



PUBLIC INVESTMENT
CORPORATION®

Est. 1911

INTEGRATED ANNUAL REPORT

2021



Celebrating 110 years of resilience

FORGING AHEAD

1911 - 2021

Celebrating

..... **110 years of resilience**

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* This Integrated Annual Report consists of two books:
The 2021 Integrated Annual Report and the 2021 Annual Financial Statements.

01

INTRODUCTION



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MINISTER'S / NOTE TO PARLIAMENT

SPEAKER OF PARLIAMENT

In terms of Section 65 of the Public Finance Management Act (Act 1 of 1999), it is my honour to present the Integrated Annual Report of the Public Investment Corporation SOC Limited (PIC) for the period 1 April 2020 to 31 March 2021.

Mr E Godongwana, MP

MINISTER OF FINANCE

September 2021

CORPORATE / PROFILE

OVERVIEW

In 2021, the Public Investment Corporation SOC Limited (PIC) celebrates its 110th anniversary. To achieve such a milestone is remarkable and reflects the ability of the organisation to take full advantage of the good times and to dig deep during the more trying times.

Established in 1911 as Public Debt Commissioners, the PIC was corporatised on 1 April 2005, following the promulgation of the Public Investment Corporation Act (Act 23 of 2004, the "PIC Act").

The PIC is one of the largest asset managers on the African continent. Since corporatisation, assets under management (AuM) grew from R461 billion in 2005 to R2.339 trillion as at 31 March 2021.

The Corporation believes that a strong commitment to the highest standards of business ethics and sound corporate

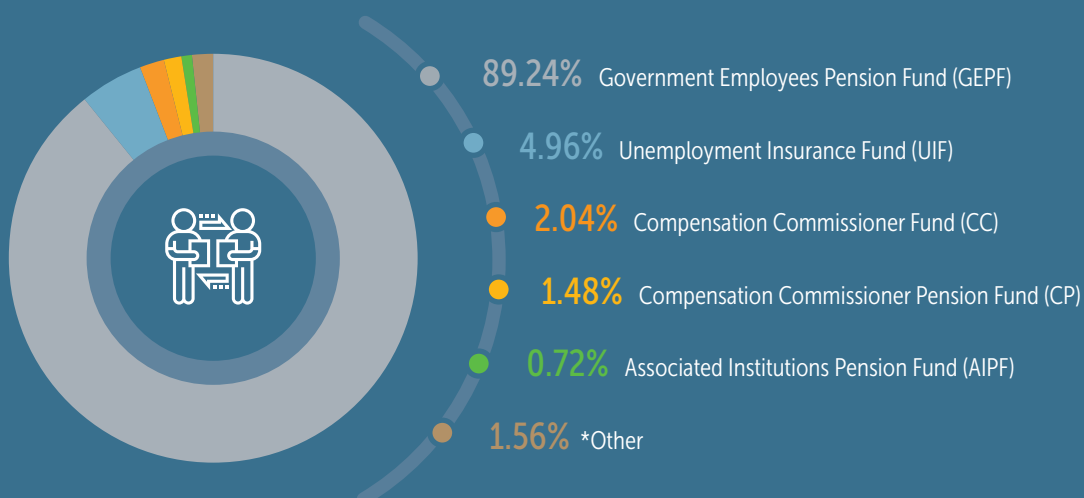
governance is essential to create long-term value for clients. All of PIC's clients are public sector entities and each has its own portfolio, which is managed in line with a mandate agreed to with the PIC, approved by the Financial Sector Conduct Authority (FSCA) and governed by the Financial Advisory and Intermediary Services Act (Act 37 of 2002, the "FAIS Act").

The PIC is regulated by, among others, the PIC Act, the Public Finance Management Act, (Act 1 of 1999, the "PFMA") and the Companies Act, (Act 71 of 2008), and adheres to the provisions of the Financial Intelligence Centre Act, (Act 38 of 2001, the "FICA").

The sustainability of the business is anchored in a firm commitment to long-term investing. The Corporation's proven track record of alpha generation over the past century ultimately benefits all stakeholders.

PIC CLIENTS

As at 31 March 2021, PIC's clients comprised:



*Various clients with smaller portfolios

01

As at 31 March 2021, the asset class composition as a percentage of AuM was as follows:



