff. The hospital offers cardiothoracic surgery, general, neurosurgery, orthopaedic surgery, paediatrics, pathology, dermatology, endocrinology, obstetrics and gynaecology. It also has a “crisis room” to which victims of rape and other forms of abuse will be taken for their initial consultation in privacy before they are taken to the relevant departments for treatment.

FOUR NEO-NATAL BEDS

27 MEDICAL BEDS

38 SURGICAL BEDS

Through the fund managers, the PIC has supported a B-BBEE Fund to advance healthcare in South Africa. To date, the Fund has ten investments with 14 hospitals in Gauteng, KwaZulu-Natal, Northern Cape, Mpumalanga and Limpopo. In addition, the PIC has invested in other health-related services, such as radiology and pharmaceutical businesses.

Medipost

±660,000
PRESCRIPTIONS PER MONTH

One of PIC's investments is Medipost Pharmacy that provides pharmaceutical services nationally by delivering medication to their customers anywhere in South Africa. Medipost dispenses approximately 660,000 prescriptions per month and also prides itself in its ability to implement sound chronic medicine supply and management systems, thus ensuring adherence to Good Pharmacy Practices (GPP) and patient convenience. Medipost has a specialised facility for Oncology, Renal and HIV medication management.

Agriculture

The Agricultural Policy Action Plan was approved by Cabinet in March 2015 to promote the revitalisation of agriculture and agro-processing in priority commodities, such as maize, soybeans, poultry and red meat. The Department of Agriculture has prioritised improving food security, creating jobs and increasing the contribution of the agriculture sector to the country's GDP. Agriculture in South Africa contributes around 10% of formal employment, relatively low compared to other parts of Africa, as well as providing work for casual labourers, and contributing around 2.6 percent of GDP for the nation.

The PIC mandate on agriculture includes supporting and promoting agricultural, forestry and fisheries resource management, through policies, strategies and programmes to enhance sustainable use, and achieve economic growth, job creation, food security and rural development. To date, the PIC has concluded eight investments of which six are directly invested in agricultural companies that are in various farming activities. In total, the portfolio has 20 crop farms with packing facilities.

The PIC investment in agriculture also plays a role in revitalising the rural economy and provides an opportunity for community members to participate fully in the economic, social and political life of the country. The investments are strategically positioned in the rural areas of Northern Cape, Limpopo, Mpumalanga, KwaZulu-Natal, and the Western Cape, and seek to:

- Ensure individual farm business viability;
- Maintain farm household economic security; and
- Maintain or increase the quality of life for farm families and workers.

The PIC has strategically partnered with the Land Bank to ensure that the agriculture strategy reaches broader communities, especially small- and medium-scale farmers. Secondly, these initiatives seek to advance transformation in the agriculture sector.

In addition, the PIC has initiated the establishment of Farm Workers' Trusts. Within the three direct investments, the PIC established three Trusts for farm workers and employees, and two for emerging farmers. The Trust has a minimum of 10% equity stake.

Transformation

The Unlisted Investment Division views B-BBEE as both a commercial and social imperative for every company that it invests in. The PIC believes that an appropriately transformed company, specifically one with a transformed ownership structure, management and workforce, creates a more cohesive operating environment that ultimately improves the operational efficiency of the company and adds value to the bottom line, and in turn, investment returns for clients.

The ultimate goal for the Unlisted Investment Division is to exit an investment with the assurance that the company is commercially sustainable and profitable. With the B-BBEE facilitator status and broader empowerment objectives, the Unlisted Division has confidence in its ability to transform companies to a level where its commercial success is contingent on it being appropriately transformed and socially responsible.

The PIC has developed a five-year transformation plan with targets that are guided by the revised B-BBEE Codes of Good Practice which are captured in the table below:

	B-BBEE CODES			PIC - ISIBAYA
	Pillar	Weighting	Targets	Targets
1	Ownership	25	25%+1 voting rights	Minimum 25% at inception 40% of the voting rights and economic interest including broad-based minimum 10%
2	Management Control	15+4 bonus	30% (black women) 60% (all black individuals)	Same as BEE Codes Bespoke 3-year targets
3	Skills Development	20+5 bonus	0.3% (black disabled individuals)	
4	Preferential Procurement, Enterprise and Supplier Development	40+4 bonus	3% of NPAT	Minimum stipulated weighting. Bespoke NPAT – 5%
5	Socio-Economic Development	5	1% of NPAT	Same as BEE Codes
	Total	118		

PERFORMANCE AGAINST KEY STRATEGIC OBJECTIVES – FOR THE 2016/17 FINANCIAL YEAR

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2016/17	TARGET 2017/18
		Financial Sustainability		
1	Grow revenue and control costs to run a financially sustainable investment management operation.	Cost-to-income ratio.	• CIR ≤ 75%	• CIR ≤ 70%
		Net income percentage.	• NI ≥ 10%	• NI ≥ 10%
		Internal Business Processes / Operational Efficiency		
2	Robust enterprise risk management practices.	Measurement in terms of the number of breaches in internal policies, mandates and regulatory requirements, as well as the impact of financial losses.	≤ 5 breaches overall in internal policies and mandate and regulatory requirements, without financial loss.	≤ 4 breaches overall in internal policies and mandate and regulatory requirements, without financial loss.
3	PIC is a responsible citizen, driving ESG initiatives at a corporate level.	PIC, as a corporate entity, assessed against the PIC Corporate ESG Matrix.	PIC rating of 80% on PIC Corporate ESG Matrix.	PIC rating of 85% on PIC Corporate ESG Matrix.

TARGET 2018/19	PERFORMANCE AS AT 31 MARCH 2017 (2016/17FY)	COMMENTARY ON PERFORMANCE
Financial Sustainability		
• CIR ≤ 70%	• Cost-to-income ratio as at 31 March 2017 amounted to 55%.	• The PIC maintains strong cost containment measures. As a result, actual costs remain within the budgeted amounts.
• NI ≥ 10%	• The net income percentage as at 31 March 2017 amounted to 44%.	• The main contributor to the achievement of the net income percentage target, is due to an increase in revenue, which was triggered by an increase in AuM, implementations of Fund II, as well as cost containment measures which have been put in place by Management.
Internal Business Processes / Operational Efficiency		
≤ 3 breaches overall in internal policies and mandate and regulatory requirements, without financial loss.	• There were no more than five material breaches in internal policies, mandates and regulatory requirements with financial loss impact to the business.	• For the period 1 April 2016 to 31 March 2017 there were no material breaches in internal policies, mandates and regulatory requirements which resulted in financial loss to the business. The PIC maintains robust risk and compliance policies and monitoring, including an Enterprise-wide Risk Management Framework (EWRM).
PIC rating of 85% on PIC Corporate ESG Matrix.	• For financial year ending 31 March 2017, the PIC Corporate achieved a final overall ESG rating of 78%.	• The PIC achieved an overall ESG rating score of 78%, which is regarded as good. The PIC scored overall 'good' on all three dimensions of ESG matrix scoring. The PIC scored 81% on governance, 75% on environmental and 75% on the social matrix. On average, the overall score was 2% below the high target of 80%.

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2016/17	TARGET 2017/18
Clients / Stakeholders				
4a	Generate excess returns over benchmark and compliance with Client Risk Parameters (24 months rolling) *[Returns (α, IRR and Property Return) will be measured on a 24 months rolling basis].*	**Listed Investments** α = Total Individual Fund Return – Individual Fund Benchmark Return.	• Individual Top 5 Funds α ≥ 15bps TE within mandated range.	• Individual Top 5 Funds α ≥ 20bps TE within mandated range.
			• Other Individual Funds α ≥ 5bps • Tracking error within mandated range.	• Other Individual Funds α ≥ 5bps • Tracking error within mandated range.

	TARGET 2018/19	PERFORMANCE AS AT 31 MARCH 2017 (2016/17FY)	COMMENTARY ON PERFORMANCE
		Clients / Stakeholders	
	• Individual Top 5 Funds $\alpha \geq 20$bps TE within mandated range.	**Individual Top 5 Government Employees Pension Fund** • $\alpha = 69$bps TE = 1.78 The Fund TE is within the range, the average upper limit of TE is 2.55%.	• The GEPF portfolio accounts for approximately 87% of the PIC AuM. Despite the large size of the portfolio, the PIC listed investments achieved a positive relative return against the GEPF's return benchmark. The outperformance was attributed to good stock selection in domestic and global equities. We were underweight on the Rest of Africa investments, which underperformed relative to the domestic market.
		Unemployment Insurance Fund • $\alpha = 0.35$bps TE = 0.92 The Fund TE is within the range, the average upper limit of TE is 2.55%.	• UIF is the second largest client of the PIC with its assets accounting to 7% of the PIC AuM. Despite the large size of the portfolio, the PIC listed investments achieved a positive relative return against the UIF's return benchmark. The outperformance was attributed to asset allocation, as well as good stock selection.
		Compensation Commissioner Fund • $\alpha = -31$bps TE = 0.32 The mandate is silent on the TE range for the Total Fund, however, the maximum TE for Equities is 1%.	• CC portfolio is approximately 1.9% of the total PIC's AuM. The under-performance is attributed to poor stock selection.
		Compensation Commissioner Pension Fund • $\alpha = -10$bps • TE = 0.55 The mandate is silent on the TE range for the Total Fund, however the maximum TE for Equities is 1%.	• CP portfolio is approximately 0.9% of the total PIC's AuM. The under-performance is attributed to poor stock selection.
		Associated Institution Pension Fund • $\alpha = 13$bps • TE = 0.29 The fund TE is within the range, the maximum TE is 0.5% per mandate.	• AIPF assets account for about 0.7% of the PIC's AuM. The PIC outperformed the AIPF's benchmarked return. The outperformance was attributed to asset allocation, as well as good stock selection.
	• Other Individual Funds $\alpha \geq 5$bps • Tracking error within mandated range.	**Other Individual Funds (Consolidated)** • $\alpha = 51$bps • TE = 0.05 These are various funds predominantly invested in Money Markets, and the mandates are silent on TE ranges.	• Other small clients' portfolios account for 1.5% of the PIC's AuM. The PIC outperformed the benchmark on these small client portfolios. The other funds are predominantly invested in Money Market instruments, which collectively outperformed the STEFI Composite.

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2016/17	TARGET 2017/18
Clients / Stakeholders (continued)				
4b	Generate excess returns over benchmark and compliance with Client Risk Parameters (24 months rolling) *[Returns (α, IRR and Property Return) will be measured on a 24-months rolling basis].*	**Developmental Investments and Private Equity** New Investments (Three years and less) – IRR = Hurdle Rate *(The hurdle rate will be minimum 10% for Private Equity Investments and 8% for Developmental Investments).*	• IRR = 8% for DI. • IRR = 10% for PE.	• IRR = 8% for DI. • IRR = 10% for PE.
		Investments older than three years – IRR = Minimum 8% for DI and PE debt instruments.	• IRR ≥ 8% for DI and PE debt instruments.	• IRR ≥ 8% for DI and PE debt instruments.
		IRR = Minimum 15% for DI and PE equity instruments.	• IRR ≥ 15% for DI and PE equity instruments.	• IRR ≥ 15% for DI and PE equity instruments.
4c	Generate excess returns over benchmark and compliance with Client Risk Parameters (24 months rolling) *[Returns (α, IRR and Property Return) will be measured on a 24-months rolling basis.*	**Property Investments** Total Return (Capital and Income) = Meet IPD as customised for the PIC portfolio.	• Total return = IPD as customised for the PIC.	• Total return = IPD as customised for the PIC.

TARGET 2018/19	PERFORMANCE AS AT 31 MARCH 2017 (2016/17FY)	COMMENTARY ON PERFORMANCE
	Clients / Stakeholders (continued)	
• IRR = 8% for DI. • IRR = 10% for PE.	**New investments DI** IRR = 2.76%. **New investments for PE** • IRR = 8.2%.	• The lower return on investments is attributable to the following main factors: (a) Projects financed are in its infancy stage with low but growing revenues and profits. As they reach a more mature stage, both revenues and profits grow and, consequently, the value of the portfolio will grow. This is typically referred to as the J-Curve effect in private equity parlance. (b) Some investments were impaired because of macro-economic factors peculiar to certain sectors such as those in agri- and agro-processing, poultry, transport and logistics. (c) Given the early stage of investments, accounting standards require that no upward adjustment be made to investment values which are less than 12 months old or are under construction. These investments are required to be maintained at cost.
• IRR $\geq$ 8% for DI and PE debt instruments.	**Legacy DI & PE Debt** • IRR = 11.06%.	• The outperformance is attributed to investee companies performing well in line with projection, as well as strong portfolio management monitoring. Impairments being strictly monitored. Companies in sectors which were less affected by poor macroeconomic sectors contributed to this good performance. Sectors such as economic infrastructure, housing consumer-facing did well. Also, the portfolio companies are in a relatively more mature stage of development, hence the J-Curve effect is less pronounced.
• IRR $\geq$ 15% for DI and PE equity instruments.	**Legacy DI & PE Equity** • IRR = -19.31%.	• The portfolio companies are in a relatively more mature stage of development with higher revenues, profits and cash flows. The legacy portfolio was hard hit with equity impairments, especially during the 2008/9 financial crisis. Most cyclical sectors such as construction sectors and the cement manufacturing industry were negatively affected.
• Total return = IPD as customised for the PIC.	**Property Investments** • All Property Total Return: 11.54% vs IPD return of 12%. Relative return = 0.46%.	• Directly Held portfolio surpassed the most recent benchmark over one year, and Indirectly Held portfolio underperformed over one year coming off strong capital growth in previous years.

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2016/17	TARGET 2017/18
		Clients / Stakeholders (continued)		
5a	Grow the economy through Developmental Investments and Private Equity Investments.	Contribution to Education, Health, Housing, Infrastructure and Environmental Sustainability, Small Medium Enterprises, Priority Sector Investments and Transformation. *(Developmental Investments and Private Equity).*	**Developmental Investments** Annual approved transactions equal to 30% of the total approved mandates for Developmental Investments *(Subject to the approval of Client mandates).*	**Developmental Investments** Annual approved transactions equal to 30% of the total approved mandates for Developmental Investments.
5b	Grow the economy through Developmental Investments and Private Equity Investments.	Contribution to Education, Health, Housing, Infrastructure and Environmental Sustainability, Small Medium Enterprises, Priority Sector Investments and Transformation. *(Developmental Investments and Private Equity).*	**Private Equity** Annual approved transactions equal to 30% of the total approved mandates for Private Equity investments. *(Subject to the approval of Client mandates).*	**Private Equity** Annual approved transactions equal to 30% of the total approved mandates for Private Equity investments.
6a	Grow the economy through Investments in Africa (Non-domestic) *(Listed and Unlisted Investments).*	Increase investments in Africa (Non-domestic).	**Developmental Investments** Annual approved transactions equal to 30% of the total approved mandates for Africa Developmental Investments. *(Subject to the approval of Client mandates).*	**Developmental Investments** Annual approved transactions equal to 30% of the total approved mandates for Africa Developmental Investments.
6b	Grow the economy through Investments in Africa (Non-domestic) *(Listed and Unlisted Investments).*	Increase investments in Africa (Non-domestic).	**Private Equity** Annual approved transactions equal to 30% of the total approved mandates for Africa Private Equity investments. *(Subject to the approval of Client mandates).*	**Private Equity** Annual approved transactions equal to 30% of the total approved mandates for Africa Private Equity investments.
6c	Grow the economy through Investments in Africa (Non-domestic)) *(Listed and Unlisted Investments).*	Increase investments in Africa (Non-domestic).	**Property** Annual approved transactions equal to 30% of the total approved mandates for Africa Property investments. *(Subject to the approval of Client mandates).*	**Property** Annual approved transactions equal to 30% of the total approved mandates for Africa Property investments.
6d	Grow the economy through Investments in Africa (Non-domestic) *(Listed and Unlisted Investments).*	Increase investments in Africa (Non-domestic).	**Listed Investments** Annual approved transactions equal to 30% of the total approved mandates for Africa Listed investments. *(Subject to the approval of Client mandates).*	**Listed Investments** Annual approved transactions equal to 30% of the total approved mandates for Africa Listed Investments.

TARGET 2018/19	PERFORMANCE AS AT 31 MARCH 2017 (2016/17FY)	COMMENTARY ON PERFORMANCE
Clients / Stakeholders (continued)		
Developmental Investments Annual approved transactions equal to 30% of the total approved mandates for Developmental Investments.	**Developmental Investments** • As at 31 March 2017, total approvals represented 21.6% of total approved mandates for Developmental Investments.	• The targets set were annual targets. It was anticipated that the unlisted investment mandate would have been signed off by the client on 1 April 2016. • The mandate with some of the clients was finalised on 1 October 2016. The client mandate requires the PIC to invest at most 20% of its PPM allocation in a year, as the commitment period is five years.
Private Equity Annual approved transactions equal to 30% of the total approved mandates for Private Equity investments.	**Private Equity** • As at 31 March 2017, total approvals represented 19.4% of total approved mandates for Private Equity.	• The targets set were annual targets. It was anticipated that the unlisted investment mandate would have been signed off by the client on 1 April 2016. • The mandate with some of the clients was finalised on 1 October 2016. The client mandate requires the PIC to invest at most 20% of its PPM allocation in a year, as the commitment period is 5 years.
Developmental Investments Annual approved transactions equal to 30% of the total approved mandates for Africa Developmental Investments.	**Developmental Investments** • As at 31 March 2017, total approvals represented 62% of total approved mandates for Africa Developmental Investments.	The total approvals were achieved for Rest of Africa. This was a result of an investment in a large strategic company with access to East Africa and SADC countries. Despite some challenges in the Rest of Africa economies, the PIC will continue to pursue an aggressive deal origination approach in the Rest of Africa.
Private Equity Annual approved transactions equal to 30% of the total approved mandates for Africa Private Equity investments.	**Private Equity** • As at 31 March 2017, total approvals represented 21.3% of the total approved mandates for Africa Private Equity investments.	• The targets are annual targets, as PIC assumed that mandates would be in place from 1 April 2016. • The mandate with some of the clients was finalised on 1 October 2016. The client mandate requires the PIC to invest at most 20% of its PPM allocation in a year, as the commitment period is five years.
Property Annual approved transactions equal to 30% of the total approved mandates for Africa Property investments.	**Property** • As at 31 March 2017, annual approved transactions equal to 15% of the total approved mandates for Africa Property Investments.	• The sharp decline in commodity prices and currency depreciation have put severe strain on many of the largest Sub-Saharan African economies. The deal flow in the rest of the continent was also affected. To this end, the PIC managed to close two property transactions in the Rest of Africa which amounted to USD170 million.
Listed Investments Annual approved transactions equal to 30% of the total approved mandates for Africa Listed Investments.	• Annual approved transactions equalled 36.8% of the total approved mandates for Africa Listed Investments.	• The Africa Listed Investment Strategy execution is progressing well. The targeted Africa listed transactions approvals were met. During the financial year, six transactions were approved totalling over USD600 million. The deal flow in the Rest of Africa listed equities market was affected by a slow-down in the African economies. The sharp decline in commodity prices and currency depreciation put a severe strain on many of the largest Sub-Saharan African economies.

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2016/17	TARGET 2017/18
Clients / Stakeholders (continued)				
7a	Facilitate Broad-Based Economic Empowerment and Skills Development through Investment activities.	Allocation to B-BBEE service providers. • **Listed Equities** (Multi Management) – Allocation of Funds to enterprise development managers, including those who graduate.	• At least 50% of all new funds awarded to Listed Equity External Managers, must be awarded to Developmental Managers; and • 20% of the 50% must be allocated to Developmental Managers owned by female asset managers or people living with physical disabilities, or Developmental Managers with a 50% female representation at the Management level.	• At least 60% of all new funds awarded to Listed Equity External Managers must be awarded to Developmental Managers; and • 20% of the 60% must be allocated to Developmental Managers owned by female asset managers or people living with physical disabilities; or Developmental Managers with a 50% female representation at the Management level.
7b	Facilitate Broad-Based Economic Empowerment and Skills Development through Investment activities.	• **Dealing** (Listed Equity) – Percentage of brokerage paid to designated BEE broker firms used as a percentage of total brokerage paid. • In terms of the PIC definition for BEE Level 1 – 4, the following criteria must be met as a minimum: ✓ BEE Level 1 – 4 Certification by an independent rating agency; ✓ At least 51% black ownership; and ✓ At least 30% management control by previously disadvantaged individuals. • Focus to also be placed on: • Skills development; • Enterprise and supplier development; and • Socio-economic development.	• Minimum 55% of total brokerage paid to brokers certified at least on Level 1 - 4 BEE rating, based on the new B-BBEE Codes, 51% ownership by HDIs and 30% management control by HDIs.	• Minimum 60% of total brokerage paid to brokers certified on at least Level 1 - 4 BEE rating, based on the new B-BBEE Codes, 51% ownership by HDIs and 30% management control by HDIs.

TARGET 2018/19	PERFORMANCE AS AT 31 MARCH 2017 (2016/17FY)	COMMENTARY ON PERFORMANCE
Clients / Stakeholders (continued)		
• At least 70% of all new funds awarded to Listed Equity External Managers, must be awarded to Developmental Managers; and • 20% of the 70% must be allocated to Developmental Managers owned by female asset managers or people living with physical disabilities; or Developmental Managers with a 50% female representation at the Management level.	• 94.5% of all funds awarded was to Developmental Managers (both incubation managers and those who have graduated). • 21.8% of the targeted 50% was allocated to Developmental Managers owned by female asset managers, or people living with disabilities, or Developmental Managers with a 50% female representation at the Management level.	• The PIC continues to drive and promote B-BBEE actively in the asset management industry. • During the year, the PIC successfully completed the RFP process for listed asset managers, and has allocated mandates to Developmental BEE Managers and female-owned asset management businesses.
• Minimum 65% of total brokerage paid to brokers certified on at least Level 1 - 4 BEE rating, based on the new B-BBEE Codes, 51% ownership by HDIs and 30% management control by HDIs.	• As at 31 March 2017, 56.6% of total brokerage was paid to brokers with a minimum of 51% ownership by HDIs and a minimum of 30% management control by HDIs. .	• Brokerage is mainly allocated to brokers certified at least on Level 1 – 4 BEE rating, based on the entities' valid BEE scorecard. The focus was on targeting transformed brokers and increasing allocation to BEE managers with transformed management.

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2016/17	TARGET 2017/18	
		Clients / Stakeholders (continued)			
7c	Facilitate B-BBEE and Skills Development through Investment activities.	• **Developmental Investments and Private Equity** (Fund of Funds) – Funds committed through BEE firms (Qualifying Small Enterprises) as a percentage of total Developmental Investment and Private Equity Investment commitments.	Achieve a cumulative allocation of 70% to BEE Asset Managers. *(To qualify as a BEE Asset Manager, the service provider must at least have 51% black ownership and 30% management control by HDIs).*	Achieve a cumulative allocation of 80% to BEE Asset Managers. *(To qualify as a BEE Asset Manager, the service provider must at least have 51% black ownership and 30% management control by HDIs).*	
7d	Facilitate Broad-Based Economic Empowerment and Skills Development through Investment activities.	• **Unlisted Properties** – New acquisitions, development and redevelopment of property investments (new developments, and rural developmental investments).	Approved new acquisitions, development and re-developments at a minimum of R2.0 billion. HDIs must have at least 40% shareholding in each development.	Approved new acquisitions, development and redevelopments at a minimum of R2.5 billion. HDIs must have at least 40% shareholding in each development.	
		• **Properties** – Allocation of funds to BEE Funds and property managers.	Commit a minimum of R2.5 billion.	Commit a minimum of R3.0 billion.	
8	The PIC staff demographics are reflective of the skilled segment of South Africa's economic active population (EAP).	Percentage of staff defined as black, according to the Employment Equity Act, aligned with the skilled segment of the EAP.	• Staff demographics to be reflective of the skilled segment of the EAP. • At least 25% of vacancies on job levels D and E, based on the Paterson grading scales, will be filled with female employees and/or people living with physical disabilities.	• Staff demographics to be reflective of the skilled segment of the EAP. • At least 30% of vacancies on job levels D and E, based on the Paterson grading scales, will be filled with female employees and/or people living with physical disabilities.	

TARGET 2018/19	PERFORMANCE AS AT 31 MARCH 2017 (2016/17FY)	COMMENTARY ON PERFORMANCE
	Clients / Stakeholders (continued)	
Achieve a cumulative allocation of 90% to BEE Asset Managers. *(To qualify as a BEE Asset Manager, the service provider must at least have 51% black ownership and 30% management control by HDIs).*	• During the financial year, a cumulative funds allocation of 86% was committed to BEE Private Equity Asset Managers with 51% black ownership and 30% management control by HDIs.	• During the financial year, the PIC directed its efforts towards allocating funds to transformed and emerging BEE Asset Managers.
Approved new acquisitions, development and redevelopments at a minimum of R3.0 billion. HDIs must have at least 40% shareholding in each development.	• As at 31 March 2017, transactions of R2.44 billion were approved. HDIs have at least 40% shareholding in each development.	• The unlisted investments performed well above target. This was attributed to aggressive deal origination and execution, as well as disciplined and consistent property asset management.
Commit a minimum of R3.5 billion.	• Property Management function was outsourced to a BEE Property Manager for new acquisitions and BEE Asset Management for two separate transactions – R3.83 billion.	• During the year, further property acquisitions and development of new properties were outsourced and or committed to BEE Asset Managers and BEE Property Managers.
• Staff demographics to be reflective of the skilled segment of the EAP. • At least 35% of vacancies on job levels D and E, based on the Paterson grading scales, will be filled with female employees and people living with physical disabilities.	• The National EAP profile, as reported in the CEE for 2015/16, indicates the Black EAP profile is 90.10% and Provincial EAP is 85.30%. • As at 31 March 2017, the PIC EAP profile indicates 92.69% of staff as black. • As at 31 March 2017, 48% of vacancies at D and E level were filled with females against an annual target of 25%.	• The PIC is 2.59% ahead of the national EAP and 7.39% ahead of the provincial EAP for black employees, year-to-date. This indicates a concerted drive towards the achievement of Employment Equity (EE) goals. • The target on appointing female employees during the period under review was exceeded by 23%. This can be attributed to the commitment to have females represented at senior levels. Overall, females represent 43% of D and E levels.

PART FOUR
ENABLERS OF SUSTAINABLE RETURNS

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HUMAN RESOURCES AND REMUNERATION REPORT

Impact Investing for Inclusive Growth – Developing Our People

The PIC's Vision 2030 provides the strategic direction to build an institution that drives developmental investing to enable inclusive growth in our economy, transform key sectors of the economy and to develop the skills and capabilities of employees.

For the PIC, realising this Vision depends on a set of key enablers: attracting and retaining skilled people; robust IT platforms; increased research capacity; and an emphasis on ESG issues.

Central to the success of our institution are our employees who dedicate their energies to ensure the PIC delivers on our clients' mandates. We continuously strive to improve the PIC's employee value proposition as a preferred employer, and to ensure that we attract the best talent.

Retaining talent requires continued investment in employees to enable personal growth, skills development, recognising and awarding exceptional performance and, ultimately, building an effective, respected asset manager in the public sector.

Amongst the expectations from the Shareholder to promote inclusive growth are that we:

- Continue to develop internal capacity to expand investment in economic infrastructure in key sectors of the domestic economy;
- Sustain internal capacity to make impact investing like those undertaken by the Isibaya Fund;
- Develop the required human resource skills and capacity to maintain, strengthen, transform and ensure the long-term sustainability of the PIC; and
- Ensure, at all times, the highest levels of integrity and ethics in the work of the institution.

Training and Skills Development

For the period under review, investments in our employees saw the bursary and training allocations increase to over R17 million, compared to R7 million in the previous financial year. Internally, 77 new bursaries were awarded to employees.

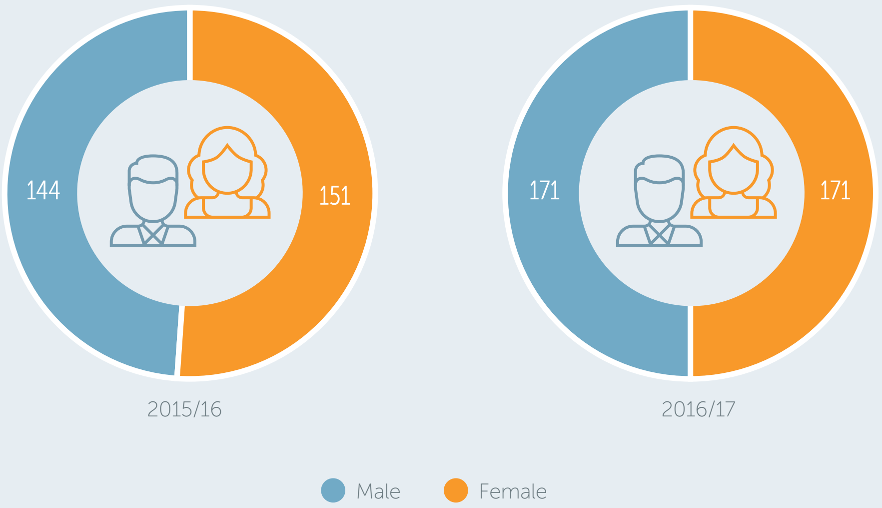
The PIC allocated R10 million to fund unemployed youth studying at various institutions of higher learning. A total of 201 bursaries have been awarded to financially needy students for the 2017 academic year. In line with PIC's Employment Equity and Diversity initiatives, from the total bursaries awarded, 135 bursaries (68%) were allocated to students enrolled in Previously Disadvantaged Universities (PDU); 27 bursaries (13%) awarded to people with disabilities (PWD) and 57% bursary beneficiaries are awarded to women.