OUR VALUES



COMMITTED



ACCOUNTABLE



RESPECT

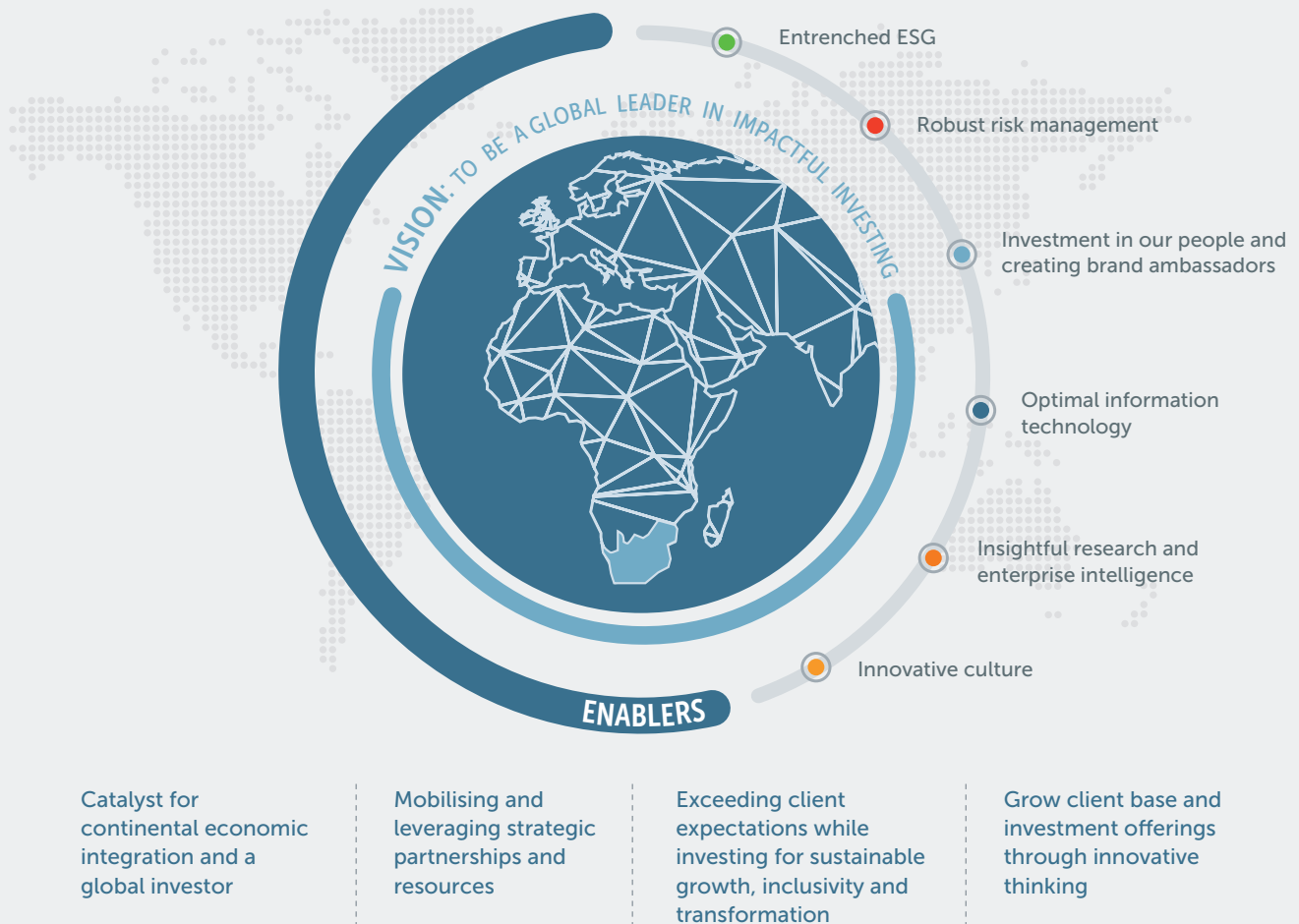


EMPATHY



OUR MISSION

To be a key player, not only in the region, but also in 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.



GROUP STRUCTURE



GOVERNMENT OF THE
REPUBLIC OF SOUTH AFRICA



PUBLIC INVESTMENT
CORPORATION
SOC LIMITED

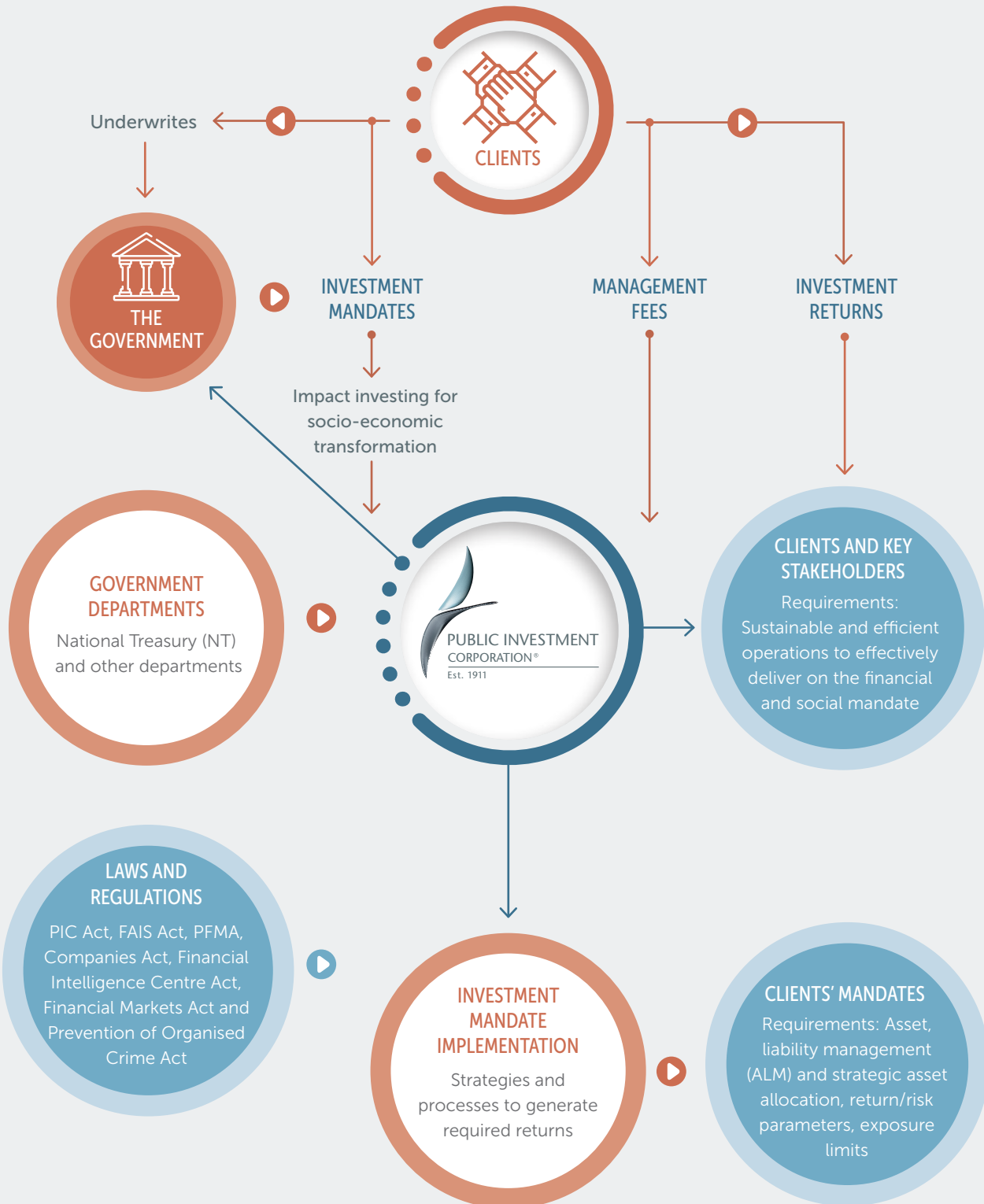
46% Harith Fund Managers

30% Harith General Partners

30% Bophelo Insurance Group

7.31% SA SME Fund Limited

OUR BUSINESS MODEL





REPORT BY / THE INTERIM CHAIRMAN

The Public Investment Corporation's (PIC) 2020/21 Integrated Annual Report comes at a time when the PIC celebrates 110 years of existence. Since its formation, the PIC has assumed different names and its mandate has undergone many changes.

These changes pertained to asset allocation and diversification. The PIC now has a diversified portfolio across different asset classes and geographical spread. Broadly speaking, the PIC invests in both listed and unlisted portfolios in the domestic, rest of Africa and global markets.

During its existence, the PIC had to endure numerous global phenomena, of which the most recent and arguably the most devastating is the COVID-19 health pandemic.

OVERVIEW OF THE OPERATING ENVIRONMENT

Global

In response to COVID-19, most countries restricted mobility and introduced lockdowns to curb the spread of the virus. Lockdowns had a profound negative impact on the world, resulting in global economic growth contracting by 3.3% in

2020. Advanced economies contracted 4.7% in 2020 after growing by 1.6% in 2019. Most countries managed to buoy their economies through massive fiscal stimulus packages, including asset purchases by central banks. Emerging market economies had severe contraction, with growth at -2.2% for 2020 following a 3.6% growth in 2019, notwithstanding limited fiscal support and less advanced healthcare.

Domestic

The placement of South Africa under lockdown had a profound negative impact on the South African economy. This was exacerbated by the fact that the economy was already in a fragile state even before the first case of COVID-19 hit our shores. Already in 2019, growth in annual output was at 0.2%. That growth contracted substantially in 2020, by 7%. The decline in real GDP in 2020 consisted of a significant contraction of 17% in the first half of 2020 and a recovery of 8.5% in the second half, following the partial reopening of the economy in the third quarter of the year.

Economic Outlook

The global economy is expected to expand by 6% in 2021. The domestic economy is expected to recover in 2021 from a very low base, delivering the highest growth rate since before the global financial crisis of 2008. It is expected that the key emphasis for growth will be the likelihood of divergent economic growth paths between emerging and advanced economies. Noteworthy are the various vaccination programmes, with advanced economies leading the way. Indications are that advanced economies will recover sooner than their emerging markets counterparts.

PIC Performance

Notwithstanding the impact of COVID-19 and sluggish growth in the domestic economy, assets under management (AuM) of the PIC's clients increased by approximately R440 billion. This is a phenomenal achievement in a context of global uncertainty and domestic economic contagion. As at March 2021, AuM managed by the PIC were R2.339 trillion compared to R1.900 trillion in March 2020. In 2019/2020 AuM had declined due to falling equities markets following the declaration of COVID-19 as a global health pandemic and the placement of South Africa under hard lockdown.

Human Resources

Improvements in the Memorandum of Incorporation (MOI) negotiated by the interim Board, with the shareholder Ministry, led to significant structural changes at the PIC. A new executive model was introduced, which led to the appointment of the Chief Executive Officer, Acting Chief Investment Officer, Chief Operations Officer, Chief Risk Officer, Chief Technology Officer and Head of Ethics.

This brought about the restoration of sound morals and renewed enthusiasm in the organisation, as well as an improvement in the observable work ethic. The PIC operates in a highly competitive environment, which requires highly competitive and technical skills capacity. During the year under review, the PIC developed a Competency Framework, which will assist it to ensure that skilled professionals are able to perform their job productively. The Board has

approved a leadership development programme, which will be customised to enhance the leadership and management skills within the organisation. The organisation embarked on an exercise to benchmark its employee value proposition (EVP) against local and foreign-based asset managers. The purpose of the exercise was to assess alignment of the PIC's EVP with the market in which it operates. The outcomes of the benchmarking will assist the organisation's EVP efforts.

Governance

During the year under review, the President of South Africa signed into law the Public Investment Corporation Amendment Act (Act 14 of 2019). The Amendment Act is prescriptive on the constitution of the PIC Board. It empowers the Minister of Finance, in consultation with Cabinet, to designate the Deputy Minister of Finance or any Deputy Minister in the economic cluster, to be appointed as Chairperson of the Board. It further prescribes that members of the Board must include a representative from the Finance Department, two representatives from the PIC's largest client, one representative from any other client whose AuM constitutes 10% or more; and three representatives of registered trade unions.

Upon the invitation of the interim Board and its perceived cardinal objective, it was hoped that the PIC would in future be run by a board with Non-Executive Directors largely from the private sector, ideally chaired by an independent Non-Executive Director. This was also elucidated by the recommendations of the Mpati Commission Report. Nevertheless, the current interim Board notes and acknowledges legislative changes.

The current interim Board was appointed in July 2019 until July 2020, after which its term was extended by 15 months. During the year under review Mesdames Irene Charnley, Sindi Mabaso-Koyana and Maria Ramos, and Mr Bhekithemba Gamedze ceased to be members of the Board. The departing interim Board members were seamlessly replaced and succeeded by similarly capable Non-Executive Directors. These were Mesdames Futhi Mtoba and Karabo Morule. Contrary to some untoward commentary, there never was an exodus of Non-Executive Directors.



The domestic economy is expected to recover in 2021 from a very low base, delivering the highest growth rate since before the global financial crisis of 2008.

The term of this Board will come to an end in October 2021 and we trust that the succeeding Board will continue to build on the solid foundation laid.

During the year under review, the Board approved the reviewed terms of references for all its committees and subcommittees, to ensure focused oversight. The Delegations of Authority (DoAs) were reviewed to ensure distribution of power, to avoid concentration of executive power and to increase accountability levels.

The PIC is a stakeholder-centric organisation and is aware that its decisions affect a variety of stakeholders. Stakeholder engagement is a critical component of the PIC's efforts to discharge its investment mandate. The Directors Affairs Committee (DAC) approved the Stakeholder Management Framework, which will guide the PIC's stakeholder management. As part of building an ethical PIC, the Board has approved an ethics strategy and implementation plan for the organisation.

Implementation of the Mpati Commission Recommendations

Implementing the recommendations of the Mpati Commission of Inquiry continues. The Board is leading the implementation with the help of an Advisory Panel (AP) led by retired Justice Yvonne Mokgoro. With the assistance of the AP, the Board will crystallise those aspects of the Mpati Commission recommendations that merit forensic investigation.