Workforce Gender and Race Profile

Our people remain a critical component that enables the organisation to realise its strategic objectives. The HR Division has set itself a goal to increase our workforce progressively, such that the organisation seamlessly delivers on the requirements to establish a corporate profile that is racially diverse, that displays a firm commitment to gender equity, fully incorporates people with disabilities, and is sufficiently innovative and resilient to adapt to market changes and client needs.

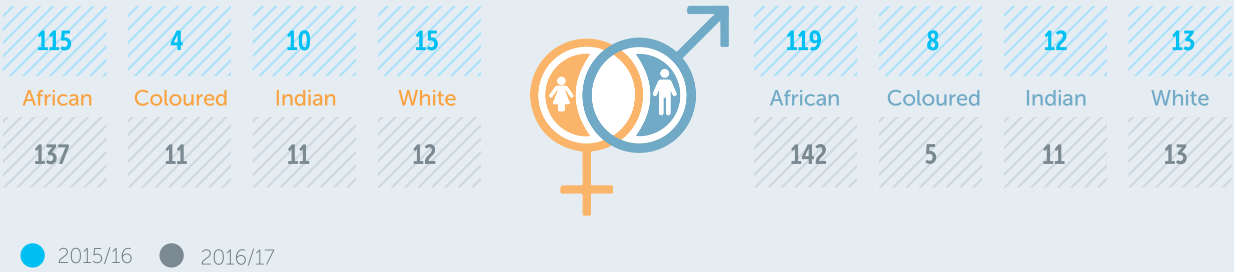
For the period under review, the number of PIC employees increased by 15.5% - from 296 in 2015/16 to 342 - including 25 PICeeds (PIC's graduate programme) and 11 fixed-term contractors. As demonstrated by the graphs on the next page, there is now a 50% gender split in our employee profile.

Workforce Profile



The PIC has seen a marked improvement in its employment equity profile. By 31 March 2017, Africans constituted 81%, Coloureds 5%, Indians 6% and Whites 7% of the PIC's total workforce. The percentage of female employees increased by 12.5% and male employees by 18% respectively. The highest increase was amongst Africans, which stood at 19%. Most notably, has been an increase in the number of Coloured females, increasing from four to eleven during the year under review. Progress was also made with the appointment of people with disabilities. The appointment of three new employees with disabilities has positively altered our workforce composition, such that this designated segment now constitutes 1.1% of our workforce. The figure below represents a year-on-year comparison of our employment equity profile.

Employment Equity Profile



The Employment Equity Committee was reconstituted to include employee representatives and to ensure that their views are taken into consideration when decisions are made. The table below provides a panoramic view of PIC's workforce profile across occupational level, race and gender.

Occupational Level	Females						Males						Grand Total
	African	Coloured	Indian	White	Total	%	African	Coloured	Indian	White	Total	%	
Top Management	2	0	0	0	2	18%	7	0	1	0	9	82%	11
Senior Management	16	3	1	2	22	39%	26	1	4	5	35	61%	57
Professionals / Middle Management	45	3	5	4	57	45%	56	3	3	7	69	55%	126
Skilled	46	5	2	6	59	63%	30	1	3	1	35	37%	94
Semi-Skilled	28	0	3	0	31	57%	23	0	0	0	23	43%	54
Total	**137**	**11**	**11**	**12**	**171**	**50%**	**142**	**5**	**11**	**13**	**171**	**50%**	**342**

Remuneration Policy

In a highly competitive asset management market for qualified and experienced skills, our remuneration philosophy is designed to attract and retain talented employees, reward performance and reinforce strategy execution behaviours.

The PIC recognises the fundamental value of a highly engaged and committed team and we strongly believe that the recruitment and retention of high-performing employees is critical to achieving our objectives. To this end, during the 2015/16 financial year, the PIC reviewed its Remuneration Policy to align it with best market practice and to position the organisation as an employer of choice.

Reinforcing and rewarding excellent performance that supports the vision, mission and values, as well as strategic objectives of the PIC are at the core of the Corporation's remuneration philosophy. In addition, the Remuneration Policy guides and provides the framework for reward practices that enhance our employee value proposition.

The PIC, as a responsible corporate citizen, strives to ensure that we offer competitive and market-related remuneration. We make use of accredited service providers for conducting salary benchmarking in order to remain relevant in the labour market. As a State-owned institution, Shareholder interests are of utmost importance in all instances that relate to the governance of remuneration of the senior management team.

Remuneration Structure

The PIC remuneration structures consist of both guaranteed and variable pay. We subscribe to the total-cost-to-company remuneration structure, which consists of total guaranteed pay inclusive of employee benefits that are subsidised, such as medical aid and funeral cover.

The total guaranteed pay structure includes: basic cash; an optional 13th cheque; retirement fund, medical aid; and car allowance where applicable. Additional benefits include a medical aid subsidy and funeral cover, but these do not form part of the permanent total guaranteed pay structure. Variable remuneration consists of short-term and long-term incentive schemes.

Short-term Incentive Scheme

The short-term incentive scheme is awarded annually to employees who meet the minimum requirement of performance and is applicable to all qualifying employees. The PIC performance level is a trigger for incentives to be paid out; thus, the PIC corporate performance targets have to be met and exceeded, and all governance requirements observed through the PIC Board and Shareholder.

Long-term Incentive Scheme

The long-term incentive scheme is designed to reward participants for the achievement of superior and sustained performance, as well as to help attract and retain highcaliber employees. The long-term incentive scheme mechanism allocates monetary awards over a three-year period and is paid out when the minimum performance requirements are satisfied. For senior managers, the Shareholder will approve the pay-out thereof in the period that the awards are vesting on the third year after allocation.

Senior Management Remuneration

The PIC strives to align senior management remuneration and incentives with State-owned Remuneration Guidelines to the extent that they remain relevant to the skills market in which the PIC operates. The PIC ensures that salary reviews and benchmarks are conducted annually and makes use of accredited consultants in financial services, the public sector and the asset management sector.

Process to Determine 2017 Incentives

Incentive Pool Funding and Individual Allocations

Once the Board sets the overall entity incentive pool, the PIC goes through a structured process to ensure that individual allocations are appropriate, as described below.

1.	Board determines the entity incentive pools
2.	Managers assess individual performance against individual objectives and align with our corporate balanced scorecard and values
3.	Consistency checks are conducted at entity, business unit or function level
4.	The Human Resources and Remuneration Committee (HRRC) reviews and recommends incentive pool for corporate and senior management
5.	The total incentive pool is approved by the Board, based on the entity's financial performance
6.	EXCO incentives are approved by the Shareholder

Employee Satisfaction Survey

During the reporting period, a climate survey was conducted to assess the organisational environment, as well as the satisfaction and engagement levels of employees. Over 51% of employees participated in the survey. The most encouraging outcome of the survey is that employees indicated that they understand the PIC's vision and the direction it is taking, that they are satisfied with working conditions, and that they can see improvement in employment equity. Focus groups were conducted with all business units to elicit further ideas and solutions to some of the areas that may require attention in improving the climate within PIC. During the next 18 months, we will focus on improving key areas that will assist in positioning PIC as an employer of choice, as identified in the outcome of the survey.

Reinforcing and rewarding excellent performance that supports the values, vision and mission, as well as strategic objectives of the PIC are at the core of the Corporation's remuneration philosophy.

Disclosure of Remuneration as at 31 March 2017

Non-Executive Directors

Names	Meeting attendance	Retainer [1]	Total
Beswick, S	412,192	134,350	546,542
Goba, T	409,554	134,350	543,904
Hlatshwayo, D	514,305	134,350	648,655
Manning, C	680,060	134,350	814,410
Mngconkola, SP	673,858	134,350	808,208
Moloto, P	470,246	134,350	604,596
Morar, R	605,861	134,350	740,211
Nyoka, T	440,951	134,350	575,301
Toyi, L	652,747	134,350	787,097
Zulu, S	450,360	134,350	584,710
	5,310,134	**1,343,500**	**6,653,634**

[1] Retainers are paid for the attendance of four (4) Board meetings and approved at the Annual General Meeting.

Executive Directors

Names	Cost to Company	Long-term incentive paid#	Short-term incentive allocation	Other^	Total
Matjila, D (CEO)	5,287,049	4,339,298	4,215,990	12,060	13,854,397
More, M (CFO)	3,904,809	2,987,223	3,003,982	12,060	9,908,074
	9,191,858	**7,326,521**	**7,219,972**	**24,120**	**23,762,471**

^ Other includes acting allowance and other fringe benefits.

Long-term incentive (LTI) paid in the current year relates to service that was rendered in 2013/14, but was only earned by the employee upon achievement of an average performance rating of 3,5 over a period of three years, i.e. 31 March 2016 and being an employee of PIC at date of payment. The amount paid as LTI is based on the employee's cost to Company in the year the service is rendered and not date of payment, i.e. the allocation does not accrue interest over the three years' vesting period. If an employee does not achieve an average performance rating of 3,5 over three years or is no longer an employee of the PIC at date of payment, this amount will not be paid to the employee, therefore all the risks and rewards associated with entitlement of the LTI only transfer to the employee at date of payment.

Executive Committee

Names	Cost to Company	Long-term incentive paid#	Short-term incentive allocation	Other^	Total
Dekker, P *	330,291	-	-	1,591	331,882
Dolamo, S	2,314,073	-	1,851,258	12,060	4,177,391
Hako, V	2,830,358	-	2,264,286	12,060	5,106,704
Mabe, K*	1,092,229	2,188,549	-	190	3,280,968
Madavo, F	2,873,348	1,651,887	2,298,679	12,060	6,835,974
Magula, P	2,615,295	868,937	1,816,522	12,060	5,312,814
Menye, V**	929,218	-	-	4,060	933,278
Muller, M **	2,576,036	1,538,032	1,746,223	798,960	6,659,251
Nesane, E	2,398,691	737,086	1,761,850	12,060	4,909,687
Ntuane, L *	385,043	-	-	-	385,043
Pholwane, C	2,249,182	-	1,268,414	12,060	3,529,656
Rajdhar, R	2,877,922	2,402,654	2,302,337	60	7,582,973
	23,471,686	**9,387,145**	**15,309,569**	**877,221**	**49,045,621**

* Resigned during the course of the financial year.

** Appointed to the position during the course of the financial year.

^ Other includes acting allowance and other fringe benefits.

Long-term incentive (LTI) paid in the current year relates to service that was rendered in 2013/14, but was only earned by the employee upon achievement of an average performance rating of 3,5 over a period of three years, i.e. 31 March 2016 and being an employee of PIC at date of payment. The amount paid as LTI is based on the employee's cost to Company in the year the service is rendered and not date of payment, i.e. the allocation does not accrue interest over the three years' vesting period. If an employee does not achieve an average performance rating of 3,5 over three years or is no longer an employee of the PIC at date of payment, this amount will not be paid to the employee, therefore all the risks and rewards associated with entitlement of the LTI only transfer to the employee at date of payment.

INFORMATION TECHNOLOGY

During the year under review, the Information Technology (IT) Department continued to provide strategic support to the PIC business units in order to achieve the PIC's strategic and operational business objectives. IT services were implemented and the IT Department ensured optimal IT services availability that enabled both internal and external stakeholders to meet and exceed their expectations.

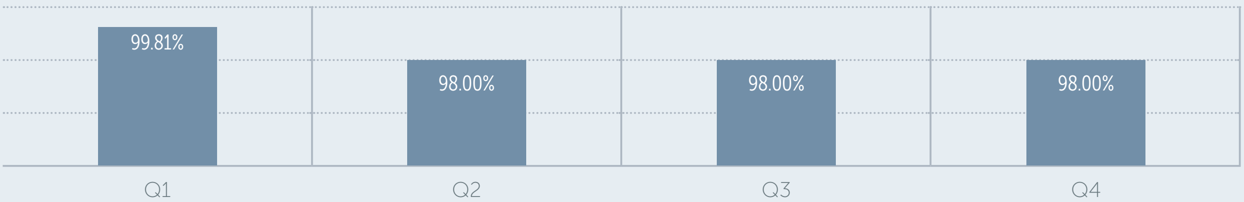
In line with good IT governance, and to ensure continuous improvement, an end-to-end environment assessment was conducted. The assessment yielded recommendations to enhance the IT operating model in order to cater for agile adoption of modern technologies, and to modernise the PIC business environment. The assessment also assisted to develop an approved Business Modernisation Strategy, which seeks to put in place effective and responsive IT solutions for improved investment decision-making, improved stakeholder experience, efficient, stable and timely service to both PIC employees, and external stakeholders. The strategy is underpinned by five enduring core outcomes that will serve as the foundation for all current and future strategies. The five core outcomes of the strategy are:

The strategic objectives that were initially approved in the 2015-2020 Strategy were closely monitored and supported by all the relevant IT governance structures. Notable achievements during the period under review were:

- Automation of portfolio analytics to enhance performance analysis, risk, portfolio composition and characteristics of each portfolio.
- An IT Governance Framework which takes into consideration generally accepted practices and standards such as King IV, COBIT 5, ITIL, Prince2, ISO 27001/2 and ISO/IEC 38500:2008. The framework includes, amongst others, the management of IT risks and controls, monitored by the IT Department to acceptable residual levels.
- The IT Department continued to enable the business to achieve its objectives by ensuring IT service availability. During the period under review the IT service availability target of 98% for critical business systems was achieved, which is outlined in the design above.
- Business continuity continued to be an area of focus in the IT Department, such that disaster recovery tests were performed on a quarterly basis.
- Information security remained a key focus area and sound security principles were embedded in the day-to-day operations of the PIC. Information Security policies were enhanced with security awareness campaigns, training, introduction of security tools and independent assurance programmes.
- While retaining critical IT skills continues to be a challenge in the market, the PIC has been creative in sourcing strategic partners to drive the organisational strategy and to ensure continued service availability. This was done in line with the PPPFA and the defined B-BBEE requirements to promote economic growth and procurement diversity.

The availability figures outlined below are a collection of critical business systems and are monitored through an automated solution.

System Availability



CORPORATE SOCIAL INVESTMENT AND CORPORATE AFFAIRS REPORT

Corporate Social Investment Report

"A vision with action changes the world" - Nelson Mandela

The PIC is committed to being a responsible corporate citizen that contributes meaningfully to alleviate some of the country's most pressing social challenges. Focal areas were identified as fundamental to addressing social ills. These included: Education and Training; Socio-Economic Development, Agriculture, Conservation and the Environment; and B-BBEE. Within these parameters, the PIC has made progress in having a country-wide reach in addressing some of these challenges. During the year under review, the PIC participated in the following initiatives, some of which involved staff members.

Educational Support to Setotolwane Elsen School in Mankweng

On 29 March 2017, the PIC handed over educational support devices worth R1 million to learners at Setotolwane Elsen School in Mankweng, Limpopo, in order to provide the school's visually impaired learners with the independence to participate effectively within a sighted world. Educational support devices included 45 audio ('talking') scientific calculators, a Viewplus Braille set, new audio computer software and an automated Braille Note Apex device (an e-learning tool).

Through this initiative, 72 learners from grades 10 to 12 stand to benefit.

The sponsorship also kick-started other interventions, such as bursaries aimed at ensuring that the learners are not left behind economically due to lack of specialised resources and opportunities. The three-year partnership with the school will be elevated and enhanced through exposure to e-learning and other identified curriculum-support interventions throughout the year for the Grade 10, 11 and 12 learners.

200 Solar Schoolbags donated to Bojating Primary School

The PIC donated solar schoolbags that impacted the lives of 200 learners from Bojating Primary School, a no-fee school situated in Ramokoka in the North West Province.

The schoolbags are made entirely from recycled plastic bags, which means that the learners who walk long distances to school will no longer have to endure rain-soaked books, non-visibility on the roads, as well as no lamps at home. The schoolbags are fitted with reflective and fluorescent tape to increase visibility, and also come with a solar panel and light to be used as a lamp in the evenings.

Restoring Dignity to Rural Communities

The PIC, in partnership with Amalooloo, a PIC investee company, heeded the call for better hygiene and sanitation solutions in disadvantaged rural schools in the Eastern Cape. Learners and teachers from these schools endured long school days without being able to relieve themselves. 48 Amalooloo ablution facilities were built in three schools with a total of 1,159 learners. The Amalooloo sanitation systems provide innovative technology of waterborne and dry ventilated improved pits. This ensures that sanitation systems are clean and odour-free with extensive health and hygiene benefits.

Mandela Month Initiatives

Mandela Day Renovations at Boitumelo, Hammanskraal

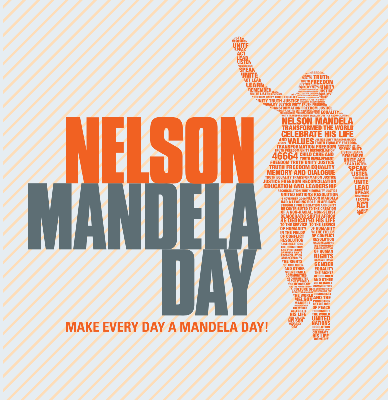
The PIC revamped the shelter and infrastructure at an Early Childhood Development Centre for 104 children in the informal settlement of Boitumelo in Hammanskraal. The PIC volunteers also assisted in handing out party packs to the children and donations of educational toys, books, plastic chairs, non-perishable food, desks and blankets to the Centre staff and children.

The PIC improves food security

"All people, at all times, should have access to sufficient, safe and nutritious foods to maintain a healthy life; long-term access to food security can transform world hunger."
- Sello Hatang

Themes for the 2016 Mandela Month celebrations were the following: Food Security; Education and Literacy; Shelter and Infrastructure; and Service and Volunteerism. With these themes in mind, the PIC visited two schools, namely Thulaganyo Secondary School in Winterveld and Maropeng Primary School in Soshanguve. The PIC developed food gardens at these schools to feed learners and the surrounding community.

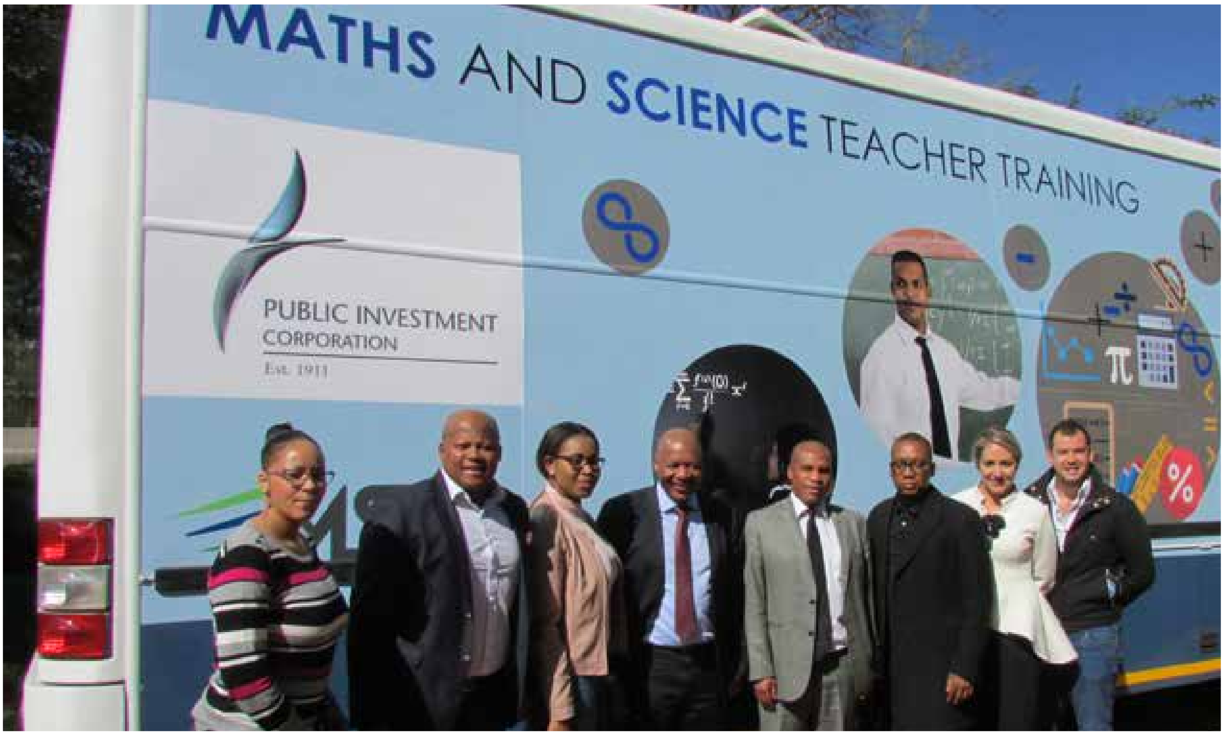
The PIC volunteers assisted with soil preparation, planting of vegetables, herbs and grains for distribution to beneficiaries, as well as setting up of irrigation systems and producing compost. The project will not only address food security issues, but will also improve the economic position of the communities.



"All people, at all times, should have access to sufficient, safe and nutritious foods to maintain a healthy life; long-term access to food security can transform world hunger."
- Sello Hatang

Mandela Day Donations

The PIC partnered with GPAA in donating laptops, desks, chairs, cabinets and stationery to a community training centre for the visually impaired in Soweto.



Maths and Science Teacher Training

The PIC continued its commitment to help improve education standards in South Africa by partnering with one of our investee companies, Mobile Specialised Technologies (MST), in a groundbreaking project to develop a mobile bus that provides Maths and Science training for 216 teachers at 36 schools.

Women's Day Celebration

To commemorate Women's Month, the PIC provided young girls with reusable sanitary packs that can be used for up to five years. The PIC sponsored 200 packs of sanitary towels to young girls in Emang Mmogo Comprehensive School in rural Galeshewe in the Northern Cape. The sanitary pack contains 6 SABS approved reusable sanitary pads, underwear, a zip lock bag and instruction sheet. This initiative also gives previously unemployed women the opportunity to run their businesses by training them to sew the sanitary towels. The overarching goal is to ensure that every underprivileged girl and woman in South Africa receives a sanitary pack.

Festive Season Campaign

The Little Stars on Earth initiative was in support of making a difference in the lives of little children aged between five and twelve years. The project was supported by PIC volunteers who gave freely of their time, energy and expertise without remuneration. PIC employees donated gift boxes to underprivileged children at Happy Sabby Day Care in Melutsi in, Pretoria. The gift box contained stationery, necessities, toys and a treat.

Clothes to Good Campaign

The PIC played a meaningful role in building social entrepreneurship and social upliftment in South Africa by partnering with the Clothes to Good campaign. The used clothes collected for the campaign are used to empower and create jobs for people with disabilities, among other beneficiaries. The campaign helps entrepreneurs to sell clothing in their communities, creating a tangible economic and social impact.

Inspire a Child to Greatness

The PIC hosted 20 learners from Reitumetse Secondary School in Ga-Rankuwa, Pretoria. The aim of this annual event is to expose learners to the work environment, including the different career opportunities at the PIC. Employees of the PIC were also encouraged to bring their children to work on the day. The pupils were presented with backpacks, stationery, lunchboxes and certificates of attendance.

Corporate Affairs Report

Awards and Recognition

ABSIP Special Recognition Award, November 2016

This award was in recognition of the PIC's efforts in managing funds on behalf of public servants and growing the asset base at a time when the global and domestic economy had not been stellar.

ABSIP CEO of the Decade Award and Presidential Award, November 2016

The CEO of the Decade and the Presidential Award were bestowed on Dr Matjila for significantly leading change in the financial markets. Commenting on Dr Matjila's leadership, erstwhile ABSIP President Tryphosa Ramano said, "Since taking the reins of a century-old, R1.6 trillion fund, Matjila has showcased exceptional leadership skills in managing social and political pressure to deliver returns without incurring significant risks."

African Institutional Investment Personality of the Year, September 2016

The CEO was awarded the African Investor's Institutional Investment Personality of the Year at the 9th annual Africa investors (Ai) Summit held in New York. Every year, the Ai Summit hosts high-level representatives from African, US and global institutional investors, stock exchanges, as well as pension and sovereign wealth funds, to set out the priorities and a framework required to move the US-Africa agenda further.

The University of Limpopo: Onkgopotse Tiro Excellence Award, November 2016

The Onkgopotse Tiro Excellence Award was bestowed on the PIC CEO in recognition of his contribution to the business sector and the larger community. The award pays tribute to and honours alumni of the University who have made their mark on the South African landscape and beyond.

Parliamentary Engagements

Disclosure of Unlisted Investments

For the first time in its history, the PIC disclosed to Parliament the details of its Unlisted Investment portfolio. Although there is no legal obligation to do so, the PIC disclosed its Unlisted Investment portfolio in the interest of transparency. The presentation to the Standing Committee on Finance (SCOF) provided the PIC with an opportunity to take members through the PIC's investment mandates, processes and policies. Information disclosed included the following:

- Names of the investee companies;
- The date of investment;
- Investment maturity date;
- The investment amount committed;
- The names of Company Directors; and where applicable
- Members of the PIC's Advisory Board responsible for a specific investment.

Parliamentary Questions

Over and above the disclosure to the SCOF, the PIC responded to a number of Parliamentary questions relating to its operations and investment activities. These replies are available under "Publications" on the website of the NT.

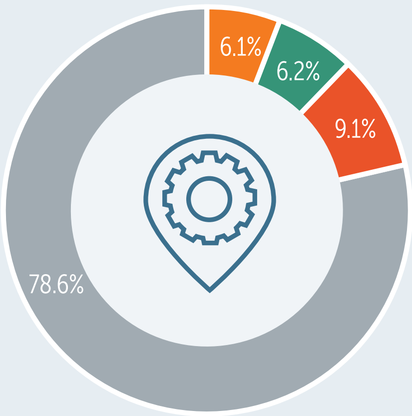
Media Engagement

For the financial year under review, media engagements continued both on a proactive and reactive basis. The PIC experienced a sharp spike in media coverage in comparison to the previous financial year. The number of news clips for the PIC increased by 1,095 to 4,548, representing a difference of approximately 30% from the previous financial year. Almost 80% of the coverage relating to the PIC was neutral in that it was neither positive nor critical of the institution.

Top 10 dominant media issues in relation to the PIC were:

- Disclosure of PIC's unlisted investments to the SCOF;
- The launch of a housing funding for GEPF beneficiaries in partnership with SA Home Loans;
- The purchase of over 26% shares of Distell;
- Reports that the PIC had "lost" R100 billion of its value, following the removal of former Finance Minister Nhlanhla Nene in December 2015. This was revealed at a presentation to the SCOF in Parliament. However, the PIC emphasised that it was an unrealised loss, which was recovered when markets improved;
- Reports that the PIC was preparing to buy a stake in Barclays Africa, following an announcement by Barclays Plc that it was going to dispose of some of its African assets;
- The PIC's announcement that it would invest approximately R70 billion through its Developmental Investment Programme. The announcement was made by the former Deputy Minister of Finance and PIC Chairman, Mr Mcebisi Jonas before SCOF;
- The possibility of the PIC disposing some of its shares to a black-owned consortium;
- The value of the PIC's investment in Independent News and Media;
- The PIC's expression of concern over governance at SOEs; and
- The PIC's opposition to the possible unbundling of Anglo American assets.

1 April 2015 - 31 March 2016	1 April 2016 - 31 March 2017
3,453	4,548

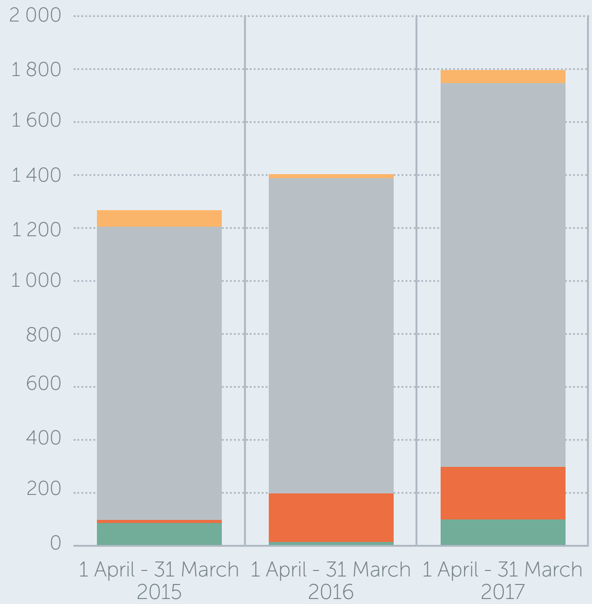


1 April 2016 - 31 March 2017

Positive	280	6.2%
Negative	416	9.1%
Neutral	3,573	78.6%
Mixed	279	6.1%
	4,548	

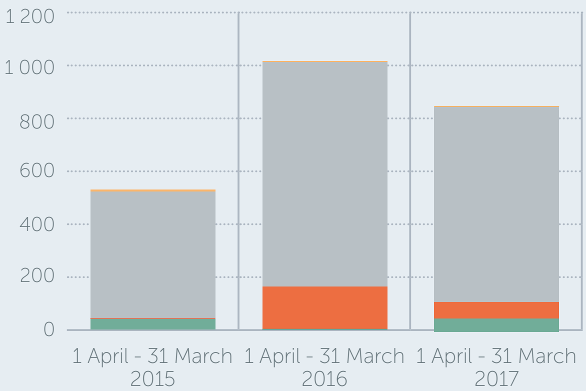
Coverage relating to the PIC saw an increase in positive sentiments across all media platforms, as represented in the graphs below.