The PIC is working closely with law enforcement agencies to ensure that those implicated are brought to book. As part of addressing some of the findings from the Commission,

the following has been done: the Board has approved the Anti-fraud and Corruption Policy, an investigation model, and changes to the Operating Model. The organisation is in the process to appoint a service provider to assist with the implementation of the Operating Model. The Board has also embarked on an enterprise-wide review of all policies and processes. This work continues to ensure alignment with the envisaged Operating Model. The coming into effect of the PIC Amendment Act has an impact on the implementation of some recommendations of the Mpati Report.

Way Forward

The Board will continue to build on the work it started of restoring the PIC's integrity and its reputation to its former glory, particularly entrenching ethical behaviour and accountability across all levels within the organisation. I extend my appreciation to my fellow directors on the PIC Board, the Minister and Deputy Minister of Finance and the Treasury, for their continued support, the PIC executive management, and the diligent and dedicated employees for their unwavering commitment to deliver on the PIC's mandate. Without its clients, the PIC would be non-existent. It is befitting to express the PIC's gratitude to its clients for entrusting the organisation with the responsibility of growing their AuM.

May the PIC strive to be the best that it can be!



Dr Reuel J Khoza
INTERIM CHAIRMAN



REPORT BY THE / CHIEF EXECUTIVE OFFICER

In many respects, the 2020/21 financial year was our annus horribilis – the Latin phrase describing a disastrous year of misfortune.

OPERATING ENVIRONMENT

The South African economy endured its largest contraction in annual GDP in a century. The global COVID-19 pandemic and government's response to introduce a series of lockdowns had far-reaching implications for the economy, the fiscus, the labour market and the portfolio of assets that the PIC manages on behalf of its clients.

Our economy was already fragile before COVID-19. Growth in annual output declined from a high of 3.3% in 2011 to only 0.2% in 2019, before contracting significantly by 7% in 2020.

In the midst of the devastating pandemic that has claimed thousands of lives and jobs, we have every reason to be despondent and veer towards a sense of hopelessness.

Notwithstanding these formidable, adverse conditions, the PIC showed remarkable resilience and versatility in its investment performance. It demonstrated its adeptness and

delivered solid returns on the investments of its clients, their members and their beneficiaries.

By 31 March 2021, the PIC's assets under management (AuM) had grown by almost R440 billion, from R1.900 trillion in March 2020 to R2.339 trillion in line with the recovery in the global economy and financial markets.

Apart from the Unemployment Insurance Fund (UIF), all client portfolios showed positive growth. The Government Employees Pension Fund (GEPF) portfolio, the PIC's biggest client, constituting 89.24% of AuM, grew by 28% to over R2.088 trillion, from R1.633 trillion the previous financial year.

The UIF portfolio, the PIC's second largest client with 4.96% of AuM, declined by 24% from R151 billion to R116 billion, at 31 March 2021.

The UIF was called on by government to administer the Temporary Employee/Employer Relief Scheme (TERS) – a government intervention to compensate employers and employees who had lost income due to the COVID-19 pandemic. TERS withdrawals contributed to a reduction in the Fund's AuM.

More than R58 billion in wage support was provided from the TERS intervention to more than 267 000 employers and 5.4 million workers between April 2020 and March 2021. Together with the special COVID-19 social grant, government believes that the UIF TERS intervention had, among others, the greatest impact in providing income relief to poor households during the first two waves of the pandemic. This has resulted in a significant review of the investment mandate to provide the necessary liquidity for the UIF. The TERS is likely to put pressure on the future ability of the Fund to meet its ordinary mandate.

'We would not have been able to roll out these measures in such a short space of time if we had not had an extensive social security infrastructure already in place', President Ramaphosa said earlier this year.

The Compensation Commissioner Fund (CC) is the PIC's third largest client, constituting 2.04% of AuM. The Fund's assets grew by 21% over the reporting period, from R39 billion to more than R47 billion.

The Compensation Commissioner Pension Fund (CP), the fourth largest client with 1.48% of the PIC's AuM, grew by 27% from approximately R27 billion to more than R34 billion at 31 March 2021.

The Domestic Economy: Outlook

South Africa's fragile economy now appears to be recovering, although unevenly across sectors. Without sufficient access to vaccines, the effects of COVID-19 will remain a major constraint to a recovery and the normalisation of the business cycle for much longer than initially anticipated.

The domestic economy contracted by 7% in 2020. This was the second-largest annual contraction since 1920, when real GDP fell by 11.9%, and some five times larger than the contraction of 1.5% that followed the global financial crisis of 2008/09.

The economy is expected to recover in 2021 from a very low base, delivering the highest growth rate since before the crisis, with growth of 4.3% projected this year. This is

much higher than the 2015 to 2019 average of 0.8%, but is expected to moderate back to levels of around 2% for 2023 to 2025, unless structural reforms are timeously implemented to crowd-in investment and lift the growth outlook. Overall, the economy is expected to reach the 2019 pre-COVID levels only by 2023.

European Central Bank President, Christine Lagarde, observed crucially that vaccine policy is economic policy. Faster access to vaccines for developing countries will enhance progress in ending the health crisis and could shorten the recovery period for many economies.

Persistent electricity supply shortages, however, continue to pose risks to the domestic growth outlook. Despite very low economic activity, load-shedding during 2020 was the worst annual performance on record, and this trend has continued through to 2021.

The Council for Scientific and Industrial Research found that the minimum total energy availability factor is currently at around 60%, which inhibits growth, and will remain below the desired level of 72% for the next five years.

In November 2020, South Africa's sovereign credit rating was further downgraded by both Fitch and Moody's Investors Service, with both agencies maintaining a negative outlook. Although these developments were not fully anticipated, the market reaction was fairly muted.

Investors may have already taken into account South Africa's earlier exclusion from the World Government Bond Index and the worsening of its sovereign credit rating to sub-investment grade in March and April 2020. However, there is a risk for further rating downgrades or outlook changes if there is further fiscal deterioration or downward revisions to growth as a result of more delays in structural reforms.

Unemployment in the labour market was aggravated by the adverse conditions of 2020. South Africa's official unemployment rate rose to a record high of 32.6% in the first quarter of 2021, from 30.1% a year before. There were 1.4 million fewer jobs in the first quarter of 2021 (when 15 million people were employed) compared to the corresponding period in 2020, before the pandemic.

The structural unemployment rate (the proportion of people unemployed for one year and longer), relative to short-term cyclical unemployment, rose to 75.3% in the first quarter of 2021, from 71.1% in the same quarter in 2020. Most unemployed youths fall into this category, reflecting the

inability of the South African labour market to absorb the growing pool of largely unskilled labour.

The pandemic also rendered the economy less labour intensive. Urgent and appropriate policy interventions, as outlined in both the Economic Reconstruction and Recovery Plan and National Treasury's structural reform agenda, are essential. Reforms that have been introduced to the electricity, network and telecoms sectors need to be sustained to lift long-term potential growth.

The Global Economy: Outlook

Global growth saw a far smaller contraction of 3.2% in 2020 even though several governments implemented lockdowns and restricted mobility to curb the spread of COVID-19. Many other economies went into the pandemic much stronger than South Africa. Still, the decline in global growth reached levels not seen since the Great Depression in the 1930s and dwarfs the 2008/09 financial crisis losses.

Even by 2024, the International Monetary Fund (IMF) expects the global economy to be 3% smaller than it would have been without the global COVID-19 pandemic. A V-shaped global recovery is currently underway, although it obscures divergent growth paths driven by varying vaccination progress, with emerging and developing countries lagging behind advanced economies.

The IMF anticipates global growth of 6% for 2021, moderating to 4.9% in 2022. The upward revisions from its October 2020 World Economic Outlook reflect additional fiscal support in large economies and higher vaccination rates expected in the second half of 2021. Uncertainty for the global growth outlook remains high.

The strength of the recovery will depend largely on monetary policy by the major global central banks remaining accommodative for longer, and the success of vaccine rollouts. Risks to recovery include large fiscal deficits, elevated debt ratios, a mutated virus resistant to existing vaccines and heightened uncertainty. These risks, should they materialise, could prolong the return to pre-pandemic output levels.

Advanced economies have fewer policy levers to stimulate stronger growth and emerging economies are struggling to secure vaccines. The deviations in growth inequality between advanced and emerging economies are stark – India and South Africa, according to the IMF, will end 2021 with their respective GDP 5.2% and 4% smaller, while the US will end 2021 at only 1.6% smaller.

Emerging markets are likely to struggle to return to pre-pandemic levels because they lack access to vaccines. Developed market economies are leading the vaccination race and these inconsistencies will shape economic recovery, where emerging markets are likely to recover only later and experience larger GDP shortfalls.

The global economic recovery is set to be uneven and largely reflects sharp rebounds in countries that have accessed vaccines and re-opened their economies. In many emerging markets, obstacles to vaccination continue to weigh on economic activity. The global outlook remains subject to significant downside risks, including the possibility of additional COVID-19 waves and financial stress amid high debt levels. As such, policymakers will need to balance the need to support the recovery while safeguarding price stability and fiscal sustainability.

Charting A New Way Forward

It has been a very challenging and near-overwhelming time for the PIC. It is recovering from the investigation and interrogation by the Judicial Commission of Inquiry into Allegations of Impropriety at the Public Investment Corporation (the Commission or Mpati Commission). The inquiry placed enormous pressure on the PIC and among its people who had to respond to the Commission's work and also submitted evidence on their own behalf and often against their colleagues. This engendered an environment of distrust, fear and beggar-thy-neighbour attitude, all impacting on morale and performance. The implementation of the findings and recommendations of the Commission has further antagonised the environment as a number of staff and executives are subjected to disciplinary processes. Policies, processes and procedures are set up, improved and tightened as a result. The efforts to rebuild and improve PIC integrity, reputation and our relations internally and with key clients and stakeholders, continue.

In charting a new way forward the Board, management and employees are working together to correct areas on which the PIC has been found wanting in the past and to distil our aspirations for the future PIC we want to establish. We must accentuate client centricity. In all that we do, we must serve the best interests of our clients, the PIC and our shareholder, above all.

Much remains to be done to rebuild and strengthen the relationship between the Board and management. In addition, management needs to banish fear and regain the confidence and trust of staff and those of the Board. The focus of this

new way forward is to instil institutional values of ethics, vigour, competence and rigour in discharging our duties.

New Executive Structure

The PIC has successfully implemented a new executive structure and filled critical positions to strengthen the management team. These appointments include a new Chief Executive Officer, a Chief Operations Officer, an Acting Chief Investment Officer, a Chief Risk Officer as well as a Chief Technology Officer. A new position, Head of Ethics, was also filled and an Executive Head: Legal Counsel, Governance and Compliance was appointed, culminating in 37 appointments, which include internal movements. Most appointments were made during the reporting period.

The PIC increased employee support initiatives in response to the COVID-19 pandemic, including proactive staff health initiatives and the establishment of an internal COVID-19 task team that directs communication and safety protocols to enable continued productivity and business performance. Despite the pandemic and its impact on operations, the organisation continued to fulfil its strategic objective of supporting youth development and awarded more than R8.1 million in bursaries, benefitting 135 unemployed youth at 25 institutions of higher learning.

Implementing the Mpati Commission Recommendations

The Mpati Commission made about 308 findings and recommendations. Substantial progress has been made to implement these findings and recommendations.

The predominant concerns the Commission raised relate to past investments made in the PIC unlisted Isibaya portfolio. This constitutes about 4% of total AuM or about R70 billion that came into the Commission's focus. Importantly, this implies that most of the PIC's investments – 96% – were and are not the subject of allegations of impropriety. Undoubtedly, it is very important for the PIC to focus on unlisted investments made and safeguard every penny invested with unlisted entities to show that assets entrusted to it by clients are managed responsibly.

About 43% of the recommendations entail the review of governance, policies, processes and procedures. Further investigations comprise 23% of the recommendations and represent the most challenging area in addressing the report. Typically, these are more complicated, requiring further investigations and other legal processes that involve other parties such as the police and prosecuting authorities, the shareholder, regulators and clients.

Several civil claims have been instituted against external parties implicated by the Commission for the recovery of debt owed to the PIC and its clients. An advisory panel guides and gives the Board assurance that management is implementing the Commission's findings and recommendations.