Online



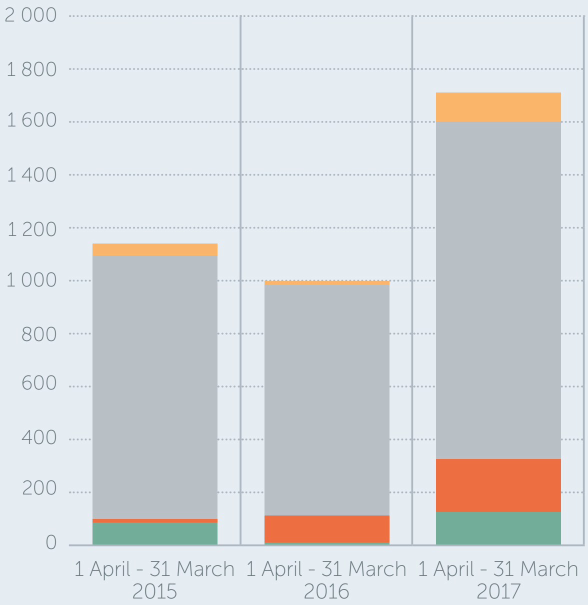
	March 15	March 16	March 17
Positive	92	43	110 ▲
Negative	22	167	184 ▲
Neutral	1,152	1,183	1,449 ▲
Mixed	73	13	127 ▲
	1,339	**1,406**	**1,870**

Broadcast



	March 15	March 16	March 17
Positive	24	10	51 ▲
Negative	8	157	100 ▼
Neutral	494	881	732 ▼
Mixed	8	6	26 ▲
	534	1,054	909

Print



	March 15	March 16	March 17
Positive	99	31	119 ▲
Negative	13	113	132 ▲
Neutral	979	836	1,392 ▲
Mixed	65	13	126 ▲
	1,156	993	1,769

SOCIAL AND ETHICS COMMITTEE REPORT

My responsibility as Chairman of the PIC's Social and Ethics Committee (SEC) is to report on matters that fall within the Committee's mandate for the year under review in accordance with the requirements of the Companies Act and to report on the additional duties assigned to the Committee by the Board.

This report covers the activities of the SEC for the period 1 April 2016 to 31 March 2017, during which period the SEC met on four scheduled occasions and on three special occasions. Special meetings are scheduled as and when there are transactions and/or issues that are referred to the SEC by other Board Committees or Sub-committees. The SEC provides independent guidance on investment and operational decisions to the Board Committees and Sub-committees, in line with its oversight role to monitor and guide the Corporation to act as a responsible corporate citizen and to conduct its business in an ethical and sustainable manner.

The details of attendance to these meetings by the Committee members are provided on page 162 in the Integrated Annual Report.

Establishment and Composition

The SEC was established in terms of section 72(4) and Regulation 43 of the Companies Act. The primary purpose and role of the SEC is to assist the Board in monitoring the PIC's activities, having regard to any relevant legislation and highlighted in Regulation 43(5) of the Companies Act Regulations with regard to matters relating to:

- Social and economic development, including the Corporation's standing in terms of goals and purposes;
- Monitoring the PIC's compliance with the 10 principles set out in the United Nations Global Compact Principles;
- Monitoring the PIC's compliance with the Organisation for Economic Cooperation and Development (OECD) recommendations on corruption;
- Monitoring the PIC's compliance with the Employment Equity Act (Act 55 of 1998) (EEA);
- Monitoring the PIC's compliance with the B-BBEE Act ;
- Ensuring that the PIC is a good corporate citizen;
- The environment, health and public safety;
- Consumer relationships;
- Competition Law issues;
- Labour and employment;
- Bringing matters relating to the above activities to the attention of the Board as the occasion may require;
- Discharging other duties mandated to the Committee by the Board; and
- Reporting through the Chairman to the Shareholder at the Company's AGM on the matters within its mandate.

Composition

The PIC SEC comprises four independent Non-Executive Directors, all of whom have the requisite competence. Their names and qualifications are detailed in the Board of Directors section of the Integrated Annual Report on pages 146 to 150.

Attendees at Committee Meetings

In addition to the four Non-Executive Directors, the Chief Executive Officer; Chief Financial Officer; Executive Head: Risk; Executive Head: Human Resources; Executive Head: Legal Counsel, Governance and Compliance; General Manager: Investment Management; Head: Internal Audit; Head: Corporate Affairs; Senior Manager: Regulatory Compliance; Company Secretary; and Manager: Safety, Health and Environment attend meetings of the Committee by invitation.

SEC Terms of Reference

The SEC operates within Board-approved ToR that comply with the Companies Act and King Report on Corporate Governance. The ToR were reviewed to make provision for guidance from the SEC on transactions and policies that could pose a high reputational risk to the PIC.

Discharge of Duties for the Year Under Review

Social and Economic Development

An Ethics Strategy has been developed to ensure that ethical standards guide internal and external stakeholders in their ongoing interaction. For example, an ESG Matrix was approved by the SEC and this tool allows pre-emptive consultations with investee companies prior and during their Annual General Meetings (AGMs) where the PIC attends or votes by proxy. This is an attempt to resolve contentious issues before voting at the AGM. Auditor rotation, remuneration policy and tenure of directors tend to be the most common issues for continuous engagement to ensure adherence to the PIC's ESG principles espoused in the PIC ESG Rating Matrix.

The SEC receives ESG quarterly reports on investee companies and a record on how PIC exercises its voting rights for each investee company. Quarterly feedback is provided to the SEC highlighting some of the issues that the PIC contends with as an Institutional Investor and ensuring that investee companies adhere to the highest standards of corporate governance. The ESG reports are provided to investee companies as part of feedback and the proxy voting decisions are published on the PIC website.

The Shareholder is consulted on how best to share the feedback from the ESG Rating Matrix of various investee companies, including the SOEs.

Organisational Ethics

The Shareholder challenged the SEC to develop an instrument that can reinforce high ethical core value systems by the Board and staff to instil ethics, integrity and accountability. It is against this background that the SEC sanctioned the development of a Code of Ethics Policy and a Code of Conduct and these were adopted in May 2016. Each employee of the Corporation has subsequently signed an Ethics Pledge. The Code of Ethics Policy was benchmarked against some of the professional bodies that PIC employees are affiliated to. The SEC lauded Management for the development and implementation of the policy and following Board approval, the implementation focused on the following:

- Ethics training, presenting ethical scenarios and how Directors and staff should respond;
- Suggestions on ways to improve implementation of the Code of Ethics;
- Incentives to promote an ethical culture throughout the corporation; and
- Avenues to seek guidance where ethical dilemmas arise.

A separate Code of Conduct for Directors sets out the procedures to manage declared or potential conflicts of interest and how Directors should conduct themselves.

The Risk Division, as custodians of the Ethics Office, will carry out an ethics survey in conjunction with the Human Resources Division to measure the ethics pulse of the Corporation. Internal Audit will provide assurance upon finalisation of the results.

Labour and Employment

The SEC received reports on employment equity performance of the company against targets, and monitored disciplinary matters dealt with during the period under review. As part of Vision 2030, PIC employees remain a critical component towards realising the strategic objectives of the Corporation. In the year under review, there was a significant increase in the number of people with disabilities employed by the PIC, and retention of talent remained a key focus area.

Stakeholder Relations

Media Management Policy

Ethics have been elevated to unprecedented levels of prominence by the increased activism and scrutiny of SOEs by the general public and media. The PIC has thus adopted a stakeholder-inclusive approach that seeks to balance the needs and expectations of all its key stakeholders, whilst ensuring the sustainability of the Corporation. The PIC is strengthening its Media Management Strategy in consultation with the Shareholder representative.

Responsible Corporate Citizen - CSI Strategy

A comprehensive strategy was drafted by the PIC for purposes of effecting sustainable CSI project development that is closely aligned to the overall PIC strategy. The key focus areas of the strategy are in response to some of the issues plaguing the South African society, which include initiatives that focus on youth development and women entrepreneurship, as well as rural development. Sustainable CSI projects are also developed in collaboration with investee companies.

The PIC CSI Policy focuses on five areas:

- Education and Training;
- Socio-Economic Development
- Agriculture and Conservation;
- Environmental; and
- B-BBEE.

Ethics Assurance - Whistle Blower Reports

The SEC monitored complaints received via Whistle Blowers (Pty) Ltd, an independent subscription service, offering a 24/7 free call facility enabling employees or third parties to anonymously report any irregularities within the company.

All fraud and corruption allegations are investigated and reported to the Audit and Risk Committee (ARC) of the Board. It is against this background that only high-level reports are submitted to the SEC quarterly in order to monitor the quality and quantity of reports submitted to the whistle-blowing facility.

Events Post 31 March 2017

Forensic Investigations

The PIC received correspondence from the Office of the Public Protector with regard to the SACOIL investigation undertaken by Gobodo Forensic and Investigative Accounting (Pty) Ltd. This was in relation to the complaint that was raised with the Office of the Public Protector.

The PIC is liaising with the Office of the Public Protector on the matter.

Transition from King III to King IV

The Board adopted the Transparency, Accountability, Accessibility and Integrity (TAAI) Framework as a means to further entrench an ethical culture and transparency within the parameters of legislation, such as the Protection of Personal Information Act, 2013 (Act 4 of 2013) (POPI Act).

The Committee's ToR were reviewed post 1 April 2017 to ensure alignment thereof with the King IV principles, the Companies Act and the provisions of the Company MOI. The revised ToR provide for the CEO and CFO as Executive Members of the Committee and the majority members being Non-Executive Directors of the Company in line with King IV recommendations.

Conclusion

I am satisfied that, in all material respects, the SEC has fulfilled all its duties in line with the approved ToR during the period under review. No items were reported that would indicate non-compliance with the requirements of the Companies Act.

On behalf of the Social and Ethics Committee

Lindiwe Toyi
Chairman: Social and Ethics Committee

THE BOARD

The PIC reports to the Minister of Finance who is the Shareholder representative on behalf of the South African Government.

In terms of section 6(1) of the PIC Act, the Minister, in consultation with Cabinet, appoints the Board members of the PIC, and in terms of section 7 of the PIC Act, the Board may establish such Committees as it considers necessary.

The Board is well represented in terms of the racial demographics of the Republic.

The Board believes that sound corporate governance not only provides a critical foundation for the PIC, but also protects stakeholder value and assists in the achievement of strategic objectives. The Board is the focal point of corporate governance and is ultimately accountable and responsible to the Shareholder for the performance and affairs of the PIC. Independent Board oversight and guidance concerning the PIC's operations and activities are key in monitoring and driving compliance, in setting strategy, in ensuring good governance, and in embedding the highest levels of integrity and professionalism within the Corporation. It therefore retains full and effective control over the PIC, gives strategic direction to Management, governs the ethics of the PIC in a way that supports the establishment of an ethical culture, and supervises the business and affairs of the PIC. The Board is also responsible for ensuring that the PIC complies with all relevant laws, regulations and codes of business practice.

The Board has already begun a transition to realign the well-established King III principles with the new King IV, which was launched during the latter part of 2016. The Board has also undergone training to ensure the continued application of the core fundamentals of ethical effective leadership, as envisaged in King IV.

In addition, the Board has a responsibility to the broader stakeholders which include clients, employees, the Shareholder, investee companies and the broader public.

The Board underwent the following training programmes during the period under review:

- Introduction to King IV – PricewaterhouseCoopers (PwC) facilitated this information session with the Board and was meant to provide the Board with the paradigm shifts introduced by King IV, as well as guidance on the implementation thereof.
- IT Governance – This workshop was facilitated by the Institute of Directors of Southern Africa (IoDSA) and was aimed at capacitating Board members, and in particular the ICTGC members, in effectively discharging their duties in respect of IT Governance within the PIC.
- Competition Act – This workshop was facilitated by the Competition Commissioner and was intended to support the Board in discharging its investments in a manner that complies with the country's competition laws, as well as encouraging competitive behaviour within the PIC's investee companies.

The Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence. Brief biographies of the Directors, outlining their qualifications and skills, are presented on pages 146 to 150.

Board Profile

NON-EXECUTIVE DIRECTORS

Mr Mcebisi Jonas, (MP), Chairman, until 30 March 2017 (56)

Positions
- Deputy Minister of Finance
- Non-Executive Director
- Chairman of the Directors' Affairs Committee, until 30 March 2017

Qualifications
- Bachelor of Arts in History and Sociology
- Higher Diploma in Education

Mr Sfiso Buthelezi, MP, Chairman, since 1 April 2017 (56)

Positions
- Deputy Minister of Finance
- Non-Executive Director
- Chairman of the Directors' Affairs Committee, since 1 April 2017

Qualifications
- Master of Commerce (Economics)
- Bachelor of Commerce (Honours) (Economics)
- Bachelor of Commerce (Economics)
- Economic Policy Analysis Course

Mr Roshan Morar, Deputy Chairman (CA) SA, (50) Retired: 31 March 2017

Positions
- Independent Non-Executive Director
- Deputy Chairman of the PIC Board
- Chairman of the Investment Committee, until 31 March 2017
- Chairman of the Private Equity, Priority Sector and Small Medium Enterprise Fund Investment Panel, until 31 March 2017

Qualifications
- Chartered Accountant (SA)
- Bachelor of Commerce (Accounting)
- Post-graduate Diploma in Accounting (CTA)
- Certified Fraud Examiner

Memberships
- Member of the Directors' Affairs Committee, until 31 March 2017
- Member of the Property Fund Investment Panel, until 31 March 2017
- Member of the Board of Airports Company South Africa (ACSA)
- Member of the Board of Adcock Ingram Limited
- Member of the Board of the SA National Roads Agency
- Member of the Board of Harith General Partners
- Member of the Board of Morar Inc.

Ms Sandra Beswick (64)

Position
- Independent Non-Executive Director

Qualifications
- Bachelor of Commerce (Honours)

Memberships
- Member of the Information Communication and Technology Governance Committee
- Member of the Private Equity, Priority Sector and Small Medium Enterprise Fund Investment Panel
- Member of the Audit and Risk Committee
- Member of the Board of Sandra Beswick and Associates (Pty) Ltd
- Member of the Board of Let It Grow Foundation

Ms Tantaswa Fubu (45)

Positions
- Independent Non-Executive Director
- Chairman of the Audit and Risk Committee

Qualifications
- Chartered Accountant (SA)
- Higher Diploma in Banking Law
- Post-Graduate Diploma in Accounting (CTA)
- Bachelor of Administration (Honours)

Memberships
- Member of the Directors' Affairs Committee
- Member of the Social and Ethics Committee
- Member of the Human Resources and Remuneration Committee
- Member of the Property Fund Investment Panel
- Member of the Board of Ithala SOC Ltd
- Member of the Board of Cerebralcross Consultants
- Member of the Board of Santam

Dr Trueman Goba (64)

Positions
- Independent Non-Executive Director
- Chairman of the Property Fund Investment Panel

Qualifications
- Registered Professional Engineer (SA)
- Doctor of Engineering (SA)
- Master of Engineering (SA)
- Bachelor of Science (Eng)
- Survey Technician Diploma
- Diploma in Management (Public Policy and Development Administration)

Memberships
- Member of the Information, Communication and Technology Governance Committee
- Member of the Board of Hatch Africa (Pty) Ltd
- Member of the Board of Goba (Pty) Ltd
- Member of the Board of Independent News Media
- Member of the Board of Goboda (Pty) Ltd
- President: SA Academy of Engineering
- Chairman: SA Youth into Engineering

Board Profile

NON-EXECUTIVE DIRECTORS

Ms Dudu Rosemary Hlatshwayo (53)

Position
- Independent Non-Executive Director

Qualifications
- Master of Business Administration
- Bachelor of Social Science (Honours)
- Senior Executive Leadership Development Programme
- Diploma in Marketing Management
- Diploma for Successful Participation in the Owner Value Program
- Certificate in Product Strategy and Brand Management

Memberships
- Member of the Human Resources and Remuneration Committee
- Member of the Private Equity, Priority Sector and Small Medium Enterprise Fund Investment Panel
- Member of the Investment Committee
- Member of the Board of Lanseria International Airport
- Member of the Board of Land Bank
- Member of the Board of Afmetco
- Member of the Board of KZN Growth Fund
- Member of the Board of Erin Energy Corporation
- Member of the Board of Accurex
- Member of the Board of Profibre Siyaphambile
- Member of the Board of Turnkey Development Properties
- Member of the Board of K2014256909 (SA)
- Member of the Board of Hulisani
- Member of the Board of KKR Investments

Dr Claudia Manning (50)

Positions
- Independent Non-Executive Director
- Chairman of the Information, Communication and Technology Governance Committee

Qualifications
- Doctor of Philosophy
- Master of Philosophy
- Bachelor of Arts (Honours) (Economic History)

Memberships
- Member of the Directors' Affairs Committee
- Member of the Investment Committee
- Member of the Social and Ethics Committee
- Member of the Private Equity, Priority Sector and Small Medium Enterprise Fund Investment Panel
- Member of the Board of Basil Read Holdings (Pty) Ltd
- Member of the Board of Mondi Zimele (Pty) Ltd
- Member of the Board of Sangena Investments (Pty) ltd
- Member of the Board of Adcock Ingram Holdings
- Member of the Board of Misty Sea Trading 134
- Member of the Board of Lequbu Investment Corporation
- Member of the Board of Spark Schools SPC
- Member of the Board of Christel House South Africa

Mr Patrick Mngcokola (54), Retired: 31 March 2017

Positions
- Independent Non-Executive Director
- Chairman of the Human Resources and Remuneration Committee, until 31 March 2017

Qualifications
- Bachelor of Technology in Business Administration
- Bachelor's Degree in Human Resources Management
- National Diploma in Police Administration
- Diploma in Personnel and Training Management

Memberships
- Member of the Directors' Affairs Committee, until 31 March 2017
- Member of the Audit and Risk Committee, until 31 March 2017
- Member of the Investment Committee, until 31 March 2017
- Member of the Board of the V&A Waterfront
- Member of the Board of Growthpoint Properties Limited
- Member of the Board of Harith General Partners
- Member of the Board of Newshelf 904
- Member of the Board of Khulani Group

Mr Pitsi Paul Moloto (55)

Position
- Independent Non-Executive Director

Qualifications
- Masters in Business Administration
- Masters in City Planning

Memberships
- Member of the Social and Ethics Committee
- Member of the Information Communication and Technology Governance Committee
- Member of the Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel
- Member of the Board of Strategic Pathways
- Member of the Board of Pitsi Moloto Advisory Services

Ms Lindiwe Toyi (55)

Positions
- Independent Non-Executive Director
- Chairman of the Social and Ethics Committee

Qualifications
- Masters of Business Administration
- B Social Science (Electrical Engineering)
- National Higher Grade Diploma in Electrical Engineering
- National Diploma in Electrical Engineering

Memberships
- Member of the Directors' Affairs Committee
- Member of the Investment Committee
- Member of the Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel
- Member of the Board of AfriSam (SA)
- Member of the Board of Columbus Stainless

Ms Sibusisiwe Zulu (35)

Positions
- Independent Non-Executive Director
- Chairman of the Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel

Qualifications
- Admitted Attorney
- Bachelor of Law (LLB)
- Advanced Diploma in Corporate Law
- Certificate in Business Rescue
- Certificate in Practical Legal Training

Memberships
- Member of the Audit and Risk Committee
- Member of the Property Fund Investment Panel
- Member of the Board of Ngubane Wills Incorporated
- Member of the Board of Ultiwise Energy
- Member of the Board of Monoblox
- Member of the Board of African Dune Investment Holdings

Board Profile

EXECUTIVE DIRECTORS

Dr Daniel Matjila (55)

Positions
- Chief Executive Officer
- Executive Director

Qualifications
- Doctor of Philosophy (PhD) in Mathematics
- Master of Science in Applied Mathematics
- Post-graduate Diploma in Mathematical Finance
- Bachelor of Science (Honours) in Applied Mathematics
- Advanced Management Programme
- Senior Management Programme

Memberships
- Member of the Directors' Affairs Committee
- Member of the Information Communication and Technology Governance Committee
- Member of the Investment Committee
- Member of the Property Fund Investment Panel
- Member of the Private Equity, Priority Sector and Small Medium Enterprise Fund Investment Panel
- Member of the Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel
- Member of the Board of Ecobank Transnational Incorporated
- Member of the Board of Capital Appreciation
- Member of the Board of Afgri Poultry (Daybreak)
- Member of the Board of SA SME Fund
- Member of the Board of Asteroid Financial Services
- Member of the Board of BVI (Pareto)
- Member of the Board of GEPF Moz

Ms Matshepo More (35)

Positions
- Chief Financial Officer
- Executive Director

Qualifications
- Chartered Accountant (SA)
- Certificate in the Theory of Accounting
- Bachelor of Business Science (Finance)
- Accredited SAICA Assessor

Memberships
- Member of the Information Communication and Technology Governance Committee
- Member of the Investment Committee
- Member of the Property Fund Investment Panel
- Member of the Private Equity, Priority Sector and Small Medium Enterprise Fund Investment Panel
- Member of the Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel
- Member of the Board of Pareto Limited
- Member of the Board of BVI (Pareto) Limited
- Member of the Board of CBS Property Management (Pty) Ltd
- Member of the Board of ADR International Airport South Africa
- Member of the Board of Association of Black Accountants of South Africa
- Member of the Board of Industrial Development Corporation South Africa
- Member of the Board of Independent Regulatory Board of Auditors
- Member of the Board of GEPF Moz
- Member of the Board of JordiFlo

Board and Governance Objectives

Board Charter

The Board Charter stipulates that the rights and duties of the individual Directors of the PIC, both Executive and Non-Executive, are governed by the PIC Act and the PIC's Memorandum of Incorporation (MOI), as well as the Companies Act, the PFMA, and common law. Apart from duties imposed on the individual Directors of the PIC in terms of the Companies Act, a Director is by common law subject to fiduciary duties that require him/her to exercise his/her powers in a *bona fide* manner and for the benefit of the PIC, and to display reasonable care and skill in carrying out his/her responsibilities.

The Board Charter provides for the Board to establish Board Committees to assist it in the execution of its duties, powers and authorities. The Board may delegate to each of the Committees established, such authority as is required to enable such Committees to fulfil their respective functions. Each Committee has ToR, approved by the Board, and all Board Committees are chaired by Non-Executive Directors, which is in line with corporate governance best practice.

A review of the Board Charter and of the different Board Committees is conducted annually. The purpose of reviewing the Board Charter and the ToR is to ensure that they remain relevant, appropriate and in line with governance best practice.

Board members may seek independent advice, at the Corporation's cost, during the execution of their fiduciary duties and responsibilities, if so needed. During the year under review, the Board sought independent advice in respect of the disclosure of personal financial interests and the application of the materiality test for disclosure.

The Board's Responsibilities

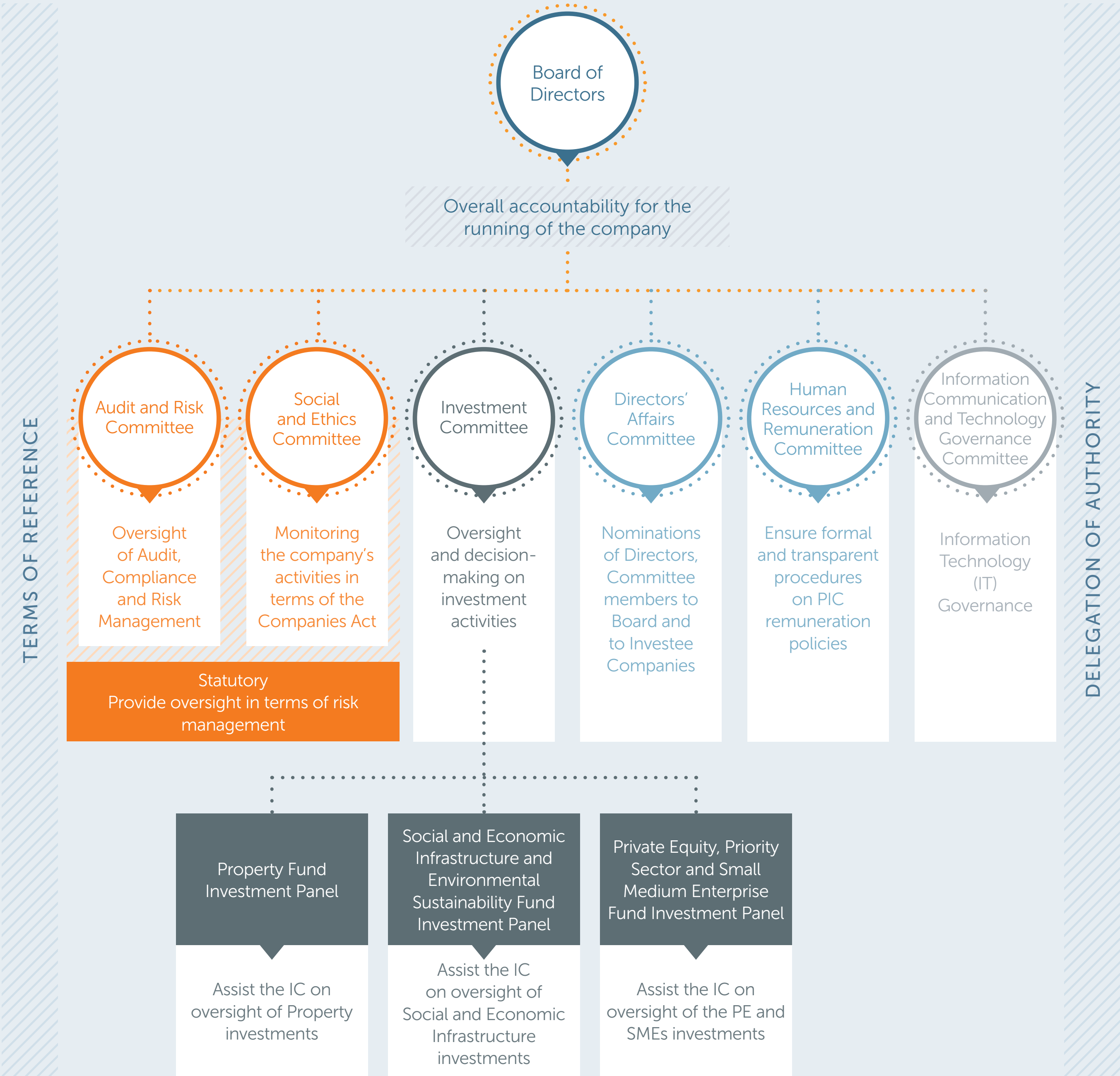
The responsibilities of the Board are separate and distinct from those of Management. The Board exercises sound leadership, integrity and independent judgement in pursuit of strategic goals and objectives, to achieve long-term sustainability, growth and prosperity, while always remaining cognisant of the best interests of all stakeholders. The Board is accountable for the overall performance and affairs of the PIC. It leads ethically and provides leadership within a framework of prudent and effective control, thereby ensuring that the PIC's ethics are managed effectively and that the PIC is a responsible corporate citizen.

As much as the Board plays a key role in the strategic direction of the company, the Board also considers employee-related matters and key appointments; ensures that there is proper succession planning; and provides continuous oversight on material matters. The Board acts as an independent check and balance to the EXCO team, whose main responsibility remains to manage the operations of the PIC.

Board Committees

To discharge its responsibilities, the Board is assisted by six Board Committees, namely the Audit and Risk Committee; the Social and Ethics Committee; the Investment Committee; the Human Resources and Remuneration Committee; the Directors' Affairs Committee; and the Information, Communication and Technology Governance Committee. The Board also established three Fund Investment Panels as Sub-committees of the Investment Committee to assist the Board in discharging its statutory duties and responsibilities in relation to investments in South Africa, offshore and on the rest of the African continent.