Unlisted investments and unlisted properties saw additional impairments for the 2020/21 period and value reductions, which have been exacerbated by the effects of the COVID-19 pandemic. The results will be published in the annual reports of PIC clients and by the PIC after approval by clients. The PIC Amendment Act requires that a report reflecting all investments must annually be submitted to the Minister for tabling in Parliament with the annual report of National Treasury. The PIC is a financial services provider registered as such with the Financial Sector Conduct Authority and governed by the Financial Advisory and Intermediary Services Act, 2002. In terms of the Financial Advisory and Intermediary Services Act, 2002, the PIC as a Financial Services Provider is prohibited from disclosing client information without their consent. The PIC's largest client, the Government Employees Pension Fund's financial statements are not finalised in accordance with the timelines prescribed in the Public Finance Management Act, 1999, for government departments and public entities and the value of its assets are not yet approved at the time when National Treasury reports. The PIC will, in consultation with its clients, coordinate the submission of the listed and unlisted investments to National Treasury, as required by the PIC Amendment Act, for National Treasury to table the list of all assets once approved by clients.

The growing list of impairments, which always attracts adverse public attention, can be attributed to external factors related to the adverse domestic economic environment,



It is very important for the PIC to focus on unlisted investments made and safeguard every penny invested with unlisted entities to show that assets entrusted to it by clients are managed responsibly.

but the findings of the Mpati Commission also point to failures in the investment process and possible unethical behaviour, insufficient effort in analysing investments, and/or inadequate attention to avoid investments that are likely not to meet growth and income expectations.

Another key contributor to impairments can be the lack of alignment between investment professionals and investors.

The unlisted portfolio implements three mandates on behalf of the GEPPF, UIF and CC. The GEPPF mandate is governed in five-year commitments, the most recent of which ended on 30 March 2021. An extension to this mandate from the GEPPF is due by July 2021 and the PIC team has worked on a new five-year commitment, which is being reviewed by the PIC and the GEPPF.

The UIF mandate has been affected by the liquidity requirements of the UIF TERS programme and new investments in the unlisted space have temporarily been put on hold.

The CC mandate is active and the PIC will continue to make refinements requested by the CC.

The PIC started an enterprise-wide review of policies and standard operating procedures to further strengthen governance and compliance. About 80% of the internal policies and procedures have been approved to date and the remainder are circulating through governance structures for approval.

The PIC is committed to reversing negative trends in the unlisted environment and expects its employees to show a commitment to the institutional ethos it seeks to inculcate in all investment decisions: ethics, vigour, competence and rigour.



Human Capital

Our employees remain an important priority and are key to the PIC accomplishing client mandates. Our vision is to become an employer of choice, by creating a work environment that is centred on values and ethics, and encourages performance excellence, innovation and an optimum work-life balance.

Some of the notable highlights for the year was the ability of employees to adapt to change and their resilience in the face of a global pandemic that necessitated a new remote, virtual working model. The PIC managed to develop and build a stable, high-performing workforce and strengthened executive management positions that are crucial to the organisational stability and the achievement of key business goals.

While many organisations experienced loss of employees due to COVID-19, the PIC was fortunate to have avoided this fate, despite several PIC employees testing positive. Employee wellness programmes were rolled out to support the physical, mental and other COVID-19-related health needs.

The Human Capital division accelerated employee skills development and training, with over 80% of the workforce enrolled in various training interventions through multiple digital platforms. System enhancements were implemented that improved the efficiency of the employee performance review process.

These programmes are geared towards ensuring that our employees and the environment remain responsive to business needs, improve our talent DNA and continuously enhance our employee value proposition offering.

Critical engagements with employees and organised labour were prioritised as part of charting the way forward.

The PIC remains committed to becoming an employer of choice, able to attract, cultivate and retain talent, whilst instilling a high performance, ethical and professional business culture.

Mr Abel Sithole
CHIEF EXECUTIVE OFFICER

PERFORMANCE AGAINST KEY STRATEGIC OBJECTIVES

| | STRATEGIC INTENT OBJECTIVE | MEASURE | TARGET 2020/21 | | ACTUAL PERFORMANCE 31 MARCH 2021 | ACTUAL PERFORMANCE (ACHIEVED/ NOT ACHIEVED) | PERFORMANCE COMMENTARY |
|---|--|--|--|---|---|---|--|
| FINANCIAL – (20%) | | | | FINANCIAL – (20%) | | | |
| 1a | Sustainability and going concern status through | Total staff costs ratio (CTC excl PICeeds/ management fees) | $x \leq 40\%$ | | 40.64% | Not achieved | This is due to acting allowances payment |
| 1b | efficient operations and cost containment | Total costs/management fees | $x \leq 80\%$ | | 76% | Achieved | Total costs were maintained in line with budget as a result of disciplined cost-containment measures |
| INTERNAL BUSINESS PROCESSES/OPERATIONAL EFFICIENCY – (30%) | | | | INTERNAL BUSINESS PROCESSES/OPERATIONAL EFFICIENCY – (30%) | | | |
| 2a | Improve compliance and governance | No irregular, unauthorised, fruitless and wasteful expenditure | 0.0% (R value) of expenses to be classified as irregular, unauthorised, fruitless and wasteful expenditure | | 8 096 772,00 | Not achieved | The irregular expenditure identified in the financial year under review relates to transactions that took place with two suppliers and one employee, R841,770 of which is irregular expenditure due to non-compliance with Treasury Regulation 8.2.1 and R5,003 is irregular due to non-compliance with National Treasury supply chain management instruction note 3. R7,250,000 paid to a former employee is irregular expenditure due to non-compliance with PFMA section 56. Irregular expenditure accounts for 2.37% of total expenditure excluding employee costs |
| | | Ethical behaviour | No findings on unethical behaviour by any staff member | | 0 | Achieved | No findings of unethical behaviour during the period under review |
| | | Submit all PFMA submissions within the stipulated deadline | Submit all PFMA submissions within the stipulated deadline | | Submit all PFMA submissions within the stipulated deadline | Achieved | Submit all PFMA submissions within the stipulated deadline per quarter |
| | | Achieve unqualified audit opinion without matter of emphasis | Achieve unqualified audit opinion without matter of emphasis | | The audit opinion is unqualified with emphasis | Not achieved | The final assessment is an unqualified audit opinion with emphasis |
| 2b | Improve enterprise risk management practices | Reduction of risk through active enterprise wide and operational risk management. Measured by reduction in risk index | 1%-5% risk index reduction | | 4% | Achieved | The residual risk rating of three of the Top 10 risks reduced during the period. The risk reduction objectives of the PIC were achieved during the period |
| 2c | Improve a rating of good on the corporate governance matrix as at 31 March 2021 | Governance matrix ratings as per the PIC internally generated ESG assessment | ESG rating score =75% | | Assessment done on the Integrated Annual Report for the financial year 2021 | Achieved | ESG rating score is above 75% |
| CUSTOMERS/STAKEHOLDERS – (40%) | | | | CUSTOMERS/STAKEHOLDERS – (40%) | | | |
| 3a | Exceed client benchmark portfolio returns and compliance with client risk parameters (36 months rolling returns) | Listed Investments Listed Investments α is defined as: total individual fund Return for the Top 5 Funds - individual fund benchmark return (36 months rolling returns) | Individual Top 5 funds α (meet or exceed benchmark returns) | | $\alpha = 0.21\%$ | Achieved | The main contributor to the outperformance is the global equity asset class on the GEPF portfolio |
| 3b | Meet client benchmark portfolio returns (Unlisted Investments ex Properties) | Unlisted Investments (excluding Properties) GEPF hurdle return | 8% | | 2.78% | Not achieved | Valuation declined due to impairment of non-performing assets |