The Board and Board Committee structure is depicted below:



Board's Performance

The matrix below depicts the PIC Board's performance during the financial year:

Key Responsibilities	Matrix	Achieved/ Not Achieved
Acting in the best interest of the company (including managing conflicts and dealing in securities) subject to section 75 of the Companies Act, No 71 of 2008	**Governance**	
	Full disclosure of the nature of a Director's interest on any matter before the PIC Board is required	Achieved
	Submit declaration of interest form at the beginning of each financial year	Achieved
	Receive report-backs on Committee functions, decisions and recommendations	Achieved
	Review CEO's report	Achieved
	Review and update the PIC Board reserved powers and DoA	Achieved
	Summary of ToR of all Board Committees to be disclosed in the Annual Report	Achieved
Reviewing the Board and Committee mandates at least annually and approving recommended changes	**Meetings**	
	Minimum of 4 meetings per year	Achieved
	Board Committees	
	Assign Directors to various Committees	Achieved
	Review Board Committee compositions	Achieved
	Review ToR for each Board Committee on an annual basis	Achieved
	Review Board Charter on an annual basis	Achieved
	Review Board composition and succession planning	Achieved
Ensuring that each Director adheres to his/her duties	**Performance Review**	
	Completion of anonymous self-assessment questionnaires by individual Directors	Achieved
	Assessment of Chairman of the Board	Achieved
	Evaluation of Board Committees	Achieved
Reviewing and monitoring the performance of the Chief Executive Officer	**Executive Performance**	
	Formal evaluation of the CEO and CFO	Achieved
	Determine a succession plan for the CEO and for EXCO	Not Achieved
	Approve goals and performance expectations for the CEO	Achieved
	Review and set EXCO's remuneration	Achieved
Ensuring that the company complies with laws and considers rules, codes and standards	**Risk Management and Internal Control**	
	Review effectiveness of Risk Management process	Achieved
	Review risk management reports and Management actions	Achieved
	Obtain assurance regarding the adequacy and effectiveness of internal control	Achieved
Reviewing, monitoring and reporting on the PIC's integrated sustainability management	**Integrated Sustainability Issues**	
	The Board should identify, monitor and report at least annually, on the nature and extent of its social, transformation, ethical, safety, health and environmental management policies and practices.	Achieved

Key Responsibilities	Matrix	Achieved/ Not Achieved
Establishing the values of the PIC in support of its mission, and establishing principles and standards of ethical business practice in support of such values	**Vision, Mission and Values**	
	Code of Ethics and disciplinary actions	Achieved
	Human Resources and Human Capital, including transformation	Achieved
	Health and Safety, including HIV/AIDS	Achieved
	Communication Policy and Programme	Achieved
	Environmental Management	Achieved
Strategically directs, controls, set the values, align management to the latter and promotes the stakeholder-inclusive approach of governance	**Strategy**	
	Monitoring and evaluating the implementation of its strategies, policies and business plan, as a measure of operational performance and PIC Management performance	Achieved
	Review, challenge and approval of strategy and business plans for the year	Achieved
Ensuring that an adequate budget and planning process exists, that performance is measured against budgets and that the annual budget is approved	**Operational and Financial**	
	Review and approval of financial budgets and plans	Achieved
	Approve annual financial operating results	Achieved
	Approve Annual Financial Report content and format	Achieved
Considering and approving the Annual Financial Statements, dividend announcement and notices to the Shareholder, and considering and agreeing on the basis for assessing the going concern status of the PIC	Review progress against budgets and plans and monitor financial performance	Achieved
	Assess going concern assumptions	Achieved
Annually reviewing and assessing achievements against set objectives	**Shareholder's Compact and Corporate Plan**	
	Annually enters into a Shareholder's Compact with the Government	Achieved
	Submit a Three-year Corporate Plan to the NT, in line with the PFMA	Achieved
	Consider performance against Key Performance Indicators	Achieved

Chairman

The Chairman, who is also the Deputy Minister of Finance, is appointed by the Minister of Finance in consultation with Cabinet. King IV prescribes that the Board chairmanship should preferably be held by an Independent Non-Executive Director. However, the appointment of the Deputy Minister as Chairman of the PIC Board is based on the fact that the GEPF, which constitutes approximately 90% of the PIC managed funds, is a Defined Benefit Fund underwritten by Government.

Mr Roshan Morar has been appointed as the Lead Independent Non-Executive Director since 27 June 2014 to ensure that there is a proper balance of power, to strengthen the independence of the Board, and to lead in the absence of the Chairman.

The Chairman, by virtue of being the Deputy Minister of Finance, may not hold any other directorships.

Board Appointment and Integrity Test

As stipulated by the PIC Act and provided for in the PIC MOI, the Board members are appointed by the Minister of Finance, in consultation with Cabinet. All appointments are made such that, collectively, the Board members possess a diverse range of skills, knowledge and expertise and have the requisite independence, and appropriate professional and industry knowledge necessary to meet PIC's strategic objectives. The prospective Directors undergo an integrity test which is conducted by the Shareholder to ensure that they are qualified for appointment as Directors in terms of the Companies Act. The Non-Executive Directors are selected on the basis of their skills, business experience, investment knowledge and qualifications.

Changes to the Board during the Year under Review

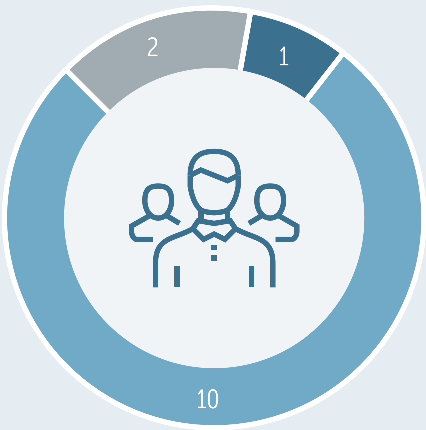
In terms of the PIC MOI, a Non-Executive Director shall hold office for a term of three years and shall not hold office for more than two consecutive terms. The MOI further provides that a Director retiring at a meeting shall retain office until the appointment of the newly nominated Directors has been completed, or until the expiration of six months from the meeting at which she/he was due to retire, whichever is earlier.

Mr Mcebisi Jonas, who was appointed as Chairman of the Board during his tenure as the Deputy Minister of Finance, retired from the Board on 30 March 2017. Mr Sfiso Buthelezi was appointed as the Chairman of the Board, effective 1 April 2017.

The second terms of Messrs Roshan Morar and Patrick Mngconkola expired on 30 September 2016 and were extended by the Minister of Finance until 31 March 2017. The first terms of Ms Dudu Hlatshwayo, Ms Sibusiso Zulu and Dr Trueman Goba expired on 31 October 2016 and were extended by the Minister of Finance until 30 April 2017. To secure a quorum for the Board in line with the PIC's MOI, the terms of Ms Hlatshwayo, Ms Zulu and Mr Goba were extended by another three months until the end of July 2017.

Dr Xolani Mkhwanazi was appointed on 1 August 2017 as Non-Executive Director and Deputy Chairman of the Board. Ms Mathukana Mokoka was appointed as Non-Executive Director on 1 August 2017.

The Board composition is in compliance with King IV, the ESG Policy on State-Owned Entities (SOEs), the PIC Act and the PIC MOI.



The graph shows the balance of power between Non-Executive Directors, Independent Non-Executive Directors, and Executive Directors.

The graph shows the equity within the Board in terms of both race and gender.

Rotation of Directors

In terms of the PIC MOI, a Non-Executive Director, who has been in office for a period of three years since his/her last appointment, shall retire during the AGM. One-third of the Non-Executive Directors for the time being, or if their number is not a multiple of three, then the number nearest but not less than one-third, shall retire from office. The Non-Executive Directors so to retire shall be those who have been longest in office since their last appointment.

Delegation of Authority

The Board retains effective control over the operations of the PIC through well-developed governance structures, comprising various Board Committees and a comprehensive Delegation of Authority (DoA). The DoA ensures timeous and effective implementation of the Board's strategy, but does not divest the Board of its responsibilities. The Committees regularly report to the Board in terms of their agreed mandates, which are reviewed annually to ensure relevance and alignment with governance best practice.

Board and Committee Evaluations

The Board conducts an assessment of its performance and the appropriateness and effectiveness of its procedures and processes annually. For the year under review, the NT was contracted to perform the annual evaluation of the Board. This evaluation covered the size and composition of the Board, Directors' induction and development effectiveness, Board meetings, relationship between the Board and management, flow of information, skills needed by the Board and its Committees, as well as stakeholder relations.

Non-Executive Directors' Fees

In terms of section 66(9) of the Companies Act, remuneration paid to Non-Executive Directors for their services as Directors, may be paid only in accordance with a Special Resolution approved by the Shareholder within the previous two years. The last Special Resolution in this regard was signed in December 2014. The Shareholder, therefore, considered and signed a new Special Resolution in line with the provisions of section 66(9) of the Companies Act, at the AGM for the 2016/17 financial year held on 10 March 2017. Details regarding the Non-Executive Directors' remuneration are contained in the Remuneration Report on page 132.

Indemnification and Directors' Insurance

The PIC does not indemnify a Director against liability arising from:

- Wilful misconduct or breach of trust by the Director;
- The Director acting without the necessary authority;
- Reckless trading;
- Fraudulent acts of the Director; and
- A fine related to an offence committed by the Director unless the fine was based on strict liability.

The PIC has a Directors' and Officers' Liability Insurance in place to indemnify Directors in respect of any liability, other than the specific instances mentioned above.

Shareholder's Compact and Key Highlights

The Shareholder's Compact represents an agreement between the Government, as the sole Shareholder, and the PIC represented by the Board, and it outlines performance expectations and parameters.

The Shareholder closely monitors the extent to which the Board, as a whole, and individual Directors achieve the objectives, as well as any specific performance targets, and when necessary, effects any remedial action.

Reporting and Shareholder's Review

The PIC provides the Shareholder with quarterly performance reports, presented to the Minister of Finance or designated officials within the NT. The PIC also reports to its clients on a monthly, quarterly and annual basis, as well as annually to Parliament and Regulators. The Board ensures that the Shareholder is given sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information on issues to be decided at the meeting.

Internal Audit

The PIC has an Internal Audit function in place which reports to the ARC quarterly. The PIC embraces the principle of combined assurance with the objective to ensure a more integrated approach to managing risks that threaten the organisation.

Code of Ethics

The Board has adopted a Code of Ethics to promote proper standards of conduct, sound and prudent practices for the

PIC employees and Directors, as well as to guide them when dealing with stakeholders, including clients, suppliers and customers. The Code of Conduct reflects the commitment of PIC employees and Directors to the PIC's core values. The Code of Conduct provides a framework to guide employees' and Directors' conduct in a way that upholds the integrity of the institution and displays a commitment to manage the affairs of the Corporation in an ethical and disciplined manner.

- *Whistle Blowing*
  Whilst the PIC seldom experiences incidents of fraud and corruption, the PIC has proactively contracted an independent anti-fraud and -corruption agency, Whistle Blowers (Pty) Ltd, to encourage reporting of such incidents. Where such incidents are reported, the PIC would quickly and effectively deal with them. The following policies have been developed to minimise risk within the PIC:

- *Fraud Prevention Policy*
  The Fraud Prevention Policy aims to assist in the detection and prevention of fraudulent activities and to protect AuM from any form of dishonest or unethical conduct. This policy ensures that the PIC Management and all employees adopt the highest standards of honesty, propriety, personal integrity and accountability, and be fully attentive to guard against unlawful conduct affecting the PIC.

  Where an employee has contravened this policy, the necessary disciplinary action is taken against such employee.

- *Anti-Money-Laundering Policy*
  The Anti-Money-Laundering Policy relates to the legal controls that the PIC, like other regulated entities, must observe to prevent or report money-laundering activities. The Board has approved and adopted this policy to ensure that the Corporation is not compromised by unlawful activities associated with money-laundering and the financing of suspicious transactions.

  Specific training is offered to sensitise employees about their fundamental responsibilities in verifying customers and reporting suspicious transactions.

- *Insider Trading*
  The PIC, as a significant shareholder on the JSE, has adopted a Staff Dealing and Insider Trading Policy applicable to all employees, Executive and Non-Executive Directors.

Pursuant to this policy, employees and Board members are prohibited from buying and selling securities while in possession of material, non-public information about the issuer of that security. The passing of such information on to someone who may buy or sell securities, commonly known as "tipping", is also prohibited. The policy further contains prohibitions to disclosure of confidential information and recommendations for safeguarding confidential and sensitive information, and incorporates rules and procedures for the opening and operation of personal securities trading accounts by employees of the PIC.

Directors' Personal Financial Interests

The Directors' Personal Financial Interest Policy deals with personal financial interests and conflicts of interest in line with the requirements of the Companies Act and the PFMA. This policy applies to all Directors and employees of the PIC.

Directors must disclose to the PIC at each Board and Committee meeting:

- All material facts, including those reasonably discoverable, which may influence his/her decisions or actions; and
- Any direct or indirect personal or private business interest that his/her spouse or other family members may have in any matter before the Board.

The Board and PIC employees annually sign a Declaration of Interest (DOI).

Prior to the commencement of any Board or Committee meeting, an attendance and DOI register are circulated for members and invitees to sign and declare their interest. A process is also in place to check on an annual basis any possible conflicts of interest of the Board members through the Companies and Intellectual Properties Commission (CIPC).

Board Composition

The PIC Board has 13 members, of whom 10 are Independent Non-Executive Directors, including traditionally, the Non-Executive Chairman and two Executive Directors: the Chief Executive Officer and the Chief Financial Officer.

Summary of Committee Membership per Director

Directors	Directors' Affairs Committee	Investment Committee	Human Resources and Remuneration Committee	Audit and Risk Committee	Social and Ethics Committee	Information Communication and Technology Governance Committee	Private Equity, Priority Sector and Small Medium Enterprises Fund Investment Panel	Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel	Property Fund Investment Panel	Total Committees
Mcebisi Jonas	X									1
Roshan Morar	X	X					X		X	4
Patrick Mngconkola	X	X	X	X						4
Sibusisiwe Zulu				X				X	X	3
Dudu Hlatshwayo		X	X				X			3
Trueman Goba			X			X			X	3
Lindiwe Toyi	X	X			X			X		4
Sandra Beswick				X		X	X			3
Claudia Manning	X	X			X	X				4
Pitsi Paul Moloto					X	X		X		3
Tantaswa Fubu	X		X	X	X				X	5
Daniel Matjila	X	X				X	X	X	X	6
Matshepo More		X				X	X	X	X	5
Total Members	**7**	**7**	**4**	**4**	**4**	**6**	**5**	**5**	**6**	

Years of Service as Directors and Attendance Summary

The table below shows consecutive years of service of PIC Directors as at 31 March 2017 and their attendance at Board meetings during the 2016/17 financial year:

Director	Years of service	Attendance summary
Mcebisi Jonas	Appointed Chairman of the Board on 27 June 2014 until 30 March 2017	7/9
Sfiso Buthelezi	Appointed Chairman of the Board on 1 April 2017	n/a
Trueman Goba	3 years 5 months	7/9
Dudu Hlatshwayo	3 years 5 months	8/9
Patrick Mngconkola	6 years 6 months (retired 31 March 2017)	9/9
Roshan Morar	6 years 6 months – Deputy Chairman (retired 31 March 2017)	9/9
Sibusisiwe Zulu	3 years 5 months	9/9
Lindiwe Toyi	1 year 4 months	9/9
Claudia Manning	1 year 4 months	9/9
Sandra Beswick	1 year 4 months	9/9
Pitsi Moloto	1 year 4 months	9/9
Tantaswa Fubu	1 year 4 months	6/9
Daniel Matjila	Executive Director	9/9
Matshepo More	Executive Director	9/9

Board Committees

The PIC Board has established the following Committees to which it has delegated certain responsibilities:

- Audit and Risk Committee (ARC);
- Social and Ethics Committee (SEC);
- Directors' Affairs Committee (DAC);
- Human Resources and Remuneration Committee (HRRC);
- Investment Committee (IC); and
- Information, Communication and Technology Governance Committee (ICTGC).

Audit and Risk Committee

Member	Attendance summary Meetings attended / Held
Tantaswa Fubu	5/5
Sibusisiwe Zulu	4/5
Patrick Mngconkola	5/5
Sandra Beswick	5/5

The matrix below depicts the ARC performance during the financial year:

Key Responsibilities	Matrix	Achieved/ Not Achieved
Reviewing the mandates at least annually and approving recommended changes	Governance	
	Meet at least four times during financial year	Achieved
	Annually review Audit and Risk Committee ToR	Achieved
	Appointment, replacement, reassignment or dismissal of Head of Internal Audit	Achieved
	Effectiveness of the external audit process	Achieved
	Liaise with internal and external auditors	Achieved
Monitor compliance with applicable legal and regulatory requirements	Compliance	
	Legal requirements (Companies Act, PIC Act, PFMA, FICA, FAIS)	Achieved
	Monitor and exercise oversight role on risk management	Achieved
	Taking due regard of the principles and codes of best practice in corporate governance when carrying out risk management duties	Achieved
	Forming own opinion on the effectiveness of the risk management and internal control process in the PIC	Achieved
	Risk management disclosure in the Annual Report	Achieved
Oversee the appointment of the external auditors and monitor the qualifications, independence and performance of the external auditors and the integrity of the audit process as a whole	Audit	
	Approve audit fees and audit fee overruns, as determined by the Office of the Auditor-General	Achieved
	Nature and scope of audit	Achieved
	Audit fees	Achieved
	Ensure that management has responded appropriately to the findings raised by external audit	Achieved
	Consider the effectiveness of the audit process at the end of the audit cycle	Achieved

Key Responsibilities	Matrix	Achieved/ Not Achieved
Review accounting policies and proposed changes thereto; and Review reports on material alterations/ adjustments	**Review AFS before submission to the PIC Board, particularly:**	
	Completeness, quality and transparency of financial information	Achieved
	Changes in Accounting Policies and significant changes in numbers from the previous year	Achieved
	Judgmental areas and estimates that have a significant impact on the Financial Statements	Achieved
	Significant adjustments resulting from the audit	Achieved
	Significant or unusual transactions which are not part of the PIC's normal business	Achieved
	Appropriateness of major adjustments processed at year-end	Achieved
	Outstanding litigation, contingencies and other claims and how these matters are reflected in the Financial Statements	Achieved
	All significant proposed changes to the Financial Statements and Annual Report and any concerns regarding the adequacy of disclosure of any items with specific reference to SA GAAP and IFRS	Achieved
	The extent to which the financial information accompanying the AFS has been audited	Achieved
	Compliance with accounting standards	Achieved
	Compliance with statutory requirements and, specifically, the disclosure requirements of the Companies Act and best practice corporate governance guidelines	Achieved
	Discuss problems, reservations and significant disagreements between management and the auditors, both internal and external	Achieved
	Internal and external audit management letter and management's response	Achieved
	Qualifications and emphasis of matters noted on draft Financial Statements, irrespective of their nature, materiality or subsequent clearance, and ensure that the circumstances giving rise to the qualifications are fully explained	Achieved
	With specific reference to the safeguarding of assets and the prevention and detection of fraud	Achieved
Assess and monitor the performance and leadership of the internal audit function	**Review continuously the operations and effectiveness of the Internal Audit function by:**	
	Considering and approving the Internal Audit Charter, the annual internal audit plan and ensure that the critical risk areas of the PIC's activities are addressed in line with the Institute of Internal Auditors' Standards for Professional Practice	Achieved
	Confirming and ensuring the independence of the Internal Audit function and ensure that the internal audit plan is not restricted in any way	Achieved
	Considering at least quarterly reports from the Internal Audit function on the internal audit control structure and ensure that significant findings during the year have been satisfactorily addressed by management	Achieved
	Ensuring that the Internal Audit function is adequately resourced and has appropriate standing in the organisation	Achieved
	Considering the Internal Audit function's Annual Report on the scope of reviews of corporate governance within the PIC and any significant findings, and ensure that these have been addressed by management	Achieved

Key Responsibilities	Matrix	Achieved/ Not Achieved
Assess and monitor the performance and leadership of the Internal Audit function	Considering the major findings of internal investigations and management's response and express an opinion on the appropriateness and adequacy of action taken	Achieved
	Reviewing the Annual Report and the accounts taken as a whole to ensure that they present a balanced and understandable position and performance of the PIC	Achieved
	Reviewing the findings of any examinations by regulating agencies	Achieved
	Overseeing the appointment, replacement, reassignment or dismissal of Head of Internal Audit	Achieved
Assess and monitor the effectiveness of the system of internal controls and risk management	**Perform specific Risk Management duties:**	
	Reviewing and assessing the integrity of the risk control systems and ensure that the risk policies and strategies are effectively managed	Achieved
	Setting out the nature, role, responsibility and authority of the Risk Management function within the PIC and outline the scope of risk management work	Achieved
	Monitoring external developments relating to risk management and the reporting of specifically associated risk, including emerging risks and their potential impacts	Achieved
	Reviewing EXCO reports detailing the adequacy and overall effectiveness of the PIC's risk management process, and its implementation by management	Achieved
	Reviewing the risk philosophy, strategy and policies recommended by EXCO and consider reports by EXCO	Achieved
	Reviewing at a high level, the risk identification and measurement methodologies applied	Achieved
	Reviewing the risk management framework, advise on the risk tolerance or level of acceptable risk for the PIC	Achieved
	Ensuring that management maintains a focus on "upside risk"	Achieved
	Monitoring the reporting of risk by management with particular emphasis on significant risks or exposures and the appropriateness of the steps management has taken to reduce the risk to an acceptable level	Achieved
	Monitoring progress on action plans developed as part of the risk management process	Achieved
	Reviewing any findings and recommendations of the external auditors, internal auditors or other parties in relation to significant risks and ensure that follow-up action has been taken	Achieved
	Reviewing the impact of any changes in the business on the risk management process and the response to these changes, including the update of the risk register/profile	Achieved
	Reviewing legal and regulatory matters that may have a significant impact on risk, including any related compliance policies, programmes and reports received from regulators, together with the PIC's legal advisor	Achieved
	Developing and subsequently reviewing the policy on fraud prevention, detection and investigation, and ensuring that an effective fraud prevention process exists	Achieved
	Reviewing reports of significant incidents and fraud, including the evaluation of the effectiveness of the response in investigating any loss and preventing future occurrences	Achieved

Key Responsibilities	Matrix	Achieved/ Not Achieved
Assess and monitor the effectiveness of the system of internal controls and risk management	Reviewing insurance arrangements and the appropriateness and adequacy of insurance cover	Achieved
	Considering other risk management issues referred to it by the PIC Board	Achieved
	Considering any other matter requested by the PIC Board	Achieved
	Chairman ensuring that all ARC members perform self-assessments on an annual basis	Achieved
	Submitting formal reports on its activities to the PIC Board	Achieved
	Preparing a submission for inclusion in the Annual Report, according to the relevant statutory requirements and best practice corporate governance guidelines	Achieved
	Reporting on Internal Audit Quality Assurance	Achieved

Social and Ethics Committee

Member	Attendance summary Meetings attended / Held
Lindiwe Toyi	7/7
Claudia Manning	7/7
Pitsi Moloto	7/7
Tantaswa Fubu (since 8 July 2016)	2/4

The matrix below depicts the Social and Ethics Committee performance during the financial year:

Key Responsibilities	Matrix	Achieved/ Not Achieved
Transformation	Monitoring compliance with the Broad Based Black Economic Empowerment Act, 2003	Achieved
	Monitoring compliance with the Employment Equity Act, 1998	Achieved
	Monitoring the company's promotion of equality, prevention of unfair discrimination, and reduction of corruption	Achieved
Social and economic development	Monitoring the company's contribution to development of the communities in which its activities are predominantly conducted, or within which its products or services are predominantly marketed	Achieved
Corporate social responsibility	Monitoring the company's record of sponsorship, donations and charitable giving	Achieved
Ethical conduct	Ensuring that a Code of Conduct and Code of Ethics for both Non-Executive Directors and PIC employees are implemented	Achieved
Good corporate citizenship	Ensuring that the company is a good corporate citizen and that it upholds the principles of good corporate citizenship	Achieved
Implementation of governance and responsible investment codes and best practice	Receiving ESG reports on investee companies (including business rescue, insolvency, and compliance by investee companies on SEC issues). The nominee Directors of the Company on the investee companies' Boards may be requested to report to the Committee to the extent possible	Achieved

Key Responsibilities	Matrix	Achieved/ Not Achieved
Reputational risk management	**Monitoring compliance with the following Organisation for Economic Cooperation and Development (OECD) recommendations regarding corruption:**	
	OECD Guidelines for Managing Conflict of Interest in the Public Service (2003)	Achieved
	OECD Principles for Managing Ethics in the Public Service (1998)	Achieved
	OECD Principles for Transparency and Integrity in Lobbying (2010)	Achieved
	OECD Principles for Enhancing Integrity in Public Procurement (2008)	Achieved
	OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions	Achieved
	OECD Recommendation for Further Combating Bribery of Foreign Public Officials in International Business Transactions	Achieved
	Considering reputational issues applicable to the Company and develop plans to ensure minimal impact of negative reputational issues	Achieved
	Monitoring and advising on competition law issues, i.e. price fixing, collusion, etc. and considering material national and international regulatory and technical developments in respect of the issues falling within the mandate of the Committee	Achieved
Sustainability	Monitoring compliance with the PIC's sustainability goals	Achieved
Safety and security	Monitoring the environment, health and public safety, including the impact of the Company's activities and of its products or services	Achieved
Stakeholder management	**Monitor PIC's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice, with regards to matters relating to:**	
	Customer relationships, including the PIC's advertising, public relations and compliance with consumer protection laws	Achieved
	The PIC's employment relationships, and the contribution towards the educational development of its employees	Achieved

Directors' Affairs Committee

Member	Attendance summary Meetings attended / Held
Mcebisi Jonas (Chairman)	4/6
Roshan Morar	6/6
Patrick Mngconkola	6/6
Tantaswa Fubu	5/6
Lindiwe Toyi	6/6
Claudia Manning	5/6

The matrix below depicts the DAC performance during the financial year:

Key Responsibilities	Matrix	Achieved/ Not Achieved
Periodically review the format and composition of the Board and Board Committees	Develop a long-term plan for the Board composition that takes into consideration the current strengths, personalities, skills, experience and demographical representation of the Board, retirement dates and the strategic direction of the PIC	Achieved
	Recommend to the Board a member of any Board Committee and the rotation of Directors with respect thereto and candidates to fill any Board and Board Committee vacancies	Achieved
	Propose to the Board the responsibilities of Non-Executive Directors, including membership and chairmanship of Board Committees	Achieved
Setting criteria for the nomination of Directors and Committee members of the Board	Develop recommendations regarding the essential and desired criteria, and experiences and skills for potential new Directors, taking into consideration the Board's short-term needs and long-term succession plans	Achieved
	Identify and propose suitable candidates to the Board, whether for consideration as Executive or Non-Executive Directors, considering candidates from a wide range of backgrounds	Achieved
	Review the nominations received from Board members and the public who wish to be appointed to the Board, taking into consideration the current strengths, skills, experience and demographical representation of the Board and Board Committee vacancies	Achieved
Conducting an annual assessment of the performance of the Board and reviewing the effectiveness of the Board Committees	Monitor, together with the Chairmen of other Board Committees, attendance of Directors at all Board and Board Committee meetings	Achieved
	Perform a review and evaluation annually, of the performance of the DAC and its members, including a review of the compliance of the DAC with these ToR	Achieved
Overseeing the formal induction programme for new Directors	Develop and ensure the implementation of orientation processes for new Directors that assist them to fully understand the role of the Board and Board Committees, the contribution individual Directors are expected to make and the nature and operation of the PIC's business	Achieved
	Develop and ensure the implementation of on-going programmes that will assist existing Directors to maintain or enhance their skills and abilities as Directors of the PIC, and their knowledge and understanding of the PIC's business	Achieved
Identifying, evaluating and nominating Directors and PIC employees to be appointed as the PIC's representatives on the Boards of investee companies	Identify and nominate suitable candidates as PIC's representatives to the Boards of investee companies	Achieved
	Apply and monitor the policy on the nomination or appointment by the PIC of its employees, Non-Executive Directors and other persons to Boards of Directors of companies in which the PIC is invested/to which or to the shareholders of which it has made finance available as regards any such PIC appointee	Achieved
Board remuneration	Review the adequacy and form of compensation of Non-Executive Directors, including fees payable to Non-Executive Directors for their membership of the Board and any Board Sub-committee and reimbursement of expenses, and make compensation recommendations to the Board.	Achieved

Key Responsibilities	Matrix	Achieved/ Not Achieved
Considering corporate governance best practice	Develop for PIC Board approval, and review from time to time, PIC's approach to corporate governance, including developing a set of governance principles and guidelines that are specifically applicable to the PIC	Achieved
	Review and recommend to the Board, periodically, the Disclosure and Communications Policy of the PIC, including appropriate annual disclosure of the PIC's approach to corporate governance	Achieved
	Receive from management periodic reports on corporate governance developments relevant to the PIC and report to the Board	Achieved
	Monitor legislation affecting the duties, responsibilities and potential liability of Directors	Achieved
	Evaluate annually the adequacy of the ToR and recommend any proposed changes to the Board	Achieved
	Ensure full disclosure in the Annual Report of Non-Executive Director remuneration on an individual basis, including details of earnings, share and incentive schemes, restraint payments and all other benefits	Achieved

Human Resources and Remuneration Committee

Member	Attendance summary Meetings attended / Held
Patrick Mngconkola (Chairman)	5/5
Dudu Hlatshwayo	4/5
Trueman Goba	5/5
Tantaswa Fubu	3/5

The matrix below depicts the Human Resources (HR) and Remuneration Committee (Remco) performance during the financial year:

Key Responsibilities	Matrix	Achieved/ Not Achieved
Ensure a formal and transparent procedure for developing policies on Executive remuneration and performance, as well as recommending remuneration packages for Executive Directors	Evaluate and approve the organisation's remuneration strategy and philosophy	Achieved
	Ensure alignment of the Remuneration Strategy and Policy with the PIC's business strategy, desired culture, stakeholder interests and commercial well-being	Achieved
	Determine remuneration packages needed to attract, retain and motivate high-performing Directors and EXCO, but shall avoid paying more than is necessary for this purpose	Achieved
	Approve remuneration levels and specific packages of Executive Directors, including all benefits, and, as appropriate, of other Senior Management.	Achieved
	Co-ordinate its activities with the Chairman of the PIC Board and the CEO, as well as consult them in formulating the organisation's Remuneration Policy and specific remuneration packages	Achieved
Ensure a formal and transparent procedure for developing policies on Executive remuneration and performance, as well as recommending remuneration packages for Executive Directors	Ensure that remuneration levels relative to other comparable organisations are taken into account, and include a balance between guaranteed and performance-based remuneration	Achieved
	Be sensitive to the wider HR environment, including pay and employment conditions elsewhere in the organisation so that decisions may, as far as possible, be consistent and fair, and be seen as such (ensure that internal equity exists between remuneration of Executive Directors and senior management)	Achieved
Consider policies regarding the conditions of employment, remuneration and benefits of the PIC employees and all related aspects	Ensure that retirement and healthcare funding are in place for all employees	Achieved
	Review and recommend the annual maximum percentage increase for the PIC as a whole	Achieved
	Review and approve HR policies for the PIC	Achieved
	Approve and monitor the implementation of Employment Equity Policy, and compliance with applicable legislation	Achieved
	Ensure compliance with applicable labour laws and regulations	Achieved
	Review skills development, career path and succession planning, policies and procedures	Achieved
Approve the policies and principles of the performance bonus scheme and criteria to be applied within the PIC, which is based on corporate and individual performance	Review and approve performance-related incentive schemes, performance criteria and measurements	Achieved
	Determine criteria necessary to measure the performance of Executive Directors and senior management in discharging their duties and responsibilities	Achieved
	Communicate the remuneration philosophy, policies, strategic goals and objectives of the PIC to all relevant stakeholders	Achieved
Good corporate governance	Review the ToR annually	Achieved
	Prepare, and submit formal reports on its activities to the Board at the immediate following Board meeting, with such recommendations as the HR and Remco may deem appropriate	Achieved
	Prepare, for inclusion in the Integrated Annual Report, detailing in brief the PIC's remuneration philosophy, the HR and Remco ToR and responsibilities, including how these responsibilities have been discharged, members' names, number of meetings held and any additional information	Achieved
	Ensure full disclosure in the Integrated Annual Report of Director remuneration on an individual basis, including details of earnings, share and incentive schemes, restraint payments and all other benefits	Achieved

Investment Committee

Member	Attendance summary Meetings attended / Held
Roshan Morar (Chairman)	20/21
Patrick Mngconkola	20/21
Dudu Hlatshwayo	18/21
Lindiwe Toyi	21/21
Claudia Manning	20/21
Daniel Matjila	16/21
Matshepo More	19/21

The matrix below depicts the Investment Committee (IC) performance during the financial year:

Key Responsibilities	Matrix	Achieved/ Not Achieved
Oversight and decision-making about investment activities	Meet at least once a quarter	Achieved
	Depositors' Funds and Funds under Management	
	Review and recommend to the Board the Investment Policy and Strategy in respect of depositors' funds	Achieved
	Oversee the implementation of investment decisions	Achieved
	Monitor performance of the investment at least on a quarterly basis	Achieved
	Report on the activities of the IC to the Board on issues relating to the investment of depositors' funds	Achieved
	Review and evaluate policies and procedures that PIC Management has implemented to monitor compliance with client mandates	Achieved
	Oversee the implementation of client mandates by receiving PIC Management's quarterly reports including, but not limited to, the regulatory requirements under the FAIS, PFMA and Financial Markets Act	Achieved
	Report quarterly to the Board on issues relating to the investment of funds under management	Achieved
	Deal approvals shall be done in line with the approved DoA	Achieved
	Review and evaluate deals upon receipt of recommendations tabled by PIC Management supported by deal approvals in conformance with deal processes and strategies	Achieved
	Review the deal approval process, policies and criteria on an annual basis	Achieved

Key Responsibilities	Matrix	Achieved/ Not Achieved
Monitoring of investment mandates	**Risk Management**	
	Review and recommend annually to the ARC the Risk Management Framework and policies in respect of investment management	Achieved
	Consider the establishment, adjustment or deletion of limits and counterparty approvals and the scope of financial instruments to be used in the management of the PIC's investments	Achieved
	Review credit limits with banks in line with client mandates	Achieved
	External Managers	
	Approve the criteria and process for the selection of external investment managers. Notification of approval to be submitted to the Board	Achieved
	Approve the process for establishing the mandates of external investment managers	Achieved
	Approve the process for monitoring external investment managers	Achieved
	Evaluate performance of external investment managers	Achieved

Investment Committee Sub-committees

The Fund Investment Panels have the authority to deliberate and make investment decisions on Unlisted Investments (including Properties) in accordance with the approved Unlisted Investment DoA and the approved Private Placement Memorandums (PPMs) and shall further act in accordance with, and subject to, the authority, directives and requirements that may be laid down by the Board and IC.

Property Fund Investment Panel

Member	Attendance summary Meetings attended / Held
Trueman Goba	7/7
Roshan Morar	4/7
Sibusisiwe Zulu	7/7
Tantaswa Fubu	5/7
Daniel Matjila	4/7
Matshepo More	6/7

Key Responsibilities	Matrix	Achieved/ Not Achieved
Powers and authority	To deliberate and make decisions regarding the operational and investment administration of the property business	Achieved
	Investigate and/or research any activities within the scope of responsibilities set out in the ToR	Achieved
	Seek outside legal or other independent professional advice in order to assist it with the execution of its duties, at the PIC's expense	Achieved
	Seek any information it requires from any PIC employee, PIC Management, statutory Committees or Board Committees or the Company Secretary (all these parties will be required to cooperate with any reasonable requests)	Achieved
Strategic matters	Advise on, develop and implement operational and strategic plans for the Properties Department	Achieved
	Recommend to the IC the conclusion of any outsourcing contract by the PIC with persons who will assist the PROP FIP in performing any of its duties	Achieved
Property investments	Approve all property investments, acquisitions and/or disposals, developments and refurbishments on behalf of PIC	Achieved
	Monitor performance of property investments on a quarterly basis	Achieved
Property asset management	Review and evaluate policies and procedures that PIC Management has implemented to monitor compliance with client mandates	Achieved
	Sign lease agreements in line with the approved DOA Framework, provided that PIC's Legal Services Department has approved these lease agreements	Achieved
Property budget	Approve annual budgets relating to all property expenditure of the Properties Department	Achieved
	Consider and recommend to the ARC, through the IC, all operational write-offs (book value), all property investment write-offs (book value) (e.g. tenant arrears), and all property asset write-offs (book value)	Achieved
	Recommend to the Board through the IC, the Annual Property Investment Strategy	Achieved
Risk	Review and assess the integrity of the risk control systems utilised by the Properties Department and ensure Properties Department's risk policies and strategies are effectively managed	Achieved
	Monitor the reporting of risk management, including identification of significant risks or exposure and steps to be taken to reduce risks	Achieved
	Monitor progress in relation to any action plans that have been developed as part of the Properties Department's risk management process	Achieved
	Review any findings and recommendations of external auditors, internal auditors or other parties reviewing significant risks relating to the Properties Department and ensure remedial steps are taken	Achieved
	Review the impact of any changes in the property business on the Properties Department's risk management process and the responses to these changes, including an update of the Properties Department's risk/profile	Achieved
	Review reports of significant incidents and fraud, both potential and actual relating to the Properties Department	Achieved
	Review insurance policies in respect of the Properties Department, and the appropriateness and adequacy of any insurance cover	Achieved
	Consider other risk management issues relating to the property business referred to it by ARC	Achieved

Private Equity, Priority Sector and Small Medium Enterprises Fund Investment Panel

Member	Attendance summary Meetings attended / Held
Roshan Morar (Chairman)	7/8
Dudu Hlatshwayo	8/8
Sandra Beswick	8/8
Daniel Matjila	6/8
Matshepo More	7/8

The matrix below depicts the Private Equity, Priority Sector and Small Medium Enterprises Fund Investment Panel performance during the financial year:

Key Responsibilities	Matrix	Achieved/ Not Achieved
Consider and approve policies and Unlisted Investments proposed by Management and making such recommendations as it considers appropriate to the IC in line with the DoA Framework	Monitor the investment mandates, policy, strategy and implementation in respect of listed investments managed by the PIC	Achieved
	Investigate and/or research any activities within the scope of responsibilities set out in the ToR	Achieved
Make investment decisions (approvals) for Unlisted Investments in accordance with the approved Private Placement Memorandums (PPMs)	Make investment decisions in line with the relevant PIC clients' mandates and the approved DoA for Unlisted Investments	Achieved
	Monitor performance of the Unlisted Investments on a quarterly basis.	Achieved
	Oversee the implementation of the PPMs by receiving PIC Management's quarterly reports, including but not limited to the regulatory requirements under the FAIS Act, the PFMA and the Financial Markets Act	Achieved
	Report quarterly through the IC and the Board on issues relating to the investments of the funds under management	Achieved
	Perform, annually, a compliance review of the SEISS FIP. In addition, the SEISS FIP shall evaluate, annually, the adequacy of the ToR and recommend any proposed changes to the Board	Achieved
Reporting to the Investment Committee	The SEIES FIP shall report at each IC meeting on its resolutions and recommendations and the SEIES FIP minutes shall be made available to the IC	Achieved

Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel

Member	Attendance summary Meetings attended / Held
Sibusisiwe Zulu	6/6
Pitsi Moloto	6/6
Lindiwe Toyi	6/6
Daniel Matjila	4/6
Matshepo More	5/6

The matrix below depicts the Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel performance during the financial year:

Key Responsibilities	Matrix	Achieved/ Not Achieved
Consider and approve policies and Unlisted Investments proposed by Management and making such recommendations as it considers appropriate to the IC in line with the DoA Framework	Monitor the investment mandates, policy, strategy and implementation in respect of listed investments managed by the PIC	Achieved
	Investigate and/or research any activities within the scope of responsibilities set out in the ToR	Achieved
Make investment decisions (approvals) for Unlisted Investments in accordance with the approved Private Placement Memorandums (PPMs)	Make investment decisions in line with the relevant PIC clients' mandates and the approved DoA for Unlisted Investments	Achieved
	Monitor performance of the Unlisted Investments on a quarterly basis	Achieved
	Oversee the implementation of the PPMs by receiving PIC Management's quarterly reports including, but not limited to, the regulatory requirements under the FAIS Act, the PFMA and the Financial Markets Act	Achieved
	Report quarterly through the IC and the Board on issues relating to the investments of the funds under management	Achieved
	Perform, annually, a compliance review of the SEISS FIP. In addition, the SEISS FIP shall evaluate, annually, the adequacy of the ToR and recommend any proposed changes to the Board	Achieved
Reporting to the Investment Committee	The SEIES FIP shall report at each IC meeting on its resolutions and recommendations and the SEIES FIP minutes shall be made available to the IC	Achieved

Information, Communication and Technology Governance Committee

Member	Attendance summary Meetings attended / Held
Dr Claudia Manning (Chairman)	4/4
Dr Trueman Goba	4/4
Ms Sandra Beswick	3/4
Mr Pitso Moloto	4/4
Dr Daniel Matjila	2/4
Ms Matshepo More	3/4

The matrix below depicts the Information and Communication Technology Governance (ICTG) Committee performance during the financial year:

Key Responsibilities	Matrix	Achieved/ Not Achieved
Governance, risk and compliance	Continuously assess the effectiveness of the IT governance processes	Achieved
	Ensure the implementation of an IT Controls Framework on an on-going basis	Achieved
	Obtain independent assurance of the effectiveness of the IT Controls Framework	Achieved
	Ensure that IT principles, policies, procedures and standards are defined, approved and implemented in line with the delegated authority	Achieved
	Ensure the implementation of an IT risk management process based on the Board's risk appetite	Achieved
	Ensure that appropriate processes are followed for the identification, assessment and management of IT risks as part of the ERMF	Achieved
	Monitor the IT risk management plan	Achieved
	Ensure compliance with relevant IT laws and related rules, codes and standards	Achieved
	Ensure the development and implementation of the IT disaster recovery plan	Achieved
	Ensure the implementation of an information security strategy	Achieved
	Review the ToR and its adequacy on an annual basis	Achieved
	The ICTGC to recommend that the Board approves the ToR	Achieved
	The ICTGC shall meet at least twice per annum	Achieved
	Members to disclose conflicts of interest at each meeting and any personal financial interest	Achieved
Strategy	Implement a strategic IT planning process that is integrated with the business strategy development process	Achieved
Performance management	Ensure that IT financial governance (e.g. sign-off levels, budget principles such as depreciation rules) is adhered to within IT	Achieved
	Ensure all parties in the value chain from supply to disposal of IT services and goods apply good governance principles	Achieved
Performance management	Monitor and enforce good governance across all suppliers	Achieved
	Measure and manage IT performance	Achieved
	Oversee the portfolio of IT projects and monitor investment outcomes and realisation of benefits	Achieved

Key Responsibilities

- Assist the Board to oversee the development and implementation of IT governance and policies that are integrated with the business strategy process and which sustain and enhance the PIC's strategic objectives, thereby improving the PIC's performance and sustainability;
- Oversee the implementation of IT processes and governance mechanisms, IT frameworks, policies, procedures and standards, ensuring IT governance alignment with corporate governance (King III);
- Review the Information Security Strategy (including Cyber Security, IT, Information Management and Information Privacy) and PIC Management's implementation of the strategy;
- Ensure that there are processes in place to enable complete, timely, relevant, accurate and accessible IT reporting, firstly from PIC Management to Board, and secondly by the Board in the Integrated Annual Report;
- Ensure that appropriate processes are followed for the identification, assessment and management of IT risks as part of the ERMF; and
- Monitor the IT Risk Management Plan.

Cross-functional Responsibilities

The Board acknowledges the cross-functional responsibilities that exist between the SEC and the ARC. Each Committee has developed a framework for monitoring its activities and responsibilities. This is done through sharing of information about matters serving and discussed at each Committee.

Company Secretary

Ms Bongani Mathebula is the Company Secretary of the Public Investment Corporation SOC Limited, appointed by the Board in terms of the relevant legislative requirements. In addition to her statutory duties, the Company Secretary plays a key role in managing governance, the Secretariat and key stakeholder relationships affecting the Board. She also provides guidance and advice to the Board and its Committees to ensure compliance with the applicable legislation, rules and regulations in conducting the affairs of the Board and ensures that all matters associated with its efficient operation are maintained.

Declaration by the Company Secretary

In terms of section 88(1)(e) of the Companies Act, 2008, I hereby declare that, to the best of my knowledge and belief, the Public Investment Corporation SOC Limited has lodged with the Registrar of Companies, for the financial year ended 31 March 2017, all such returns and notices as are required of a State-Owned Company in terms of the Companies Act, and that all such returns and notices appear to be true, correct and up to date.

Ms Bongani Mathebula
Company Secretary

ICTG Committee reviews the Information Security Strategy (including Cyber Security, IT, Information Management and Information Privacy).

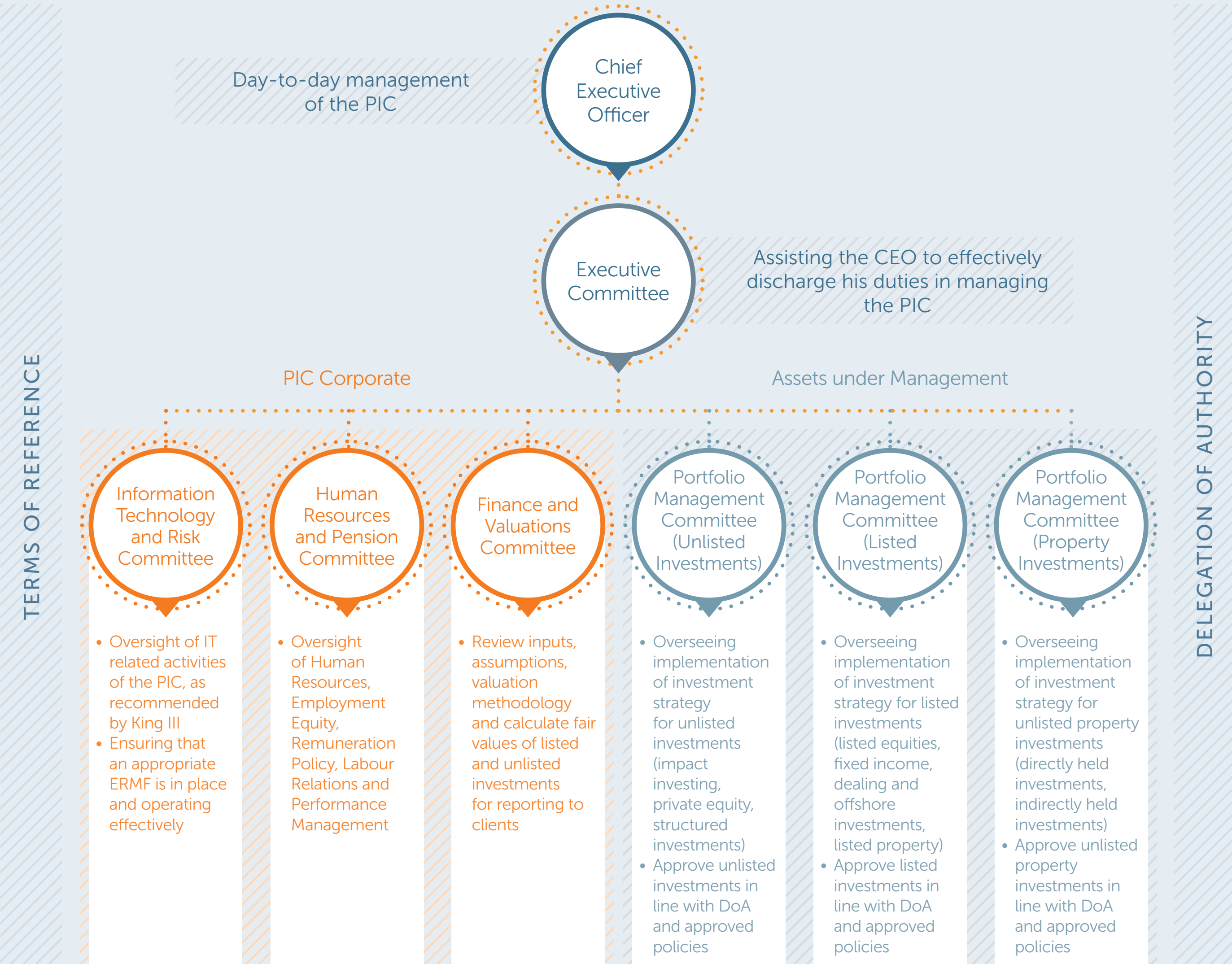
EXECUTIVE COMMITTEE

The Chief Executive Officer (CEO), who is also an Executive Director, is responsible for the day-to-day management of the PIC in line with the Board-approved DoA Framework and the strategic direction set by the Board. The CEO is assisted by an Executive Committee (EXCO). The objective of the EXCO is to assist the CEO to effectively discharge his statutory duties in managing the PIC. The EXCO is governed by all applicable laws, as well as approved ToR.

EXCO has established Sub-committees in line with the investment strategy in order to instil a culture of compliance and good governance and to ensure that the PIC's governance processes and affairs are conducted with accountability, transparency, fairness and prudence. This ensures effective implementation of the PIC's mandate, collective, robust decision-making and proper management of the affairs of the PIC. The Committees which support the investment strategy of the PIC are PMC Unlisted (for all unlisted investments including properties) and PMC Listed (for all listed investments).

Each EXCO Sub-committee operates in line with the EXCO-approved ToR, DoA Framework and approved policies. The ToR and DoA are reviewed on an annual basis.

The Executive Committee and its Sub-committee structures are depicted below:



EXECUTIVE COMMITTEE PROFILE

Dr Daniel Matjila (55)

Positions
- Chief Executive Officer
- Executive Director

Qualifications
- Doctor of Philosophy (PhD) in Mathematics
- Master of Science in Applied Mathematics
- Post-graduate Diploma in Mathematical Finance
- Bachelor of Science (Honours) in Applied Mathematics
- Advanced Management Programme
- Senior Management Programme

Memberships
- Member of the Directors' Affairs Committee
- Member of the Information Communication and Technology Governance Committee
- Member of the Investment Committee
- Member of the Property Fund Investment Panel
- Member of the Private Equity, Priority Sector and Small Medium Enterprise Fund Investment Panel
- Member of the Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel
- Member of the Board of Ecobank Transnational Incorporated
- Member of the Board of Capital Appreciation
- Member of the Board of Afgri Poultry (Daybreak)
- Member of the Board of SA SME Fund
- Member of the Board of Asteroid Financial Services
- Member of the Board of BVI (Pareto)
- Member of the Board of GEPF Moz

Ms Matshepo More (35)

Positions
- Chief Financial Officer
- Executive Director

Qualifications
- Chartered Accountant (SA)
- Certificate in the Theory of Accounting
- Bachelor of Business Science (Finance)
- Accredited SAICA Assessor

Memberships
- Member of the Information Communication and Technology Governance Committee
- Member of the Investment Committee
- Member of the Property Fund Investment Panel
- Member of the Private Equity, Priority Sector and Small Medium Enterprise Fund Investment Panel
- Member of the Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel
- Member of the Board of Pareto Limited
- Member of the Board of BVI (Pareto) Limited
- Member of the Board of CBS Property Management (Pty) Ltd
- Member of the Board of ADR International Airport South Africa
- Member of the Board of Association of Black Accountants of South Africa
- Member of the Board of Industrial Development Corporation South Africa
- Member of the Board of Independent Regulatory Board of Auditors
- Member of the Board of GEPF Moz
- Member of the Board of JordiFlo

Mr Sholto Dolamo (45)

Position
- Executive Head: Research and Projects Development

Qualifications
- Master of Business Administration
- Master of Science (Engineering)
- Bachelor of Science (Chemistry)

Membership
- Member of the Board of Bauba Platinum

Mr Vuyani Hako (51)

Position
- Executive Head: Properties

Qualifications
- Master of Business Management and Administration
- Business Management and Administration (Honours)
- Bachelor of Science in Town and Regional Planning
- Property Development Programme
- Executive Leadership Programme

Membership
- Member of the Board of V&A Waterfront

Mr Koketso Mabe * (39)

Position
- Executive Head: Private Equity and Structured Investment Products

Qualification
- Bachelor of Actuarial Science

Memberships
- Member of the Advisory Board of the Ethos Fund
- Member of the Board of Harith General Partners (Pty) Ltd
- Member of the Advisory Board of Medu Fund
- Member of the Board of Agrigroupe Holdings (Pty) Ltd
- Member of the Board of Menlyn Maine Investment Holdings (Pty) Ltd
- Member of the Board of Independent News Media South Africa
- Member of the Board of Dikgosi Tailings (Pty) Ltd
- Member of the Board of Bayport Management Limited

* *Resigned on 3 February 2017*

Mr Fidelis Madavo (56)

Position
- Executive Head: Listed Investments

Qualifications
- Master of Social Science in Industrial and Administrative Sciences
- Bachelor of Science (Honours) in Chemical Engineering
- International Executive Development Programme

Membership
- Member of the Board of Dangote Cement PLC, Nigeria

Mr Paul Magula (41)

Position
- Executive Head: Risk Management

Qualifications
- Master of Philosophy in Development Finance
- Bachelor of Commerce (Honours) in Financial Management
- Bachelor of Commerce in Financial Accounting
- Registered Persons Exams – Future Market
- Bachelor of Science (Medical) (Honours)
- Bachelor of Science

Memberships
- Member of the Board of Trust for Urban Housing Finance (Pty) Ltd
- Member of the Board of Botshilu Hospital (Pty) Ltd
- Member of the Board of VBS Mutual Bank Society
- Member of the Board of ACWA Power Solafrica Bokpoort CSP Power Plant (Pty) Ltd

Ms Vuyokazi Menye * (38)

Position
- Executive Head: Information Technology

Qualifications
- BSc (Computer Science)
- Diploma in IT Project Management
- Certified IT Governance Manager
- International Executive Development Programme

Memberships
- Member of FPB IT Steering Committee
- Member of SAHRA Council Audit and Risk Committee

* *Appointed on 17 November 2016*

Mr Mervin Muller * (36)

Position
- Executive Head: Private Equity and Structured Investment Products

Qualifications
- Chartered Accountant (SA)
- LLB Degree
- Bachelor of Accounting Sciences (Honours)
- Certificate in the Theory of Accounting
- Accredited SAICA Assessor

Memberships
- Member of the Board of Afgri Limited
- Member of the Board of Bayport Management Limited
- Member of the Board of Libstar Consumer Holdings (Pty) Ltd
- Member of the Board of Menlyn Maine Investment Holdings (Pty) Ltd

* *Appointed on 15 March 2017*

Mr Ernest Nesane (38)

Position
- Executive Head: Legal Counsel, Governance and Compliance

Qualifications
- Bachelor of Law
- Admitted Attorney

Memberships
- Member of the Board of Afrisam Group
- Member of the Board of VBS Mutual Bank
- Member of the Board of Eduloan (Pty) Ltd

Mr Chris Pholwane (47)

Position
- Executive Head: Human Resources

Qualifications
- Bachelor of Administration
- Secondary Teachers Diploma
- International Executive Development Programme
- Certified Talent Economist

Mr Roy Rajdhar (50)

Position
- Executive Head: Developmental Investments

Qualifications
- Chartered Accountant (SA)
- Bachelor of Accounting Sciences
- Post-graduate Diploma in Accounting (CTA)
- Higher Diploma in Tax Law
- Certificate in Advanced Company Law

Memberships
- Member of the Board of SA Homeloans (Pty) Ltd
- Member of the Board of S&S Refineries De Oloeos LDA (Mozambique)
- Member of the Board of Just Veggies (Proprietary) Limited

REPORT OF THE AUDIT AND RISK COMMITTEE

Introduction

The Audit and Risk Committee (ARC) is pleased to present its report for the financial year ended 31 March 2017 in terms of the requirements of the Public Finance Management Act, the Companies Act, and in accordance with the King Code on Corporate Governance.

The ARC operates in terms of Board-approved ToR, which set out both its statutory duties and duties delegated to it by the Board. The ToR were reviewed post 31 March 2017 to ensure alignment thereof with the King IV principles, the PFMA and the provisions of the Company MOI.

Role and Responsibilities

The ARC is mandated in terms of its approved ToR to perform, among other, the following duties:

- Promoting and reporting on the overall effectiveness of the Company's internal controls;
- Overseeing the mandates of, and ensuring coordination between the activities of internal and external audit;
- Satisfying the Board that material financial risks have been identified and are being effectively managed and monitored;
- Assessing the impact of the general control environment on the statutory audit, and reporting to EXCO any areas of perceived control weaknesses;
- Reviewing legal and regulatory matters that could have a significant impact on the Company's Financial Statements;
- Monitoring the integrity of the Company's integrated reporting processes;
- Annually reviewing the expertise, appropriateness and experience of the Finance function and the Chief Financial Officer;
- Annually reviewing the Committee's ToR and making recommendations to the Board in terms of ensuring its continued effectiveness;
- Monitoring compliance with the PIC's Code of Conduct and considering any significant breaches of the Code;
- Reviewing the Code from time to time, and advising on amendments; and
- Reviewing systems, including the whistle-blowing programme that enables employees and other stakeholders to raise concerns about possible improprieties, including fraud by employees.

Composition

The PIC ARC comprises four Independent Non-Executive Directors, all of whom are members of the Board. The ARC has an appropriate mix of relevant knowledge and experience in terms of Regulation 42 of the Companies Act. Their names and qualifications are detailed in the Board of Directors section of the Integrated Annual Report on pages 146 to 150.

Attendees at Committee Meetings

In addition to the Committee members, the Chief Executive Officer; Chief Financial Officer; Executive Head: Risk; Executive Head: Information Technology; Executive Head: Legal Counsel, Governance and Compliance; Head: Internal Audit; Company Secretary; and external auditors attend meetings of the Committee by invitation.

The Chairman of the Committee periodically meets separately with management, and internal and external auditors prior to Committee meetings. The Committee meets separately with internal and external auditors at least once a year.

Frequency and Attendance of Committee Members

The ToR provide for the ARC to hold a minimum of four meetings per year and the details of the attendance of these meetings by the Committee members are provided on page 159 in the Integrated Annual Report.

Discharge of Duties for the Year under Review

Financial Statements and Accounting Practices

The Committee reviewed the Accounting Policies and the Annual Financial Statements of the Company for the year ended 31 March 2017, and ensured that these were compliant with the provisions of the PFMA, the Companies Act, IFRS and best practice. The Committee also reviewed the processes in place for dealing with concerns or complaints in respect of Accounting Policies, Internal Audit, the auditing or content of the Annual Financial Statements and internal financial controls.

The Committee can hereby confirm that there were no such complaints of substance during the year under review.

The ARC concurs with Management that the adoption of the going concern basis in the preparation of the Financial Statements is appropriate, and has therefore, at its meeting held on 17 July 2017, recommended the adoption of the Financial Statements by the Board of Directors.

External Auditors

The PIC is a Schedule 3B PFMA entity and, as such, the ARC is not involved in the process of appointing external auditors. The PIC is audited by the Auditor-General in terms of the PFMA and the Auditor-General Act.