| | STRATEGIC INTENT OBJECTIVE | MEASURE | TARGET 2020/21 | | ACTUAL PERFORMANCE 31 MARCH 2021 | ACTUAL PERFORMANCE (ACHIEVED/ NOT ACHIEVED) | PERFORMANCE COMMENTARY |
|---------------------------------------|---|---|---|---------------------------------------|---|---|--|
| CUSTOMERS/STAKEHOLDERS – (40%) | | | | CUSTOMERS/STAKEHOLDERS – (40%) | | | |
| 3c | Portfolio returns (Property) (as per IPD returns calculation, customised for the PIC unlisted properties portfolio structure) | Property Investments (Unlisted) Total return (capital and income) = IPD adjusted by weighting the portfolio returns as customised for PIC's clients' portfolio structure | Total return higher or equal to the PIC customised IPD | | -8,85% | Not achieved | The negative performance on the sector was driven by COVID-19 and resulting shocks to the economy while the indirectly held's CPI + 5% benchmark remained positive at 8.95% over the period and accounted for over 66% of the Unlisted Properties benchmark |
| 3d | Contribute towards the growth and transformation of the economy through Unlisted Investments | Unlisted Investments (excluding Properties) measured by the amount of the approved transactions | Annual approved transactions = R3 billion | | 853 400 000,00 | Not achieved | The amount of approved transactions lagged the R3 billion target by R2.1 billion due to a depressed economic environment (including COVID- 19), changes within internal approval processes and focus on the existing portfolio (approved, committed and disbursed transactions) |
| 3e | | Property Investments (Unlisted) measured by the amount of the approved transactions | Annual approved transactions = R2 billion | | 3 828 610 000,00 | Achieved | 191% of target achieved, acquisitions included the Deloitte building and 50% of Central Square at Menlyn Maine. Other approvals included funding for investee companies (V &A Waterfront) and redevelopments of existing properties |
| 3f | Facilitate African regional integration through investments in the rest of the African continent | All asset classes – rest of Africa (Listed Equities, Impact Investments, Properties and Private Equity) (measured by the approved transaction) | Annual approved transactions = \$0 - USD250 million (depending on the macro-environment in the rest of Africa) | | No approvals | Not achieved | Impact Investing and Private Equity – this is due to a depressed economic environment (including COVID-19), changes within internal approval processes and focus on the existing portfolio (approved, committed and disbursed transactions). Properties – available property transactions were severely reduced due to COVID-19 – travel restrictions and increased investment uncertainty were the primary causes. Listed Equities – The rest of Africa strategy for Listed Equities is under review due to the actual returns being below benchmark returns over the medium term |
| 3g | Transformation through investment activities both in Listed and Unlisted Investments | Listed Investments – (Externally Managed Portfolio) Maintaining a minimum of X% (percentage) of the total AuM of the Listed Investment Externally Managed Portfolio should be managed by transformed managers with BEE Level 1-4 and with at least 51% black ownership; and at least 30% black management control | At least a minimum of 50% of the AuM managed by external managers should be managed by BEE managers with at least 51% black ownership; and at least 30% black management control | | 54.11% of AuM managed by domestic external managers is managed by BEE managers with at least 51% black ownership and at least 30% black management control | Achieved | The majority of the Listed Investment Externally Managed Portfolio AuM is managed by transformed managers |
| 3h | | Listed Investments (brokerage) Percentage of brokerage allocated to designated BEE broker firms used as a percentage of total brokerage paid. (BEE brokers must be BEE Level 1 – 4 certification by an independent rating agency; at least 51% black ownership; and at least 30% black management control) | 90% of brokerage spend shall be to brokers on level 1-4 BEE rating; 60% of total brokerage shall be paid to brokers with 51% ownership by HDIs and 30% management control by HDIs | | 96.62% of brokerage were paid to brokers on a level 1 - 4 BEE rating 80.01% of total brokerage were paid to brokers with at least 51% ownership by HDIs and 30% management control by HDIs | Achieved | Aim to increase brokerage spend to Level 1 - 4 BEE brokers Aim to increase brokerage spend to brokers with at least 51% Ownership by HDIs and 30% management control by HDIs |