In terms of section 94(7) (b) of the Companies Act, the Committee approved the audit fees pertaining to the audit of the Financial Statements for the period ended 31 March 2017. The Committee further approved the engagement letter setting out the terms of the audit taking into account the resources allocated to the audit, as well as timelines within which the process will be completed.

No non-audit services were provided by the external auditors during the period under review.

Internal Audit

The ARC reviewed the effectiveness of the Internal Audit function taking into account the responsibilities and resourcing requirements. The ARC approved the Internal Audit Charter and Internal Audit Plan. Continuous monitoring was performed with respect to the adherence to the Internal Audit Charter and Plan.

An independent Quality Assessment Review (QAR) was performed by Sizwe Ntsaluba Gobodo (SNG) for purposes of ascertaining whether the Internal Audit function has been conducted in line with the prevailing IIA Standards. The assessment affirmed that the PIC's Internal Audit functions are aligned to the standards and some value-add improvements were recommended.

Both the internal and external auditors have unrestricted access to the ARC, the ARC Chairman and the Chairman of the Board, ensuring that auditors are able to maintain their independence.

Internal Controls

The ARC reviewed the reports of both the internal and external auditors in respect of audits conducted on the internal control environment.

The ARC also took note of any concerns arising from these audits and considered the appropriateness of management responses. Based on the extent of the audit work carried out by both the internal and external auditors, nothing was brought to the ARC's attention which would suggest a material breakdown of any internal control system. The ARC was therefore satisfied that the internal financial control environment continued to function effectively.

Combined Assurance and Risk Management Oversight

The ARC assisted the Board with the discharge of its duties with regard to the integrated risk management process, as the Committee has an interest in the risk management role as a result of its responsibility for internal controls. The Committee has satisfied itself that the level of unmitigated risks, both individually and in totality, are within the risk parameters of the Company, and that there is sufficient assurance provided to manage risks and the control environment through both internal and external assurance providers.

Annual Integrated Reporting

The ARC, in conjunction with the SEC, evaluated the Integrated Annual Report for the year under review and assessed its consistency with operational and other information known to the Committee. The report conforms to the prevailing governance standards.

Solvency and Liquidity Review

The ARC is satisfied that the Board has adequately performed solvency and liquidity tests on the Company in terms of section 46 of the Companies Act, as and when required during the year under review, and has concluded that the Company will satisfy the test after payment of the final dividend.

Going Concern Assessment

The Committee considered the going concern status of the Company on the basis of the review of the Annual Financial Statements and other relevant information available to it and recommended such going concern status for adoption by the Board.

Finance Director and Finance Function

The Committee reviewed the performance of the Chief Financial Officer, Ms M More, and was satisfied that she has the necessary expertise and experience to fulfil the role and that she had performed appropriately during the year under review. Furthermore, the Committee considered, and has satisfied itself of the appropriateness of the expertise and experience of the Finance function and adequacy of resources employed in this function.

Legal and Regulatory Matters

Updates on legal matters are provided to the ARC at each meeting. The Committee considers the implications of these matters on fair presentation of the PIC's Financial Statements.

Business Integrity and Ethics

The ARC has oversight of the Company's Ethics function in support of the SEC, including adherence to the Company's Code of Business Conduct and Ethics and other procedures established by the Company with regard to ethical behaviour, avoidance of conflicts of interest, and other related matters.

The Committee has oversight of the Policy on Fraud Prevention, detection and investigation. No fraud incidents were brought to the Committee's attention during the 2016/17 financial year.

Ms Tantaswa Fubu
Chairman: Audit and Risk Committee

The Committee considered, and has satisfied itself of the appropriateness of the expertise and experience of the Finance function and adequacy of resources employed in this function.

PART FIVE

ACCOUNTABILITY

The reports and statements set out below, comprise the PIC's Annual Financial Statements presented to the Shareholder:

The Company's Annual Financial Statements have been prepared under the supervision of the Company CFO, Ms Matshepo More.

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195	Statement of Financial Position
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REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE PUBLIC INVESTMENT CORPORATION SOC LIMITED

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Public Investment Corporation SOC Limited (PIC) set out on pages 195 to 239, which comprise the statement of financial position as at 31 March 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the PIC as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the PIC in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Short-term incentives provision

7. As disclosed in note 15 to the financial statements, *provisions* payment for Executive Committee incentive is subject to the approval of the Executive Authority.

Other matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

9. The supplementary information set out on pages 132 to 133 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting authority for the financial statements

10. The Board of Directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the PFMA and the Companies Act and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting authority is responsible for assessing

the PIC's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the PIC or cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
15. My procedures address the reported performance information, which must be based on the PIC's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the PIC's annual performance report for the year ended 31 March 2017:

Objectives	Pages in the annual performance report
Objective 1 – Grow revenue and control the cost of running a financially sustainable investment management operation.	114 – 115
Objective 3 – The PIC is a responsible citizen, driving ESG initiatives at a corporate level.	114 – 115
Objective 4 – Generate excess returns over benchmark and comply with the client risk parameters (24-month rolling basis) – *[Returns (α IRR and property return) will be measured on a 24-month rolling basis].*	116 – 119
Objective 5 – Grow the economy through impact investing and private equity investments.	120 – 121
Objective 6 – Grow the economy through investments in Africa (non-domestic) (listed and unlisted investments).	120– 121
Objective 7 – Facilitate B-BBEE and skills development through investment activities.	122 – 125

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Other matters

I draw attention to the matter below.

Achievement of planned targets

19. Refer to the annual performance report on pages 114 to 125 for information on the achievement of planned targets for the year and explanations provided for the under-achievement of a number of targets.

Report on audit of compliance with legislation

Introduction and scope

20. In accordance with the Public Audit, Act, 2004 (Act 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the PIC's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
21. I did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Other information

22. The PIC's accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the director's report, the Audit Committee's report and the company secretary's certificate, as required by the Companies Act. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.
23. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
24. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

25. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

Other reports

26. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the PIC's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Limited assurance engagement

27. At the PIC's request, a limited assurance engagement was conducted on the review of the Financial Advisory and Intermediary Services Act. The report covered the period 1 April 2016 to 31 March 2017 and will be issued on 31 July 2017.

Other engagement

28. An engagement in terms of ISAE 3402 in respect of the asset under management was conducted by a private auditing firm. The engagement was only finalised after financial year-end and the report was communicated to management accordingly.

Auditor General

Pretoria
31 July 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements, as described in the auditor's report, I also:

   - Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
   - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors, which constitutes the accounting authority.
   - Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the PIC's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern.
   - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

ACCOUNTING OFFICER'S STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The Statement of Responsibility for the Annual Financial Statements for the year ended 31 March 2017 of the Chief Executive Officer, who constitutes the Accounting Officer.

Integrated Report for the 2017 Financial Year-end

I hereby acknowledge that the Integrated Report of the Public Investment Corporation SOC Limited (the Company) has been submitted to the Auditor-General of South Africa (AGSA) for auditing in terms of section 55(1)(c) of the PFMA.

I acknowledge my responsibility together with my team, for the accuracy of the accounting records, preparation and the fair presentation of the Financial Statements and confirm, to the best of my knowledge, the following:

Annual Financial Statements

The Board of Directors, who constitute the Accounting Authority, are responsible for the preparation of fair presentation and for the judgement made in the Company's Annual Financial Statements.

The Financial Statements have been prepared in accordance with IFRS. All amounts and information appearing in the Integrated Report are consistent with the Financial Statements submitted to the auditors for audit purposes.

Performance information

The performance information fairly reflects the operations and actual output against planned targets for performance indicators as per the Corporate Plan of the Company for the financial year ended 31 March 2017 and has been reported on in accordance with the requirements of the Guidelines on Annual Reports as issued by the NT. A system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

The external auditors

The external auditors are engaged to express an independent audit opinion on the Annual Financial Statements of the Company. There were no scope limitations placed on the auditors and they had unrestricted access to persons within the Company from whom to obtain the necessary audit evidence in order to express an audit opinion.

The Annual Financial Statements of the Company set out on pages 195 to 239 have been approved by the Board of Directors.

Dr Matjila, Daniel
(CEO)

RESPONSIBILITIES OF OUR BOARD OF DIRECTORS

The Board of Directors are required by the Companies Act and the PFMA to maintain adequate accounting records and are responsible for the content and the integrity of the Annual Financial Statements and related financial information included in this report. It is the Board's responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Public Investment Corporation SOC Ltd (the Company) as at 31 March 2017 and the profit or loss and cash flows of the Company for the financial year ended 31 March 2017.

In preparing and in ensuring that these Annual Financial Statements are fairly presented, the Directors are required to:

- Consistently apply Accounting Policies as defined in the Annual Financial Statements;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- Ensure that the Annual Financial Statements are prepared on a going concern basis unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

The Audit and Risk Committee (ARC) has reviewed the Company Annual Financial Statements and has recommended their approval to the Board of Directors. In preparing the Company Annual Financial Statements, the Company has complied with IFRS and the Companies Act. In addition, the Company has complied with the reporting requirements of the PFMA.

The Company used appropriate accounting policies supported by reasonable and prudent judgements and estimates. Judgements and estimates that are made in accordance with IFRS, which have a significant impact on the Annual Financial Statements, are disclosed in the notes to the Annual Financial Statements.

The Board of Directors have every reason to believe that the Company has adequate resources and facilities in place to be able to continue in operation for the foreseeable future. Therefore, the Board of Directors are satisfied that the Company is a going concern and have continued to adopt the going concern basis in preparing the Annual Financial Statements.

The internal audit activities are in accordance with the pre-approved internal audit plan. The internal audit plan is reviewed and approved by the ARC annually. The Company's Internal Audit department has executed the internal audit plan during the year and has provided assurance to the Board of Directors as to the state of the internal controls of the Company. Their assessment of the internal controls of the Company is included in the ARC Report. The ARC has reviewed the effectiveness of the Company's internal controls and considers the systems appropriate for the effective operation of the Company.

The external auditor, the AGSA, is responsible for independently auditing and reporting on the Annual Financial Statements in conformity with ISAs. Their unmodified audit report on the Annual Financial Statements, prepared in terms of the PAA, appears on pages 184 to 187.

The Board of Directors are of the opinion that the Company complied with applicable laws and regulations. The Board of Directors are of the opinion that these Annual Financial Statements fairly represent the financial position of the Company as at 31 March 2017 and the results of their operations and cash flow information for the year then ended.

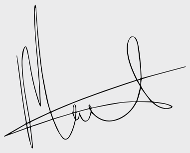
MSButhelezi

Mr Buthelezi, Sfiso
(Chairman)

COMPANY SECRETARY'S CERTIFICATE

Declaration of the Company Secretary for the year ended 31 March 2017.

In my capacity as Company Secretary, I hereby confirm, to the best of my knowledge and belief, that in terms of section 88(2)(e) of the Companies Act, 2008 (Act 71 of 2008) of South Africa, for the year ended 31 March 2017, the Public Investment Corporation SOC Limited (the Company) has lodged with the Registrar of Companies, all such returns as are required in terms of this Act and that all such returns are true, correct and up to date.



Ms Mathebula, Bongani
(Company Secretary)

REPORT FROM OUR BOARD OF DIRECTORS

The Board of Directors are pleased to present the Annual Financial Statements of the Public Investment Corporation SOC Limited for the year ended 31 March 2017.

1. Nature of Business

Main business and operations

The Public Investment Corporation SOC Limited (the Company) is incorporated and domiciled in the Republic of South Africa. It is a schedule 3B state-owned entity as defined in the Public Finance Management Act, 1999 (PFMA). The Company provides asset management services primarily to public sector entities. It operates principally in South Africa, but also invests offshore and within the rest of the African continent.

The Company's Financial Statements for the year ended 31 March 2017 were authorised for issue in accordance with a resolution passed by the Board of Directors on 28 July 2017.

2. Going Concern

The Board of Directors has reviewed the financial budgets with their underlying business plans for the period up to 31 March 2018. When assessing the Company's ability to continue as a going concern, both quantitative and qualitative factors were taken into account. The two critical quantitative factors were liquidity and solvency requirements. Qualitative factors that may cast significant doubt about the going concern assumption, such as financial trends, external and internal matters, were assessed.

On the basis of the review performed and in light of the current financial position, the Board of Directors is satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. The Board of Directors, therefore considers it appropriate that the Annual Financial Statements be prepared on a going concern basis.

3. Financial Results

The Company's business model was designed and developed to focus on financial sustainability. The financial sustainability strategy is directly aligned to the three-year corporate plan and there is monthly monitoring of financial targets, as well as cost containment measures implemented throughout the year.

Revenue for the period ended 31 March 2017 is 10% higher when compared to the previous financial year. When compared to the budget, revenue is below budget by 26%, which is mainly due the approval of unlisted mandates only taking place in the third quarter of the financial year. Operating expenses for the period ended 31 March 2017 are 7% higher when compared to the previous financial year. When compared to the budget, total expenses are below budget by 39%, which is mainly due to more stringent controls being put in place to implement cost containment measures.

Full details of the financial results of the Company are set out on pages 195 to 239 of these Annual Financial Statements.

4. Subsequent Events

The Board of Directors approved the final dividend payment of R60 million after the reporting date. The final dividend has not been recognised as a liability as at 31 March 2017, as it represents a non-adjusting event.

5. Equity Reserves

There were no changes in the authorised or issued share capital of the Company during the current financial year. There were no shares held in reserve.

In the current financial year, there were earnings which were transferred to Non-Distributable Reserves (Refer to note 16).

6. Associates

The Company has a 46% (2016: 46%) shareholding in Harith Fund Managers (Pty) Limited, 30% (2016: 30%) shareholding in Harith General Partners (Pty) Limited and 30% (2016: 30%) in Bophelo Insurance Group (BIG). Harith Fund Managers (Pty) Limited and Harith General Partners (Pty) Limited both have a financial year-end consistent with that of the Company. BIG has a February financial year-end.

Harith Fund Managers (Pty) Limited's nature of business is the management of the funds of the Pan African Infrastructure Development Fund (PAIDF). Harith Fund Managers (Pty) Limited is also responsible, on behalf of the PAIDF, for the provision of specified administrative services relating to the operations of the PAIDF. Harith Fund Managers (Pty) Limited assists the Company in carrying out its mandate as it relates to infrastructure both in South Africa and the rest of the continent.

Harith General Partners (Pty) Limited is a company established in South Africa, specialising in investments in infrastructure projects in energy, transport, rail, port and airports, information and communication technology, water and sanitation, energy and many others mainly on the African continent. Harith General Partners (Pty) Limited provides fund management and advisory services to the PAIDF.

There is an agreement to sub-contract the existing management agreement between Harith Fund Managers (Pty) Limited and the PAIDF to Harith General Partners (Pty) Limited. As part of the agreement, Harith Fund Managers (Pty) Limited sold all of its moveable assets to Harith General Partners (Pty) Limited.

BIG is a majority black-owned insurance group, owned by Mvunonala Holdings (Pty) Limited (70%) and the Company (30%). BIG holds two subsidiaries in the life and short-term insurance sector, namely Bophelo Life Insurance Limited (Bophelo Life) and Nzalo Insurance Service Limited (NIS).

Bophelo Life is a wholly owned subsidiary of BIG and is an authorised Financial Services Provider as prescribed by the FAIS Act, and a registered life insurer in terms of the Long Term Insurance Act, No 52 of 1998. NIS is a short-term insurer licenced by the FSB to underwrite all classes of business as defined in the Short Term Insurance Act of 1998.

The details of all the transactions in which the Company has entered into with the associates are disclosed in note 5 of the Annual Financial Statements.

7. Related Party Transactions

Details of related party transactions are disclosed in note 30 of the Annual Financial Statements.

8. Corporate Governance

The Board of Directors endorses the King lll Report on Corporate Governance and during the review period endeavoured to adhere to those recommendations, or explain non-adherence. Our performance in this regard is outlined in the Corporate Governance section of this Annual Report. Review and consideration of Management in respect of future changes to other regulations relate to King IV, which will be effective from 1 April 2017.

9. Dividends

An interim dividend of R20 million was declared and paid to the Shareholder for financial year 2016/17. After the reporting date, a R60 million dividend was approved by the Board of Directors. The dividend has not been recognised as a liability at the end of the reporting date, as this is a non-adjusting event.

10. Directorate

The composition and profiles of the Board of Directors for the Company are set out on pages 146 to 150 of the Integrated Report. The information on the Board and Board Sub-committees, its activities, meetings, attendance and any other information, are set out in the Corporate Governance Statement on pages 145 to 173.

Details of Directors' remuneration are set out in note 31 and disclosure of remuneration information on page 132.

Resigned

Mr Mcebisi Jonas (Chairman), Mr Roshan Morar (Deputy Chairman) and Mr Patrick Mngcokola resigned on 31 March 2017.

Appointed

Mr Sfiso Buthelezi (Chairman) was appointed on 31 March 2017.

11. Secretary

The Secretary of the Company is Ms Bongani Mathebula.

12. Ultimate Holding Company

The Company's ultimate holding company is the National Government of the Republic of South Africa. The Shareholder representative is the Minister of Finance. The Company's oversight department is the NT.

13. Special Resolutions

Special Resolutions passed by the Shareholder representative:

- Special Resolution passed in terms of section 66(9) of the Companies Act, dated 10th March 2017: It was resolved that the new rate for Non-Executive Directors' emoluments be paid to the Directors in their capacity as such effective 1 December 2016.
- Special Resolution passed in terms of sections 16(5)(b)(ii) and (iii); and 66(9) of the Companies Act, dated 29th March 2017: It was resolved that the Memorandum of Incorporation (MOI) of the Company should be amended.

14. Auditors

The AGSA is the registered auditor of the Company. The auditors of Harith Fund Managers (Pty) Limited and Harith General Partners (Pty) Limited are KPMG Inc. The auditor of BIG is Balushi Incorporated.

The AGSA was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and Committees of the Board. The Board of Directors believe that all representations made to the external auditors during their audit, are valid and appropriate.

15. Internal Financial Controls

During the year under review, the Board of Directors, through the ARC, assessed the results of the formal documented review of the Company's system of internal controls and risk management, including the design, implementation and effectiveness of the internal financial controls conducted by Internal Audit, and considered the information and explanations given by Management and discussions with the external auditors on the results of the audit.

Based on the results obtained, nothing has come to the attention of the Board that has caused it to believe that the Company's system of internal controls do not form a sound basis for the preparation of reliable Financial Statements.

According to the Treasury Regulations, (paragraph 28), and the PFMA, (section 55), the Annual Financial Statements must include a report by the Accounting Authority, who must include the disclosure of remuneration in respect of all members of the Accounting Authority, who are the Company's Non-Executive and Executive Directors and the Senior Management. As per the Companies Act 71 of 2008, (paragraph 30(5)), the Annual Financial Statements must show the amount of any remuneration or benefits paid or receivable by all members of the Accounting Authority. The details of the disclosure are included in the disclosure of remuneration on pages 132 to 133.

16. Judicial Proceedings

The Company is not in a litigation either as a plaintiff or defendant at the time of finalising the Annual Financial Statements. The Company does not have any contingent liabilities relating to litigations.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2017

Figures in Rand thousand	Note(s)	Accounting Policies	2017	2016
ASSETS				
Non-Current Assets				
Property, plant and equipment	3	1.2	68,070	17,136
Intangible assets	4	1.3	1,061	1,938
Investments in associates	5	1.4	101,729	52,503
Deferred tax	8	1.6	98,464	89,821
Financial assets at amortised cost	6&7	1.5	53,100	-
			322,424	**161,398**
Current Assets				
Financial assets at fair value through profit or loss	6&7	1.5	1,457,564	778,015
Current tax receivable	17	1.6	9,414	-
Trade and other receivables	7&11	1.5	79,493	122,199
Other financial assets	7&10	1.5	393,633	407,817
Cash and cash equivalents	12	1.5	403,189	605,521
			2,343,293	**1,913,552**
TOTAL ASSETS			**2,665,717**	**2,074,950**
EQUITY AND LIABILITIES				
Equity				
Share capital	13	1.9	1	1
Non-distributable and other reserves	16	1.17	553,675	397,350
Retained income			1,666,267	1,309,585
			2,219,943	**1,706,936**
LIABILITIES				
Non-Current Liabilities				
Operating lease liability	9	1.7	1,233	-
Provisions	15	1.11	131,306	123,121
			132,539	**123,121**
Current Liabilities				
Current tax payable	17	1.6	-	4,590
Operating lease liability	9	1.7	744	595
Trade and other payables	18	1.5	104,192	51,213
Provisions	15	1.11	208,299	188,495
			313,235	**244,893**
TOTAL LIABILITIES			**445,774**	**368,014**
TOTAL EQUITY AND LIABILITIES			**2,665,717**	**2,074,950**

STATEMENT OF COMPREHENSIVE INCOME

as at 31 March 2017

Figures in Rand thousand	Note(s)	Accounting Policies	2017	2016
Revenue	19	1.12	1,112,864	1,010,733
Other income	20		9,547	5,047
Operating expenses		1.18	(606,852)	(564,970)
OPERATING PROFIT	21		**515,559**	**450,810**
Investment income	22	1.13	160,643	99,385
Fair value adjustments loss	23	1.5	(5,033)	(7,239)
Share of profit of associates	5	1.4	48,680	32,733
Finance costs	24		(6)	(13)
PROFIT BEFORE TAXATION			**719,843**	**575,676**
Taxation	25	1.6	(187,382)	(151,982)
PROFIT FOR THE YEAR			**532,461**	**423,694**
Other Comprehensive Income:				
Share of comprehensive income of associates		1.17	546	485
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			**533,007**	**424,179**

STATEMENT OF CHANGES IN EQUITY

as at 31 March 2017

Figures in Rand thousand	Share capital	Foreign currency translation reserve	Non-distributable reserves	Total reserves	Retained income	Total equity
BALANCE AT 1 APRIL 2015	**1**	**6,678**	**278,000**	**284,678**	**998,078**	**1,282,757**
Profit for the year	-	-	-	-	423,694	423,694
Other comprehensive income	-	485	-	485	-	485
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**485**	**-**	**485**	**423,694**	**424,179**
Transfer between reserves	-	-	112,187	112,187	(112,187)	-
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF COMPANY RECOGNISED DIRECTLY IN EQUITY	**-**	**-**	**112,187**	**112,187**	**(112,187)**	**-**
BALANCE AT 1 APRIL 2016	**1**	**7,163**	**390,187**	**397,350**	**1,309,585**	**1,706,936**
Profit for the year	-	-	-	-	532,461	532,461
Other comprehensive income	-	546	-	546	-	546
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**546**	**-**	**546**	**532,461**	**533,007**
Transfer between reserves	-	-	155,779	155,779	(155,779)	-
Dividends to Shareholder	-	-	-	-	(20,000)	(20,000)
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF COMPANY RECOGNISED DIRECTLY IN EQUITY	**-**	**-**	**155,779**	**155,779**	**(175,779)**	**(20,000)**
BALANCE AT 31 MARCH 2017	1	7,709	545,966	553,675	1,666,267	2,219,943
Note(s)	13					

STATEMENT OF CASH FLOWS

as at 31 March 2017

Figures in Rand thousand	Note(s)	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27	596,394	514,093
Interest income		120,697	85,831
Dividends paid to Shareholder		(20,000)	-
Finance costs		(6)	(13)
Tax paid	28	(210,027)	(169,532)
NET CASH FROM OPERATING ACTIVITIES		**487,058**	**430,379**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(6,405)	(4 428)
Purchase of other intangible assets	4	-	(637)
Other financial asset additions		(613,664)	(1,536,527)
Other financial asset disposals		630,000	1,490,000
Financial asset at fair value through profit and loss additions		(829,232)	(891,498)
Financial asset at fair value through profit and loss disposals		169,194	301,489
Investment in Associate		-	(15,000)
Investment in preference shares		(50,000)	-
Dividend received from listed investments		10,717	-
Dividends received from Associate		-	2,300
NET CASH FROM INVESTING ACTIVITIES		**(689,390)**	**(654,301)**
CASH FLOWS FROM FINANCING ACTIVITIES			
TOTAL CASH MOVEMENT FOR THE YEAR		**(202,332)**	**(223,922)**
Cash at the beginning of the year		605,521	829,443
TOTAL CASH AT END OF THE YEAR	12	**403,189**	**605,521**

ACCOUNTING POLICIES

as at 31 March 2017

1. Basis of Preparation

The Public Investment Corporation SOC Limited's (the Company) Annual Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), and comply with the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee's (APC), financial pronouncements as issued by the Financial Reporting Standards Council, the PFMA and the requirements of the Companies Act.

The Company's Annual Financial Statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value. The preparation of Financial Statements in conformity with the IFRS requires Management to make judgements, estimates and assumptions that affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses.

Information about significant areas of estimates, uncertainty and critical judgements in applying Accounting Policies that have the most significant effect on the amounts recognised in the Annual Financial Statements, have been disclosed.

An analysis of IFRS compliance has been performed and disclosed as part of note 37. Significant new standards and interpretations issued and not yet effective are disclosed under General Information, paragraph 2.1.

Going Concern

The Company's forecasts and projections, taking into account possible changes in performance, show that the Company is able to operate within the current operational mandate or level of funding.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing the Annual Financial Statements.

1.1 Critical Accounting Judgements, Estimates and Assumptions

The Company makes judgements, estimates and assumptions concerning the future when preparing the Annual Financial Statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Trade and other receivables

The Company determines impairment of trade and other receivables when objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the receivables. Management exercises judgement in assessing the impact of adverse indicators and events on the recoverability of receivables using the indicators disclosed in the Accounting Policy.

The impairment loss is determined as the difference between the carrying amount of the receivables and the present value of their estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the receivables' original effective interest rate.

Fair value of financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the financial year-end. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market (unlisted securities) is determined by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity–specific inputs. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each financial year-end.

Provisions

The Company exercises judgement in determining the expected cash outflows related to its provisions. Judgement is necessary in determining the timing of cash outflows, as well as quantifying the possible range of the financial settlements that may occur.

The present value of the Company's provisions is based on Management's best estimate of the future cash outflows expected to be required to settle the obligations, discounted using appropriate pre-tax discount rates that reflect current market assessment of the time value of money and the risks specific to each provision.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deferred tax assets can be utilised. When recognising deferred tax assets, the Company exercises judgement in determining whether sufficient taxable profits will be available. This is done by assessing the future financial performance of the underlying to which the deferred tax assets relate. The Company's deferred tax assets for the current year amounted to R98 million (2016: R90 million), (refer to note 8).

Taxation

The Company is subject to income tax in South Africa. As a result, significant judgement is required in determining the Company's provision for income taxes. The Company recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be payable. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the current and deferred tax in the period in which such determination is made.

Estimates of useful lives of property, plant and equipment

Property, plant and equipment's useful lives and residual values are reviewed on an annual basis with the effects of any changes in estimates accounted for on a prospective basis. In determining residual values, the Company uses historical sales or acquisitions and Management's best estimate based on market prices of similar items. Useful lives of property, plant and equipment are based on Management's estimates and take into account historical experience with similar assets, the expected usage of the asset and physical wear and tear.

Intangible assets, software and other intangible assets

The Company's intangible assets, with finite useful lives, makes the judgements surrounding the estimated useful lives and residual values critical to the Company's financial position and performance. Useful lives are reviewed on an annual basis, with the effects of any changes in estimates accounted for on a prospective basis. The useful life is determined with reference to the licence term of the computer software. For unique software products controlled by the Company, the useful life is based on historical experience with similar assets, as well as anticipation of future events such as technological changes, which may impact the useful life.

Useful lives of other intangible assets are based on Management's estimates and take into account historical experience, as well as future events which may impact the useful lives.

Long-term employee benefits

Long-term employee benefits obligations are measured on a discounted basis when the effect of the time value of money is material, and are expensed when the service that gives rise to the obligation is rendered. Where the effect is not material, the obligation is measured on an undiscounted basis. The changes in the carrying value shall be recognised in profit or loss.

1.2 Property, Plant and Equipment

Property, plant and equipment are defined as tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is only recognised when:

- It is probable that future economic benefits associated with the item will flow to the Company; and
- The cost of the item can be measured reliably.

Items of property, plant and equipment are initially recognised at cost if it is probable that future economic benefits associated with the items will flow to the Company and they have a cost that can be measured reliably.

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Property, plant and equipment are depreciated on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives. Subsequent costs are included in the assets' carrying amount only when it is probable that future economic benefits associated with the line item will flow to the Company and the cost of the item can be measured reliably.

Useful lives have been determined to be as follows:

	Average
Furniture and fixtures	5 – 10 years
Motor vehicles	5 – 8 years
Office equipment	5 – 8 years
IT equipment	3 – 5 years
Leasehold improvements	2 – 10 years or lease term

The assets' residual value and useful lives are reviewed, and adjusted, if appropriate, at each reporting date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

The carrying values of property, plant and equipment are written down to their estimated recoverable amounts, where the estimated recoverable amount is lower than the carrying value. The recoverable amount for property, plant and equipment is determined as the higher of the asset's fair value less costs to sell and the value in use.

All gains or losses arising on the disposal or scrapping of property, plant and equipment are recognised in profit or loss in the period of disposal or scrapping. Repairs and maintenance are charged to profit and loss when the expenditure is incurred.

1.3 Intangible Assets

Intangible assets are defined as identifiable, non-monetary assets without physical substance. No intangible asset is recognised when arising from research. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale.
- There is an intention to complete and use or sell it.
- There is an ability to use or sell it.
- It will generate probable future economic benefits.
- There are available technical, financial and other resources to complete the development and to use or sell the asset.
- The expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Subsequent expenditure relating to intangible assets is capitalised when it is probable that future economic benefits from the use of the assets will be increased and will be realised. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

Surpluses and deficits on the disposals of intangible assets are recognised in profit or loss. The surplus or deficit is the difference between the disposal proceeds and the carrying value of the asset at the date of sale.

The amortisation period and the amortisation method for intangible assets are reviewed every financial year. Amortisation is charged to profit or loss on a straight-line basis and is calculated to reduce the original costs to the expected residual values over the estimated useful lives. Useful lives and residual values are assessed on an annual basis. Useful lives have been determined to be as follows:

	Average
Computer software	3 – 5 years
Other intangible assets	5 – 8 years

1.4 Basis of Consolidation

Subsidiaries

The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. Investments in subsidiaries are carried at fair value as available-for-sale financial assets.

The Company considers whether it has control over another entity if all the following requirements are met:

- Power over the relevant activities of the investee;
- Exposure to, or rights to, variable returns from its involvement with the investee; and
- The ability to affect those returns through its power over the investee.

The assessment of controls is based on the consideration of all facts and circumstances. The Company performs an assessment to determine whether it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investment in associates

An associate is an entity over which the Company has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the entity. This is generally demonstrated by the Company holding in excess of 20%, but no more than 50%, of the voting rights.

On initial recognition, the investment in associates is recognised at cost and the carrying amount is equity accounted. The Company's share of post-acquisition profit or loss and post-acquisition movements in other comprehensive income are recognised in the Statement of Comprehensive Income and Other Comprehensive Income (OCI), respectively. The Company applies the equity method of accounting from the date significant influence commences until the date significant influence ceases (or the associate is classified as held for sale), i.e. when the Company's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil, inclusive of any long-term debt outstanding. The recognition of further losses is discontinued, except to the extent that the Company has incurred legal or constructive obligations, or guaranteed obligations, in respect of the associate. If the associates report profits, the Company resumes recognising its share of those profits only after its share of the profit equals the share of losses not recognised.

When the Company transacts with an associate, unrealised profits and losses are eliminated to the extent that there is no evidence of impairment. When the Company transacts with an associate, any instrument that contains potential voting rights is accounted for in accordance with IFRS 9. Then, in the event that the instrument is classified as held for sale, it is accounted for in accordance with IFRS 5.

In applying the equity method, the Company should use the Financial Statements of the associate as of the same date as the Financial Statements of the Company unless it is impracticable to do so. If it is impracticable, the most recent available Financial Statements of the associate or joint venture should be used, with adjustments made for the effects of any significant transactions or events occurring between the end of the two accounting periods. However, the difference between the reporting date of the associate and that of the investor cannot be longer than three months.

At each reporting date, the Company determines whether there is objective evidence that the investments in associates are impaired. Objective evidence of impairment for an associate investment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the associate investment may not be recovered. A significant or prolonged decline in the fair value of an associate investment below its cost is also considered objective evidence of impairment. The carrying amounts of such investments are then reduced to recognise any impairment by applying the impairment methodology.

The accounting is discontinued from the date that the Company ceases to have significant influence over the associate or joint control over the joint venture. The Company measures at fair value any investment it has retained in the entity when significant influence is lost and recognises the resulting gain or loss in profit. The gain or loss is measured as the difference between the fair value of this retained investment and the carrying amount of the original investment at the date significant influence or joint control is lost.

1.5 Financial Instruments

Initial recognition and measurement

Financial assets

Financial instruments, as recognised in the Statement of Financial Position, include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, associate companies and joint arrangements, and employee benefit plans and leases. Financial instruments are accounted for under IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurement.

Initial recognition and measurement

Financial instruments are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of a financial instrument. Financial instruments that are categorised and designated at initial recognition as being at fair value through profit or loss are recognised at fair value. Transaction costs, which are directly attributable to the acquisition or on issue of these financial instruments, are recognised immediately in profit and loss.

Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

Categories of financial instrument

Subsequent to initial recognition, financial instruments are measured at fair value or amortised cost, depending on their classification and whether fair value can be measured reliably:

Financial instruments at fair value through profit and loss

Financial instruments at fair value through profit or loss consist of instruments that are held for trading and instruments that the Company has designated, at the initial recognition date, as at fair value through profit or loss.

The Company classifies instruments as held for trading if they have been acquired or incurred principally for the purpose of sale or repurchase in the near term, if they are part of a portfolio of identified financial instruments for which there is evidence of a recent actual pattern of short-term profit taking or if they are derivatives.

Financial instruments that the Company has elected, at the initial recognition date, to designate as fair-value through profit or loss are those that meet any one of the following conditions:

- The designation of fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on assets and liabilities on different bases;
- The instrument forms part of a group of financial instruments that is managed and its performance is evaluated on a fair-value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to key management personnel, using a fair-value basis; or
- A contract contains one or more embedded derivatives that require separation from the host contract.

Gains or losses on financial instruments at fair value through profit or loss (excluding interest income and interest expense calculated on the amortised-cost basis relating to interest-bearing instruments that have been designated as at fair value through profit or loss) are reported in fair value through profit and loss in the period in which they arise. Interest income and interest expense calculated in accordance with the effective-interest rate method are reported in interest income and expense, except for interest income and interest expense on instruments held for trading, which are recognised in non-interest revenue.

Non-trading financial liabilities

All financial liabilities, other than those at fair value through profit or loss, are classified as non-trading financial liabilities and are measured at amortised cost.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Company has the positive intention and ability to hold to maturity, other than those that meet the definition of loans and receivables or those that were designated at fair value through profit or loss or available for sale. Held-to-maturity financial assets are measured at amortised cost, with interest income recognised in interest and similar income.

Trade and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those financial assets classified by the Company on initial recognition at fair value through profit or loss, available for sale or loans and receivables that are held for trading. Financial assets that are classified as loans and receivables are carried at amortised cost, with interest income recognised in interest and similar income. Gains or losses arising on disposal are recognised in non-interest revenue.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that the Company has designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets as at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value, with fair-value gains or losses recognised in other comprehensive income, unless the asset has been designated as a hedged item in a fair-value hedging relationship, subject to hedge accounting. In a fair-value hedging relationship, the portion of the fair-value gain or loss of the asset attributable to the hedged risk is recorded in profit and loss to offset changes in the fair value of the hedging instrument. Any other changes in the fair value of the asset attributable to aspects other than the hedged risk is recognised in other comprehensive income. Foreign currency translation gains or losses on monetary items, impairment losses and interest income calculated using the effective-interest rate method, are reported in profit or loss.

Trade and other payables

Trade payables are initially measured at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, bank balances and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Carrying values of cash and cash equivalents are considered a reasonable approximation of their fair values.

Measurement Basis of Financial Instruments

Amortised cost

The amortised cost of a financial instrument is the amount at which the financial instrument is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective-interest rate method of any difference between the initial contractual amount and the maturity amount, less any cumulative impairment losses.

The effective-interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income and expense over the relevant period. It is a rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial instrument. When calculating the effective-interest rate, cash flows are estimated considering all contractual terms of the financial instrument, however future credit losses are not considered. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective-interest rate, i.e. transaction costs, and all other premiums or discounts.

Fair value

The fair value of a financial instrument is the amount that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of instruments that are quoted in an active market is determined using quoted prices where they represent those at which regularly occurring transactions take place. The Company uses valuation techniques to establish the fair value of instruments, where quoted prices in active markets are not available.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has (or events have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset, or group of assets, is impaired includes observable data that comes to the attention of the group about the following loss events:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in respect of interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including: adverse changes in the payment status of borrowers in the Company; or national or local economic conditions that correlate with defaults on the assets in the Company.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity financial assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The Company first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that there is no objective evidence of impairment for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been, had the impairment not been recognised at the date on which the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity, in the Statement of Comprehensive Income, and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity, in the Statement of Comprehensive Income, is removed from equity and recognised in profit or loss. The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss for the period.

Derecognition

The Company derecognises a financial asset when, and only when:

- The contractual rights to the cash flows arising from the financial asset have expired; or
- It transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- It transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retaining control of the asset.

A financial liability (or part of a financial liability) is derecognised when, and only when, the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or has expired. The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in non-interest revenue for the period.

Offsetting financial instruments and related income

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when the Company has a legally enforceable right to set off the financial asset and financial liability and the Company has an intention of settling the asset and liability on a net basis or realising the asset and settling the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the Statement of Financial Position.

1.6 Tax

Current tax assets and liabilities

Current taxation is the expected tax payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustment to taxation payable in respect of previous years (prior-period tax paid).

Deferred tax assets and liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

Deferred tax is recognised in profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in equity or in other comprehensive income, or a business combination that is accounted for as an acquisition. The effect on deferred tax of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax liabilities are recognised for all taxable temporary differences, and deferred taxation assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred tax is not recognised for the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries, associates and jointly controlled entities to the extent that the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxation entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- A transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- A business combination.

Current and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risk and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risk and rewards incidental to ownership.

Finance leases – lessee

Leases in respect of which the Company bears substantially all risks and rewards incidental to ownership, are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the lease property and the present value of the minimum lease payments. Directly attributable costs, such as commission paid, and incurred by the Company are added to the carrying amount of the asset. Each lease payment is allocated between the liability and finance charges to achieve a constant periodic rate of interest on the balance outstanding. Contingent rentals are expensed in the period they are incurred. The depreciation policy for leased assets is consistent with that of depreciable assets owned. If the Company does not have reasonable certainty that it will obtain ownership of the leased asset by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Operating leases – lessee

Leases that are not classified as finance leases are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight-line basis over the term of the lease. When another systematic basis is more representative of the time pattern of the user's benefit, then that method is used.

1.8 Impairment of Assets

The Company assesses at the end of the reporting period, whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs, is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses, at each reporting date, whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset, other than goodwill attributable to a reversal of an impairment loss, cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation, other than goodwill, is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Share capital and equity

Ordinary shares are classified as equity. Share capital issued by the Company is recorded as the value of the proceeds received less the external costs directly attributable to the issue of the shares.

Dividends to equity holders are recognised as a liability in the period in which they are declared and are accounted for in the Statement of Changes in Equity.

1.10 Employee Benefits

Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, bonus and any non-monetary benefits, such as medical aid contributions.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under the short-term benefits if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Long-term incentives

On an annual basis, the long-term incentive (LTI) provision will be re-measured taking into account the probability of payout at the end of the vesting period. The best estimate of the amount that will be paid will be determined by using the historical analysis of the payout made and also taking into consideration any special events that could have resulted in a significant event that could impact on the carrying amount. The changes in the carrying value shall be recognised in profit or loss.

Termination benefits

Termination benefits are recognised as an expense when the Company is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptance can be estimated reliably.

Defined contribution plans

Under defined contribution plans:

(a) The Company's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by both the employer and employee to a post-employment benefit plan, together with investment returns arising from the contributions; and

(b In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee.

Defined benefit plans

Under defined benefit plans:

(a) The Company's legal or constructive obligation is not limited to the amount that it agrees to contribute to the fund; and

(b) In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the Company.

1.11 Provisions and Contingencies

Provisions represent liabilities of uncertain timing or amount.

Provisions are recognised when:

- The Company has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The amount recognised as a provision is the reasonable estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of discounting is material, the provision is discounted. The discount rate reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Gains from the expected disposal of assets are not taken into account in measuring provisions. Provisions are reviewed at each reporting date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

Onerous contracts

The present obligations arising under any onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits that are expected to be received by the Company under such contract.

Reimbursements

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that the reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

1.12 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Revenue comprises management fees and letting commission charged to parties on whose behalf the assets are managed and rental income collected.

Management fee income

The management fee income is recognised as revenue for the following services by the Company:

- For providing asset management services for listed investments, which is charged at an agreed percentage of the market value.
- For providing asset management services for alternative investments, a portion which is charged at an agreed percentage of the value of clients' funds committed, which after the term of the funds commitment period, the fee is based on invested capital.

- For providing property asset management services, which is charged at an agreed percentage of the market value of the portfolio.

1.13 Investment Income

Interest is recognised as part of investment income using the effective interest rate method.

Dividends are recognised as part of investment income when the Company's right to receive payment has been established.

The Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset up to the date on which construction or installation of the assets is substantially completed. Other borrowing costs are expensed in the period incurred.

1.14 Subsequent Events

Events after the reporting period

It is an event, which could be favourable or unfavourable, that occurs between the end of the reporting period and the date that the Financial Statements are authorised for issue. The Company adjusts its Financial Statements for events after the balance sheet date that provide further evidence of conditions that existed at the end of the reporting period, including events that indicate that the going concern assumption in relation to the whole or part of the enterprise is not appropriate.

The Company does not adjust its Financial Statements for events or conditions that arise after the end of the reporting period. If the events are material, they will be disclosed in the Annual Financial Statements. If the Company declares dividends after the reporting period, the entity shall not recognise those dividends as a liability at the end of the reporting period. If the Company receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions, in light of the new information.

1.15 Comparatives

The Company discloses comparative information in respect of the previous period for all amounts reported in the Financial Statements, both on the face of the Financial Statements and in the notes, unless another standard requires otherwise.

1.16 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the Statement of Financial Position.

The Company does not offset any assets and liabilities, and income and expenses, unless it is required or permitted by an IFRS.

1.17 Non-Distributable Reserves and Other Reserves

Foreign currency reserve

The Company recognises foreign currency transactions initially at the rate of exchange at the date of the transaction.

At each subsequent balance sheet date:

- Foreign currency monetary balances are reported using the closing rate;
- Non-monetary items carried at historical cost are reported using the exchange rate at the date of the transaction;
- Non-monetary items carried at fair value are reported at the rate that existed when the fair values were determined.

Foreign exchange differences arising on translation are recognised in profit and loss.

Non-distributable reserves

The Company will make a transfer of profits to the Non-Distributable Reserve (NDR) on an annual basis.

The Directors may use the NDR funds to fund future capital expenditure of the Company, therefore ensuring the financial sustainability of the Company.

1.18 Operating Expenses

Operating expenses reflect costs incurred during the reporting period and relate to operating activities of an entity. Expenses are recognised on the basis of the accrual and comparability principles in the reporting period during which the related income is earned, regardless of the time of spending the cash. Only that portion of costs of the previous reporting periods that is related to the income earned during the reporting period, is recognised as expenses.

Costs that are not related to income earned during the reporting period, but expected to generate future economic benefits, are recorded in accounting and presented in the Financial Statements as assets. The portion of assets which are intended for earning income in future periods shall be recognised as expenses when the associated income is earned. When the use of certain assets will generate income over several future reporting periods and due to that, the association between income and expenses can be determined only approximately, expenses are recognised using indirect recognition methods, for example depreciation and amortisation of non-current assets.

GENERAL INFORMATION

as at 31 March 2017

2. New Standards and Interpretations

2.1 Standards and interpretations issued, but not yet effective.

IFRS 9, Financial Instruments (2014)

A finalised version of IFRS 9, which contains accounting requirements for financial instruments, and replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- ***Classification and measurement:*** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner as per IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- ***Impairment:*** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- ***Hedge accounting:*** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- ***Derecognition:*** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.
- The impact on the Company's Annual Financial Statements will not be material. The Company's financial assets are classified at fair value through profit or loss under IAS 39, which will be the same classification when applying IFRS 9 (2014).
- The new impairment model does not apply to financial assets classified at fair value through profit or loss and therefore does not affect the Company's financial assets.

This standard is effective for financial years commencing on or after 1 January 2018.

Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- Require full recognition in the investor's Financial Statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations).
- Require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

There will be no impact on the Company, as there is no sale or contribution of assets between the Company and its associates, Harith General Partners (Pty) Limited, Harith Fund Managers (Pty) Limited and Bophelo Insurance Group (BIG).

This standard is effective for financial years commencing on or after 1 January 2018.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various other related matters. New disclosures about revenue are also introduced.

Impact on the Company's Financial Statements will not be material.

The timing of the revenue recognition is expected to be unchanged since the five steps are already being met.

Should any of the five steps not be met, the disclosure of revenue from contracts with customers will differ as follows:

Contracts with customers will be presented in an entity's Statement of Financial Position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

The incremental costs of obtaining a contract must be recognised as an asset if the entity expects to recover those costs. However, those incremental costs are limited to the costs that the entity would not have incurred if the contract had not been successfully obtained.

This standard is effective for financial years commencing on or after 1 January 2018.

IFRS 16, Leases

New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right of use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the Statement of Cash Flows and applying IAS 7 Statement of Cash Flows.

The Company leases IT equipment and office accomodation which are currently recognised as operating leases. The Company will implement the adoption of the new standards in 2019.

The most significant effect of the new requirements will be an increase in lease assets and financial liabilities.

Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right of use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments.

IFRS 16 replaces the straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for the lease asset (included in operating costs) and an interest expense on the lease liability (included in finance costs). Although the depreciation charge is typically even, the interest expense reduces over the life of the lease as lease payments are made. This results in a reducing total expense as an individual lease matures.
This standard is effective for financial years commencing on or after 1 January 2019.

IAS 7, Statement of Cash Flows

Disclosure Initiative: This amendment requires entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).

There will be no material impact on the Company's Financial Statements, as the Company's only financial liability is trade payables which include foreign exchange transactions for which the disclosure will be presented.

This standard is effective for financial years commencing on or after 1 January 2017.

IAS 12, Income Taxes

Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12): Narrow scope amendment to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

There will be no material impact on the Company's Financial Statements, as deferred tax is accounted for on unrealised losses.

This standard is effective for financial years commencing on or after 1 January 2017.

IFRS 2 Classification and Measurement of Share-based Payment Transactions

Amendments to IFRS 2 share-based payments are in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas as follows:

- The effect of vesting conditions on the measurement of cash-settled share-based payment transactions;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

There will be no impact on the Company's Financial Statements, as the Company does not have any share-based payment transactions.

This standard is effective for financial years commencing on or after 1 January 2018.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

3. Property, plant and equipment

Figures in Rand thousand	2017 Cost / valuation	2017 Accumulated depreciation	2017 Carrying value	2016 Cost / valuation	2016 Accumulated depreciation	2016 Carrying value
Furniture and fixtures	8,820	(2,087)	6,733	5,312	(2,348)	2,964
Motor vehicles	885	(875)	10	885	(746)	139
Office equipment	19,448	(3,392)	16,056	6,836	(5,402)	1,434
IT equipment	27,622	(15,734)	11,888	24,014	(16,302)	7,712
Leasehold improvements	38,369	(4,986)	33,383	8,823	(3,936)	4,887
TOTAL	**95,144**	**(27,074)**	**68,070**	**45,870**	**(28,734)**	**17,136**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2017	Opening balance	Additions	Write-off	Depreciation	Total
Furniture and fixtures	2,964	4,691	(18)	(904)	6,733
Motor vehicles	139	-	-	(129)	10
Office equipment	1,434	15,272	(9)	(641)	16,056
IT equipment	7,712	9,608	(59)	(5,373)	11,888
Leasehold improvements	4,887	31,025	-	(2,529)	33,383
	17,136	**60,596**	**(86)**	**(9,576)**	**68,070**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2016	Opening balance	Additions	Write-off	Disposals	Depreciation	Total
Furniture and fixtures	2,643	1,174	-	(66)	(787)	2,964
Motor vehicles	316	-	-	-	(177)	139
Office equipment	2,274	160	-	(204)	(796)	1,434
IT equipment	11,455	2,212	(64)	(581)	(5,310)	7,712
Leasehold improvements	5,583	882	-	-	(1,578)	4,887
	22,271	**4,428**	**(64)**	**(851)**	**(8,648)**	**17,136**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

4. Intangible assets

Figures in Rand thousand	2017 Cost / valuation	2017 Accumulated amortisation	2017 Carrying value	2016 Cost / valuation	2016 Accumulated amortisation	2016 Carrying value
Computer software	23,164	(22,103)	1,061	29,469	(27,533)	1,936
Other intangible assets	2,717	(2,717)	-	2,869	(2,867)	2
TOTAL	**25,881**	**(24,820)**	**1,061**	**32,338**	**(30,400)**	**1,938**

Figures in Rand thousand	Opening balance	Amortisation	Total
RECONCILIATION OF INTANGIBLE ASSETS – 2017			
Computer software	1,936	(875)	1,061
Other intangible assets	2	(2)	-
	1,938	**(877)**	**1,061**

Figures in Rand thousand	Opening balance	Additions	Amortisation	Total
RECONCILIATION OF INTANGIBLE ASSETS – 2016				
Computer software	2,035	637	(736)	1,936
Other intangible assets	12	-	(10)	2
	2,047	**637**	**(746)**	**1,938**

5. Investments accounted for using the equity method

Investments in associates are investments in which the Company has significant influence, but not control over the financial and operating policies. Investments in associates are accounted for using the equity method in terms of IAS 28. The Company has three associates, namely: Harith Fund Managers (Pty) Limited, Harith General Partners (Pty) Limited and BIG.

Figures in Rand thousand	Holding %	2017	2016
INVESTMENT IN ASSOCIATES			
Harith Fund Managers (Pty) Limited	46%	(1,016)	(1,684)
Harith General Partners (Pty) Limited	30%	89,064	39,460
Bophelo Insurance Group	30%	13,681	14,727
TOTAL FAIR VALUE		**101,729**	**52,503**
SHARE OF PROFITS OF ASSOCIATES			
Harith Fund Managers (Pty) Limited		668	592
Harith General Partners (Pty) Limited		49,058	32,414
Bophelo Insurance Group		(1,046)	(273)
		48,680	**32,733**

Harith Fund Managers (Pty) Limited's nature of business is the management of the PAIDF funds. Harith Fund Managers is also responsible, on behalf of the PAIDF, for the provision of specified administrative services relating to the operations of the PAIDF. Harith General Partners is a company established in South Africa which invests and manages investments in infrastucture and project development throughout Africa, as a fund manager on behalf of PAIDF and other future funders.

BIG (Pty) Limited's nature of business is financial services specialising in insurance. BIG owns two subsidiaries namely Bophelo Life and NIS. Bophelo Life was granted its own operational license by the FSB in May 2014 to offer long-term insurance services.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
as at 31 March 2017

5. Investments accounted for using the equity method (continued)

Figures in Rand thousand	2017	2016
HARITH FUND MANAGERS (PTY) LIMITED		
Balance at the beginning of the year	(1,684)	24
Earnings from Associate	668	592
Dividend income	-	(2,300)
	(1,016)	**(1,684)**
HARITH GENERAL PARTNERS (PTY) LIMITED		
Balance at the beginning of the year	39,460	6,561
Earnings from Associate	49,058	32,414
Earnings from Associate: Exchange difference on translation of foreign operation	546	485
	89,064	**39,460**
BOPHELO INSURANCE GROUP (PTY) LIMITED		
Cost	14,727	15,000
Earnings from Associate	(1,046)	(273)
	13,681	**14,727**
HARITH FUND MANAGERS (PTY) LIMITED		
Summarised Financial Information of Financial Position and Financial Performance:		
Assets	9,841	8,047
Liabilities	341	-
Revenue	109,375	126,842
Profit/(loss)	1,453	1,287
Profit/(loss) attributable to the Company	668	592
Dividend received	-	2,300

5. Investments accounted for using the equity method (continued)

Figures in Rand thousand	2017	2016
HARITH GENERAL PARTNERS (PTY) LIMITED		
Summarised Financial Information of Financial Position and Financial Performance:		
Assets	405,341	360,552
Liabilities	118,296	236,742
Revenue	236,625	491,188
Profit/(loss)	163,526	108,046
Profit or loss attributable to the Company	49,058	32,414
Other comprehensive income	1,892	1,618
Other comprehensive income attributable to exchange differences on translation of foreign operation	546	485
BOPHELO INSURANCE GROUP		
Summarised Financial Information of Financial Position and Financial Performance:		
Assets	103,974	25,473
Liabilities	65,320	848
Revenue	118,361	8,462
Profit/(loss)	(3,488)	(910)
Profit/(loss) attributable to the Company	(1,046)	(273)
Dividend accrued	2,530	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

6. Financial assets at fair value through profit or loss and amortised cost

Figures in Rand thousand	2017	2016
CURRENT ASSETS		
At fair value through profit or loss – designated		
Listed shares	431,809	-
Bonds	1,006,118	758,644
Promissory notes	19,637	19,371
	1,457,564	**778,015**
NON-CURRENT ASSETS		
At amortised cost		
Preference shares	53,100	-
TOTAL OTHER FINANCIAL ASSETS	**1,510,664**	**778,015**

The Company has invested in 12,500,000 Cumulative Redeemable Preference shares with BIG at an issued price of R50 million, as these preference shares contain potential voting rights they are accounted for in accordance with IFRS 9, and not equity accounted.

PREFERENCE SHARES AT AMORTISED COST		
Opening balance	-	-
Additions – current year	50,000	-
Accrued preference dividend	2,530	-
Capitalised finance fee	570	-
	53,100	**-**

The fair values of the financial assets were determined as follows:

- The fair values of listed or quoted investments are based on the quoted market price at reporting date.
- The fair values on investments not listed or quoted are estimated using the yield curve valuation technique using the nominal rate of interest compounded continuously. The method is consistent with the prior year.

For debt securities classified as at fair value through profit or loss, the maximum exposure to credit risk at the reporting date is the carrying amount.

6. Financial assets at fair value through profit or loss and amortised cost (continued)

The Company has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

The maximum exposure to credit risk at the reporting date is the fair value of each class of financial instrument mentioned above, and the fair value of the trade and other receivable is disclosed in note 11. The Company has not pledged any collateral as security.

Financial instruments measured at fair value shall be classified into a hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy of all the financial instruments is Level 1. Level 1 inputs are quoted prices in active markets for identical assets which are observable for the assets, either directly or indirectly.

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Figures in Rand thousand	2017	2016
DESIGNATED AT FAIR VALUE THROUGH PROFIT/LOSS		
Credit rating		
AAA	747,174	592,448
AA+	-	149,406
AA	19,642	24,764
A -	-	10,297
BBB	83,927	-
BBB -	24,244	-
BB+	150,768	-
A3	-	1,100
Other	431,809	-
TOTAL	**1,457,564**	**778,015**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
as at 31 March 2017

7. Financial instruments by category

The carrying value of the financial instruments approximates the fair value. All financial liabilities are carried at amortised cost.

The Accounting Policies for financial instruments have been applied to the line items below:

Figures in Rand thousand	Carried at amortised cost	Fair value through profit or loss designated	Total
2017			
Bills, promissory notes, bonds	-	1,025,755	1,025,755
Listed shares	-	431,809	431,809
Other financial assets	393,633	-	393,633
Trade and other receivables	79,493	-	79,493
Cash and cash equivalents	403,189	-	403,189
Preference shares	53,100	-	53,100
	929,415	**1,457,564**	**2,386,979**
2016			
Bills, promissory notes	-	778,015	778,015
Other financial assets	407,817	-	407,817
Trade and other receivables	122,199	-	122,199
Cash and cash equivalents	605,521	-	605,521
	1,135,537	**778,015**	**1,913,552**

8. Deferred tax

Figures in Rand thousand	2017	2016
DEFERRED TAX ASSET		
Leave pay	3,223	2,413
Pre-payments	(1,003)	(223)
Unrealised (profit)/loss	3,824	2,415
Leases	13	10
Short-term incentive provision	44,815	36,225
Long-term incentive provision	47,052	48,614
Other provision	540	367
	98,464	**89,821**
RECONCILIATION OF DEFERRED TAX ASSET (LIABILITY)		
At beginning of the year	89,821	83,491
Leave pay	810	(702)
Pre-payments	(780)	(798)
Unrealised (profit)/loss	1,409	2,027
Leases	3	292
Short-term incentive provision	8,590	2,085
Long-term incentive provision	(1,562)	3,414
Other provision	173	12
	98,464	**89,821**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

9. Operating lease asset (accrual)

Figures in Rand thousand	2017	2016
Non-current liabilities	(1,233)	-
Current liabilities	(744)	(595)
	(1,977)	**(595)**
Amount expensed	(18,309)	(16,782)
Amount paid	16,934	17,331
	(1,375)	**549**

10. Other financial assets

Other financial assets consist of interest-bearing fixed deposits.

Current asset	393,633	407,817

11. Trade and other receivables

Trade receivables	68,266	111,783
Pre-payments	7,437	3,778
Deposits	-	47
VAT	2,483	-
Accrued interest	1,136	1,937
Sundry debtors	171	4,654
	79,493	**122,199**
RECONCILIATION OF THE ALLOWANCE FOR DOUBTFUL DEBTS (TRADE AND OTHER RECEIVABLES)		
Opening balance	-	76
Amounts written off as uncollectible	-	(76)
	-	**-**

12. Cash and cash equivalents

Figures in Rand thousand	2017	2016
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash on hand	-	3
Bank balances	201,573	400,391
Short-term deposits	201,616	205,127
	403,189	**605,521**

CREDIT QUALITY OF CASH AT BANK AND SHORT-TERM DEPOSITS

The credit quality of cash at bank and short-term deposits that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

CREDIT RATING		
AAA	-	51,518
AA	253,165	520,814
A+	-	33,186
A	93,458	-
BBB -	56,566	-
Other	-	3
	403,189	**605,521**

13. Share capital

AUTHORISED		
100 ordinary shares of R10 each	1	1
ISSUED		
100 ordinary shares of R10 each	1	1

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

14. Dividends

Figures in Rand thousand	2017	2016
ORDINARY SHARES		
Final declaration	60,000	-
Interim dividend declared and paid	20,000	-
	80,000	-
TOTAL ORDINARY DIVIDENDS DECLARED	**80,000**	**-**

Interim dividend of R20 million was declared for 2017 and was authorised and declared to the Shareholder for financial year 2016/17. After the reporting date, R60 million dividend was approved by the Board of Directors. The dividend has not been recognised as a liability at the end of the reporting date and there are no tax consequences.

15. Provisions

Figures in Rand thousand	Opening balance	Raised	Utilised during the year	Reversed during the year	Leave forfeited	Total
RECONCILIATION OF PROVISIONS – 2017						
Leave pay	8,619	21,341	(15,543)	(1,028)	(1,878)	11,511
Long-term incentives	173,623	57,691	(57,449)	(5,822)	-	168,043
Short-term incentives	129,374	128,202	(84,587)	(12,938)	-	160,051
	311,616	**207,234**	**(157,579)**	**(19,788)**	**(1,878)**	**339,605**

Leave pay provision:

The provision represents annual leave entitlements accrued to the employees for the financial period.

Long-term incentives provision:

The provision for long-term incentives relates to the scheme by the Company to attract, retain and reward high-performing Management of the Company. The Company Management is only eligible to participate in the LTI if the Company achieves an overall performance rating of 3 and if a manager achieves a minimum individual performance rating of 3,5. The scheme vests over a period of three years and payment has a lag time of three years.

Short-term incentives provision:

The provision for short-term incentives consists of a performance-based bonus, which is determined by reference to the overall company performance with regards to a set predetermined key performance measure. Bonuses are payable annually after the Board approves the Company's annual results and the incentives. The Company employees are only eligible to participate in the short-term incentive if the Company achieves an overall performance rating of 3 and if an employee achieves a minimum individual performance rating of 3.

15. Provisions (continued)

Figures in Rand thousand	Opening balance	Raised	Utilised during the year	Reversed during the year	Total
RECONCILIATION OF PROVISIONS – 2016					
Leave pay	11,126	23,772	(24,477)	(1,802)	8,619
Long-term incentives	161,427	54,580	(29,630)	(12,754)	173,623
Short-term incentives	121,930	129,374	(100,259)	(21,671)	129,374
	294,483	**207,726**	**(154,366)**	**(36,227)**	**311,616**

Figures in Rand thousand	2017	2016
Non-current liabilities	131,306	123,121
Current liabilities	208,299	188,495
	339,605	**311,616**

16. Non-Distributable Reserves and other reserves

The Company makes a transfer of profits to the NDR on an annual basis.

Foreign currency translation reserve was raised due to the exchange differences on translation of foreign operations.

Figures in Rand thousand	2017	2016
Opening balance	397,350	284,678
Foreign currency translation reserve	546	485
Transfer to NDR	155,779	112,187
	553,675	**397,350**

17. Current tax payable (receivable)

Opening Balance	4,590	13,457
Raised during the year	196,023	158,312
Tax refundable/(Tax payable)	-	2,353
Tax paid during the year	(210,027)	(169,532)
	(9,414)	**4,590**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
as at 31 March 2017

18. Trade and other payables

Figures in Rand thousand	2017	2016
Trade payables	40,086	11,120
VAT	-	12,497
Loan account	1,673	5,174
Accrued expenses	56,282	16,174
Employee-related control account	6,151	6,248
	104,192	**51,213**

19. Revenue

Management fees	1,112,864	1,010,733

20. Other income

OTHER INCOME CONSISTS OF:		
Board fees	7,063	4,590
Profit on forex	775	-
Other	1,709	457
	9,547	**5,047**

21. Operating profit

Operating profit for the year is stated after accounting for the following:

OPERATING LEASE CHARGES		
Premises		
• Contractual amounts	16,266	12,579
Equipment		
• Contractual amounts	2,044	3,046
	18,310	**15,625**
Write-off of property, plant and equipment and intangible assets	86	64
Loss/(profit) on exchange differences	(775)	804
Amortisation on intangible assets	877	746
Depreciation on property, plant and equipment	9,576	8,648
Employee costs	440,305	411,136

22. Investment income

Figures in Rand thousand	2017	2016
DIVIDEND INCOME		
Dividend received and accrued	13,247	-
INTEREST INCOME		
Financial assets	141,367	95,731
Bank	6,029	3,654
	147,396	**99,385**
	160,643	**99,385**

23. Fair value adjustments

Financial assets at fair value through profit/(loss)	(5,033)	(7,239)
FAIR VALUE THROUGH PROFIT OR LOSS		
Unrealised profit or (loss) on financial assets	(5,033)	(7,239)

24. Finance costs

Other interest	6	13

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

25. Taxation

Figures in Rand thousand	2017	2016
MAJOR COMPONENTS OF THE TAX EXPENSE		
CURRENT		
Local income tax – current period	196,023	158,312
DEFERRED		
Deferred tax movement for the year	(8,641)	(6,330)
	187,382	**151,982**
RECONCILIATION OF THE TAX EXPENSE		
Reconciliation between accounting profit and tax expense.		
Accounting profit	719,843	575,676
Tax at the applicable tax rate of 28% (2016:28%)	201,556	161,189
TAX EFFECT OF ADJUSTMENTS ON TAXABLE INCOME		
Permanent differences	(14,174)	(9,207)
	187,382	**151,982**

26. Auditors' remuneration

Fees	2,588	2,763

27. Cash generated from operations

Figures in Rand thousand	2017	2016
Profit before taxation	719,843	575,676
ADJUSTMENTS FOR:		
Depreciation and amortisation	10,453	9,394
Write-off of property, plant and equipment and intangible assets	86	166
Income from equity accounted investments	(48,680)	(32,733)
Dividends received	(13,247)	-
Interest received	(147,396)	(99,385)
Finance costs	6	13
Fair value adjustments	5,033	7,239
Transaction fee adjustment	(570)	-
Movements in operating lease assets and accruals	1,382	(3,517)
Movements in provisions	27,989	17,133
CHANGES IN WORKING CAPITAL:		
Trade and other receivables	42,706	31,926
Trade and other payables	(1,211)	5,828
Tax refund	-	2,353
	596,394	**514,093**

28. Tax paid

Balance at beginning of the year	(4,590)	(13,457)
Current tax for the year recognised in profit or loss	(196,023)	(158,312)
Tax refundable/(Refund)	-	(2,353)
Balance at end of the year	(9,414)	4,590
	(210,027)	**(169,532)**

29. Commitments

OPERATING LEASES – AS LESSEE (EXPENSE)

MINIMUM LEASE PAYMENTS DUE		
- Within one year	43,838	18,567
- In second to fifth year inclusive	178,427	159,306
- Six to ten years	297,968	-
	520,233	**177,873**

Operating lease payments represent rentals payable by the Company for office premises and printing equipment. Leases are negotiated for terms ranging from one to ten years for the Company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
as at 31 March 2017

30. Related parties

RELATIONSHIPS

Associates	Refer to note 5
Members of key Management	Refer to the disclosure of remuneration in note 31

The Company's ultimate holding company is the National Government of the Republic of South Africa. The Shareholder representative is the Minister of Finance. The Company's oversight department is the NT.

Figures in Rand thousand	2017	2016
RELATED PARTY BALANCES		
AMOUNTS INCLUDED IN TRADE RECEIVABLE (TRADE PAYABLE) REGARDING RELATED PARTIES		
Government Employees Pension Fund	(15)	-
Mowana (Proprietary) Limited	(1,673)	(5,174)
South African Revenue Service	9,414	-
SERVICES DELIVERED		
State-controlled entities and national departments	58,125	71,068
RELATED PARTY TRANSACTIONS		
SERVICES DELIVERED		
State-controlled entities and national departments	1,112,864	1,010,733
PURCHASED SERVICES		
FSB	(1,659)	**(1,637)**
Telkom	(822)	**(746)**
GEPF	(13,293)	**(16,113)**
South African Broadcasting Corporation	(2)	**(3)**
Compensation Commissioner	(190)	**(175)**
SITA Government Technology	-	**(8)**
AGSA	(2,588)	**(2,763)**
South African Revenue Service	(210,027)	**(169,532)**
DISPOSAL OF ASSETS		
Proceeds from Mowana (Proprietary) Limited	-	**907**

30. Related parties (continued)

Figures in Rand thousand	2017	2016
COMPENSATION TO EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT		
Short-term employee benefits^	53,655	**44,273**
Benefits – Pension	2,439	**4,660**
Long-term incentive scheme*	16,714	**9,206**
	72,808	**58,139**

^ Excludes incentives paid which were disclosed in the 2016 Annual Financial Statements.
* Long-term incentive paid.

31. Directors' fees

Figures in Rand thousand	Emoluments	Pension paid or receivable	Total
EXECUTIVE			
2017			
For services as employees	23,392	371	23,763
2016			
For services as employees	17,841	598	18,439

Figures in Rand thousand	Directors' fees	Total
NON-EXECUTIVE		
2017		
For service as Directors	6,654	6,654
2016		
For service as Directors	4,478	4,478

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
as at 31 March 2017

32. Risk management

Market risk

Market risk is the risk that the Company's earnings and capital will be adversely affected by movements in the level or volatility of market rates or prices, such as interest rates and foreign exchange rates. The overarching objective of market risk management in the Company is to protect the Company's net earnings against adverse market movements through containing the innate interest rate and foreign currency risks within acceptable parameters.

Public Investment Corporation Operating Fund (PICOF) has exposure to interest-rate-sensitive instruments. Market risk is managed through adherence to mandate requirements such as a tracking error limit relative to a chosen benchmark and liquidity needs (see liquidity definition below).

Interest-rate risk

Interest-rate risk refers to the susceptibility of the Company's financial position to adverse fluctuations in market interest rates.

Variations in market interest rates impact on the cash flows and income stream of the Company through their net effect on interest-rate-sensitive assets. At the same time movements in interest rates impact on the Company's capital through their net effect on the market value of assets. Interest-rate risk in the Company arises naturally as a result of investments made in the PICOF account which are investments on traded instruments and are impacted by interest-rate fluctuations.

The Company's primary interest-rate risk management objective is to protect its investment income from adverse fluctuations in market interest rates. The management of interest-rate risk against these limits is supplemented by scenario analysis, which measures the sensitivity of the Company's investment interest income and market value of the portfolio to extreme interest-rate movements. At a minimum, scenarios include hypothetical interest-rate shocks, both up and down, of at least 50 and 100 basis points.

The table below shows the sensitivity analysis of the PICOF portfolio. The unrealised profit/loss is obtained by changing the market interest rates of the fixed-income instruments in the portfolio by the specified amounts, revalue the portfolio of the fixed-income instruments, and then take the difference between the new portfolio value and the old portfolio value which was determined using unperturbed market interest rates.

Figures in Rand thousand	2017	2016
BASIS POINTS		
-100	119,193	80,028
-50	56,985	38,253
50	(52,319)	(35,127)
100	(100,461)	(67,473)

32. Risk management (continued)

Liquidity risk

Asset liquidity risk

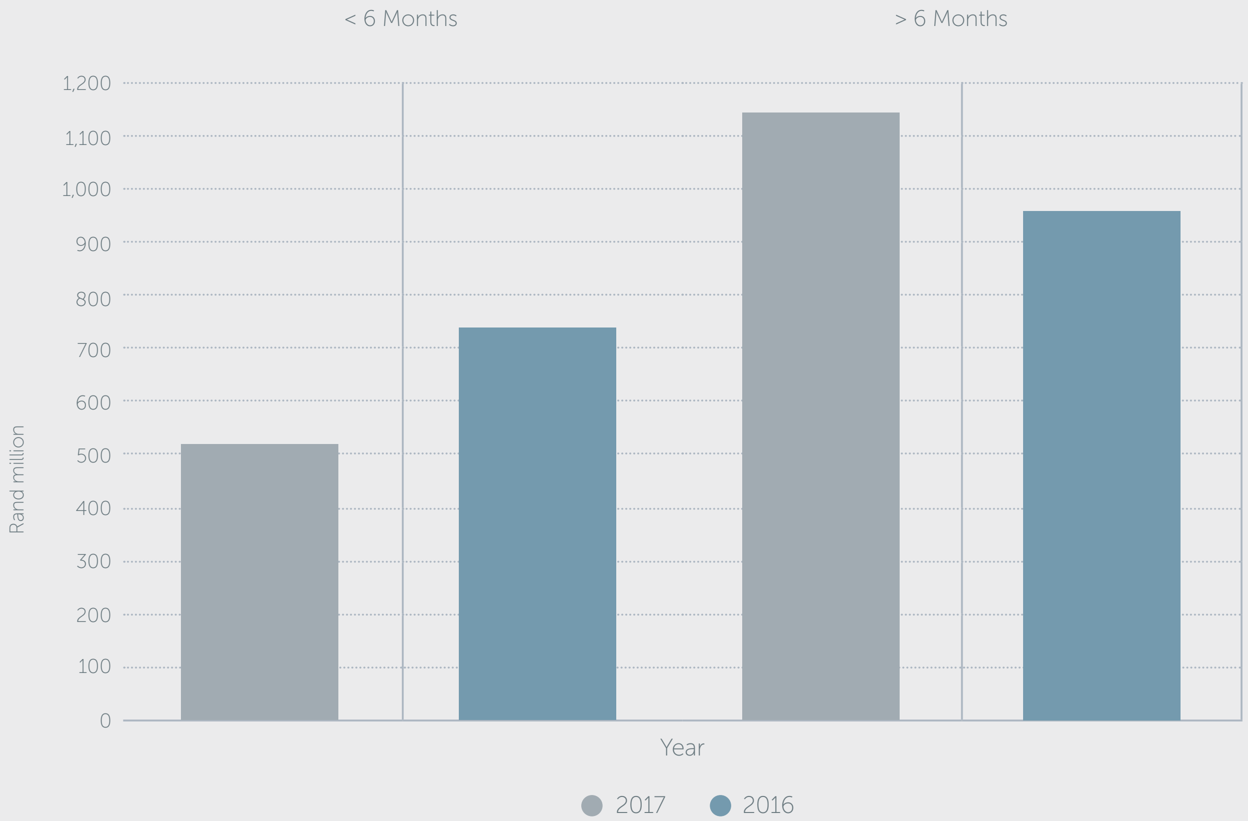
Liquidity risk is defined as the risk of failure to meet all financial obligations on a timely basis, when due, and in the currency due without incurring above normal costs. In the case of the Company, this risk specifically arises from the inability to honour obligations with respect to commitments to borrowers, lenders, investors and operational expenditure.

Liquidity is held primarily in the form of Money Market instruments, such as bonds, fixed deposits, listed shares and promissory notes, as well as liquid debt issues from Government, municipalities and other approved issuers.

In addition to holding a minimum level of liquidity in the form of cash and near-cash equivalents, the Company uses cash flow forecasts and cumulative maturity gap analysis to assess and monitor its liquidity requirements and risk levels.

The funding liquidity is managed by proper planning of cash flow needs. The maturity bucket analysis for interest-bearing assets as at year-end was as follows:

Interest-Bearing Assets Maturity Analysis



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

32. Risk management (continued)

Capital adequacy requirements

Over the period under review, the Company has satisfied the capital adequacy requirements, namely, that the Company has at all times maintained:

- Liquid assets equal to or greater than 8/52 weeks of annual expenditure;
- Assets that exceeded liabilities; and
- Current assets which were at least sufficient to meet current liabilities.

Credit risk

The risk that a borrower or counterparty to a financial transaction will fail to perform according to the terms and conditions of the contract, thus causing the holder of the claim to suffer a loss in cash flow or market value.

Factors that influence the Company's credit decisions include credit rating, assessments of the general operating environment, the competitive market position of a counterparty or issuer, reputation, deal tenure, the level and volatility of earnings, corporate governance, risk management policies, liquidity and capital management.

Credit risk is managed according to the mandate parameters and the Company's internal Credit Risk Policy. Credit mitigation techniques are transaction-dependent but may include, where appropriate, the right to be furnished with collateral or an equity injection by counterparties, particularly in unlisted investments. No collateral was held on PICOF for the period under review.

The Company also utilises various models to guide limit setting, as well as credit ratings from external rating agencies. Limits are approved by the relevant Committees, in accordance with the Board-approved DoA. Risk reports on these exposures are regularly submitted to the Portfolio Committee, Investment Committee, ARC and Board. Impairment tests are undertaken according to the Company-approved guidelines, and are approved in accordance with the DoA.

Figures in Rand thousand	2017	2016
FINANCIAL ASSETS EXPOSED TO CREDIT RISK AT YEAR-END WERE AS FOLLOWS:		
Financial instrument		
Bonds	1,006,118	758,644
Cash and cash equivalents	403,189	605,521
Trade and other receivables	79,493	122,199
Listed shares	431,809	-
Other financial assets	393,633	407,817
Promissory notes	19,637	19,371

32. Risk management (continued)

Other risk
Concentration risk

Concentration risk is the risk of losses arising due to poor diversification within funds. This relates to both credit and market risk, as excessive concentrations in a particular or correlated asset class, sector, issuer, term structure or financial instrument type can result in undesirable risk exposures. The Company manages this risk in accordance with the investment mandates and approved policies, which dictate the level of concentration.

The fixed-income portfolio was mainly invested in cash and Money Market instruments, which are spread across local banks with required minimum credit quality to reduce and diversify the risk.

Operational risk

Operational risk is defined as the direct or indirect loss resulting from inadequate or failed internal processes, people and systems from external events.

Risks of this nature is managed through systems of internal control, annual external audits and continual internal audits to review the effectiveness of the control environment, risk management programmes and adequacy of insurance policies.

The Annual Financial Statements have been prepared on the basis of Accounting Policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

33. Capital management

The Company is licensed as a financial services provider in terms of section 8 of the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002) (FAIS). The FSB requirements are monitored and adhered to. There are no regulatory capital management ratios imposed on the Company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

34. Commitments

Commitments include all items of capital expenditure, information technology costs and investments for which specific Board approval has been obtained up to the reporting date.

Figures in Rand thousand	2017	2016
Authorised capital expenditure	286,357	63,971
Committed: Operation	103,601	-
Committed: Investments	500,000	-
Increase/(Decrease)	(127,679)	222,386
	762,279	**286,357**
Within one year	673,011	104,948
Two to five years	89,268	181,409
	762,279	**286,357**

35. Employee Benefits

Provident Fund

The Provident Fund has 317 active members as at 31 March 2017. During the current year, 82 employees joined, 48 employees withdrew from the Provident Fund, there were no transfers and no retirements from the Company.

The contributions for the year amounted to R29 million.

The Provident Fund is a defined contribution plan. The result is that the risk of any decline in fair value lies with the employee and not the employer.

Defined benefit plan

There are 10 employees on the GEPF. During the current year, one employee retired and there were no withdrawals from the Provident Fund.

Short-term employee benefits

Short-term incentives (STI) scheme of R128 million (2016: R129 million) has been recognised as a provision.

The STI is recognised and accrued in the year the service was rendered, but paid only after Financial Statements are approved by the Board. The trigger for payment of the STI is if the Corporation has made at least 10% of the net income over management fees.

Long-term employee benefits

LTI scheme is R168 million (2016: R174 million).

The scheme is to attract, retain and reward high-performing Management of the Company. The Company Management is only eligible to participate in the LTI scheme if the Company achieves an overall performance rating of 3 and if a manager achieves a minimum individual performance rating of 3,5.

The LTI scheme vests over a period of three years and payments have a lag time of three years. Out of the total LTI of R168 million, R68 million will be paid in the 2018 financial year, R42 million will be paid in the 2019 financial year and the balance of R58 million will be paid in 2020.

36. Cost containment

Nature	Local	Number of attendees	Foreign	Number of attendees	Total
Conferences Attended	Local > R2,500		Foreign > R60,000		
Actual for the year	227,771	23	398,230	1	626,002

The foreign conference relates to the attendance by a PIC representative of the annual World Economic Forum (WEF) conference held in Davos.

37. Compliance with IFRS Financial Statement Notes

• Principal accounting policies	IAS 1
• Standards and interpretations	IAS 1 and IAS 8
• Critical accounting judgements, estimates & assumptions	IAS 1
• Investment income	IAS 18, IAS 32, IAS 39, IFRS 7 and IFRS 13
• Revenue	IAS 18
• Operating expenses	IAS 1 and IAS 19
• Indirect taxation	IAS 12
• Dividends	IAS 1 and IAS 10
• Cash and cash equivalents	IAS 1, IAS 7 and IFRS 7
• Other financial assets	IAS 1, IAS 39, IFRS 7, IFRS 8 and IFRS 13
• Financial assets at fair value through profit and loss	IAS 32, IAS 39, IFRS 7 and IFRS 13
• Impairment of loans and advances	IAS 32, IAS 39 and FRS 7
• Investments in associates	IAS 28, IFRS 12 and IFRS 13
• Deferred taxation	IAS 12
• Property and equipment	IAS 16, IAS 36 and IFRS 13
• Employee benefits	IAS 19 and IFRIC 14
• Intangible assets	IAS 38 and IAS 36
• Share capital	IAS 1
• Provisions and other liabilities	IAS 37, IAS 32, IAS 39, IFRS 7 and IFRS 13
• Cash flow information	IAS 7
• Offsetting financial assets and financial liabilities	IFRS 7 and IAS 32
• Credit analysis of other short-term deposits	IFRS 7
• Liquidity risk	IFRS 7
• Contractual maturity analysis for financial liabilities	IFRS 7
• Foreign exchange	IAS 21
• Commitments	IAS 37, IAS 10, IAS 17
• Related parties	IAS 24

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Asset Management
Directors	Mr Sfiso Buthelezi (Chairman) (Non-executive) Dr Mkhwanazi, Xolani (Deputy Chairman) (Non-executive) Dr Matjila, Daniel (CEO) (Executive) Ms More, Matshepo (CFO) (Executive) Ms Beswick, Sandra (Non-executive) Ms Fubu, Tantaswa (Non-executive) Dr Goba, Trueman (Non-executive) Ms Hlatshwayo, Dudu (Non-executive) Dr Manning, Claudia (Non-executive) Ms Mokoka, Mathukana (Non-executive) Mr Moloto, Pitsi (Non-executive) Ms Toyi, Lindiwe (Non-executive) Ms Zulu, Sibusisiwe (Non-executive)
Registered office and business address	Menlyn Maine Central Square Corner Aramist Avenue and Corobay Avenue Waterkloof Glen Extension 2 Pretoria 0181
Postal address	Private Bag X187 Pretoria South Africa 0001
Auditors	Office of the Auditor-General of South Africa Registered Auditors
Secretary	Ms Bongani Mathebula
Company registration number	2005/009094/30

Public Investment Corporation SOC Limited Disclaimer

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For more details, as well as for information on how to contact us and how to access information, please visit www.pic.gov.za.

ABBREVIATIONS

ABET	Adult Basic Education and Training
Abraaj	Abraaj Investment Management Limited
ACSA	Airports Company South Africa
ADRIASA	ADR International Airports South Africa
AEs	Advanced Economies
AFS	Annual Financial Statements
AGM	Annual General Meeting
Agrigroupe	Agrigroupe Holdings (Pty) Ltd.
AGSA	Auditor-General of South Africa
Ai	Africa investor
AIPF	Associated Institutions Pension Fund
ALM	Assets Liability Management
APC	Accounting Practices Committee
AuM	Assets under Management
ARC	Audit and Risk Committee
Bafepi	Bafepi Agri (Pty) Ltd
BBBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
BEE	Black Economic Empowerment
BIG	Bophelo Insurance Group
BIP	Black Industrialist Programme
BOE	Bank of England
Bophelo Life	Bophelo Life Insurance Limited
BRT	Bus Rapid Transit
BVI	Business Ventures Investments (Pty) Ltd
CBOs	Community-based Organisations
CC	Compensation Commissioner Fund
C2C	Coast to Coast Proprietary Limited
CD	Childhood Development
CEO	Chief Executive Officer
CIPC	Companies and Intellectual Properties Commission
CM	Contract Manufacturing
Companies Act	Companies Act of South Africa, 2008
CP	Compensation Commissioner Pension Fund
CRISA	Code for Responsible Investment in South Africa
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
CTC	Community Training Centre
DAC	Directors' Affairs Committee
DBE	Department of Basic Education
dti	Department of Trade and Industry
DoA	Delegation of Authority
DOI	Declaration of Interest
DPSA	Department of Public Service and Administration
EAP	Economic Active Population
EBIDTA	Earnings before interest, tax, depreciation and amortisation
ECB	European Central Bank
ECD	Early Childhood Development
ED	Enterprise Development
EEA	Employment Equity Act
EIHL	ETG Input Holdings
EMs	Emerging Markets
ERMF	Enterprise Management Framework
ESG	Environmental, Social and Governance
ETG	Export Trading Group
EXCO	Executive Committee
FAIS Act	Financial Advisory and Intermediary Services Act, 2002
FARR	Foundation for Alcohol Related Research
FASD	Fetal Alcohol Spectrum Disorder
FDI	Foreign Direct Investment
Fed	Federal Reserve
FICA	Financial Intelligence Centre Act
FIPs	Fund Investment Panels
FMCG	Fast Moving Consumer Goods
FSB	Financial Services Board
GEHS	Government Employees Housing Scheme

GEPF	Government Employees Pension Fund
GDE	Gross Domestic Expenditure
GDP	Gross Domestic Product
HEIs	Higher Education Institutions
HDIs	Historically Disadvantaged Individuals
HMHB	Healthy Mother Healthy Baby
HR	Human Resources
HRRC	Human Resources and Remuneration Committee
I&B	Infrastructure and Building
IASB	International Accounting Standards Board
IC	Investment Committee
ICTGC	Information Communication and Technology Governance Committee
IESBA Code	Ethics Standards Board for Accountants' Code
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IMSS	International Maths and Science Study
IoDSA	Institute of Directors of Southern Africa
IRR	Internal Rate of Return
ISAs	International Standards on Auditing
IT	Information Technology
ITRC	Information Technology Risk Committee
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
KENGEN	Kenya Electricity Generating Company
KRIs	Key Risk Indicators
LIA	Lanseria International Airport
Libstar	Liberty Star Consumer Holdings
LTI	Long-term Incentive
M&A	Merger and Acquisition
MMIH	Menlyn Maine Investment Holdings (Pty) Ltd
MOCAA	Museum of Contemporary Art Africa
MOI	Memorandum of Incorporation
MST	Mobile Specialised Technologies
NGOs	Non-governmental Organisations
NSFAS	National Student Financial Aid Scheme
NDP	National Development Plan
NDR	Non-Distributable Reserve
NIS	Nzalo Insurance Services Limited
NT	National Treasury
OCI	Other Comprehensive Income
OECD	Organisation for Economic Cooperation and Development
OLG	Open Learning Group
ORMF	Operational Risk Management Framework
PAA	Public Audit Act of South Africa, 2004
PAIDF	Pan African Infrastructure Development Fund
PDU	Previously Disadvantaged Universities
PE	Private Equity
PE SA II	Private Equity South Africa Fund II
PE RoA II	Private Equity Rest of Africa Fund II
PFMA	Public Finance Management Act, 1999
PIC	Public Investment Corporation SOC Limited
PIC Act	Public Investment Corporation Act, 2004
PICOF	Public Investment Corporation Operating Fund
PL	Private Label
PMC	Portfolio Management Committee
POPI	Protection of Personal Information Act, 2013
PPAs	Power Purchase Agreements
PPMs	Private Placement Memorandums

ABBREVIATIONS

PTO	Permission to Occupy
PWD	People with Disabilities
QSRs	Quick Service Restaurants
Remco	Remuneration Committee
Resultant	Resultant Finance (Pty) Limited
RFPs	Request for Proposals
SAA	Strategic Asset Allocation
SAICA	South African Institute of Chartered Accountants
S&P	Standard and Poor's
SCOF	Standing Committee on Finance
SDGs	Sustainable Development Goals
SEC	Social and Ethics Committee
SED	Socio-economic Development
SET	Socio-economic Transformation
SOC	State-Owned Company
SOEs	State-Owned Entities
SMEs	Small and Medium Enterprises
SMMEs	Small, Medium and Micro Enterprises
SNG	Sizwe Ntsaluba Gobodo
SPAC	Special Purpose Acquisition Company
Sphere	Sphere Holdings (Pty) Limited
SPMS	South Point Management Services
SRI	Socially Responsible Investment
STI	Short-term Incentive
TAAI	Transparency, Accountability, Accessibility and Integrity
TIMSS	Trends in Mathematics and Science Study
ToR	Terms of Reference
UFS	University of the Free State
UIF	Unemployment Insurance Fund
UNGC	United Nations Global Compact
UNPRI	United Nations Principles of Responsible Investing
US	United States
WHO	World Health Organisation

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