| | STRATEGIC INTENT OBJECTIVE | MEASURE | TARGET 2020/21 | | ACTUAL PERFORMANCE 31 MARCH 2021 | ACTUAL PERFORMANCE (ACHIEVED/ NOT ACHIEVED) | PERFORMANCE COMMENTARY |
|---|---|--|---|---|---|---|---|
| CUSTOMERS/STAKEHOLDERS – (40%) | | | | CUSTOMERS/STAKEHOLDERS – (40%) | | | |
| 3i | Drive and facilitate transformation through investment activities both in Listed and Unlisted Investments | Fund of Funds (Unlisted Investments) Measured by X% (percentage) of the approved funds during the financial year allocated towards to BEE – transformed external managers. Drive transformation through advisory services | Minimum of 60% of all the approved funds is allocated to BEE managers (to qualify as a BEE asset manager, the service provider must at least have 51% black ownership and 30% management control by HDIs) | | No approvals | Not achieved | 'Fund of Funds' main activity since 2018 has been the implementation of the RFP for incubation fund managers in Impact Investments, Real Estate and Project Development. Progress to date is that Fund of Funds has completed due diligences on 75% of remaining transactions across RFPs. 100% of all RFP incubation fund managers are 51% black owned and managed |
| | | | Minimum of 60% of all the advisory services should be allocated to BEE advisory companies/consultants (to qualify as a BEE advisory service provider – must at least have 51% black ownership and 30% management control by HDIs) | | Fund of Funds did not seek or receive any advisory services for the period under review | Not achieved | 'Fund of Funds' did not seek or receive any advisory services for the period under review |
| 3j | | Unlisted Property Investments Approved transactions of new developments/acquisitions of property investments | At least 30% of the approved unlisted property transactions for new developments/acquisitions must be BEE | | No transactions in 2020/21 (transactions only on existing portfolio) | Not achieved | No transactions in 2020/21 (transactions only on existing portfolio) |
| | | | Between 10% – 50% of the approved BEE transactions must be allocated to women participants The BEE shall have at least 40% black ownership | | No transactions in 2020/21 (transactions only on existing portfolio) | Not achieved | No transactions in 2020/21 (transactions only on existing portfolio) |
| ORGANISATIONAL CAPACITY – HUMAN CAPITAL MANAGEMENT – (10%) | | | | ORGANISATIONAL CAPACITY – HUMAN CAPITAL MANAGEMENT – (10%) | | | |
| 4a | Ensure PIC functions are adequately capacitated in line with its EE plan | Optimal staff requirements as reflected by % of critical vacancies filled in line with EE plan | 80% of critical vacancies filled in line with EE plan | | 95% | Achieved | (19/20) of the filled priority positions are Africans, who fall under designated groups in terms of EE |
| 4b | | | Maintain a minimum of 30% of females at senior management level based on the Paterson grading scales | | 36% | Achieved | The representation of females exceed a minimum of 30% at Grade E and F Levels |
| 4c | Increase number of employees living with disabilities | % of employees living with disabilities | Maintain a minimum of 2% of employees living with disabilities as a percentage (%) of overall total staff | | 1.6% | Not achieved | The people with disabilities represent 1.6% of the PIC workforce (YTD) |
| 4d | Retention and turnover | % of regrettable losses | Maintain a minimum of 5% of regrettable losses of staff and no more than 15% staff turnover | | 4.2% | Achieved | 16 (controllable) resignations were recorded |
| 4e | Learning and development | % of compliance training per employee per annum | Maintain a minimum of 80% of compliance training per employee per annum | | 80% | Achieved | 184/230 employed completed compliance training (FAIS and RE) |



02

**DELIVERING
ON CLIENT
EXPECTATIONS**



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INVESTMENT / PHILOSOPHY

The PIC delivers its clients investment mandates through an investment philosophy based on two key pillars, which are anchored in robust risk management processes. These pillars, financial returns and sustainable investing, are premised on environmental, social and governance (ESG) considerations.

THE FINANCIAL AND SOCIAL RETURNS



ALPHA GENERATION
Provide sustainable longer-term financial returns to clients in line with the set benchmarks.

DIRECT INVESTMENT APPROACH
Impact Investing for real socio-economic transformation, across all PIC investment activities in Listed and Unlisted Investments.

SOCIO-ECONOMIC TRANSFORMATION
Transforming and contributing to the economy to improve sustainability through Impact Investing.

INCORPORATING ESG ISSUES PRODUCES SUSTAINABLE PORTFOLIO RETURNS IN THE LONG-TERM



ENVIRONMENT
Protecting the environment to sustain the creation of wealth.

SOCIAL
Sharing the wealth is an insurance for sustained wealth creation.

GOVERNANCE
Good governance enhances financial performance.

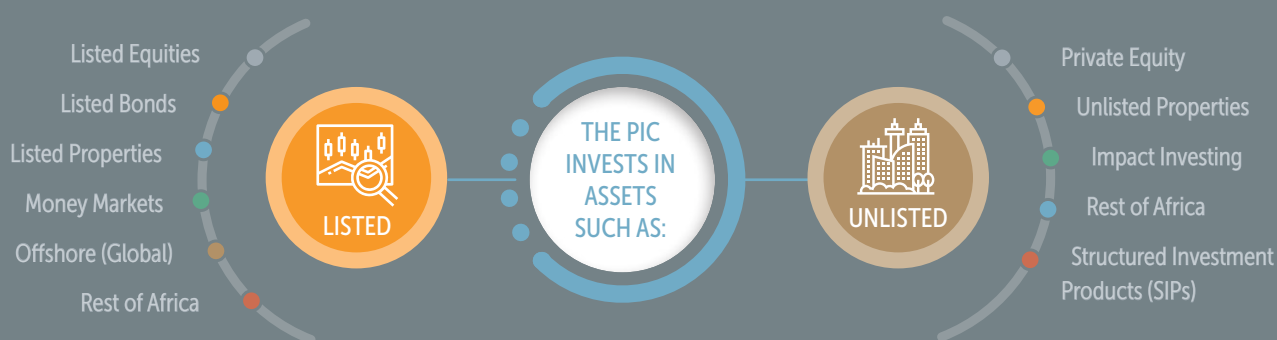
SUPPORTED BY ROBUST RISK MANAGEMENT (PEOPLE, SYSTEMS AND PROCESSES)

| RISK MANAGEMENT | DIVERSIFICATION | TIME HORIZON | MARKET EFFICIENCY | VALUATION AND ANALYSIS | COST |
|---|---|---|--|---|--|
| Efficient use of risk budget by avoiding risks that do not provide commensurate returns, yields low volatility portfolio. | 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 based and will avoid ad-hoc decision-making based on short-term factors. | Markets differ in efficiency at macro, sector and asset levels providing opportunities to generate excess returns over related benchmarks through asset allocation. Investment strategies will reflect a mix of active and passive investments, with passive investments being emphasised in more efficient markets. | 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 strategies will be used cost-effectively. |

CLIENT / EXPECTATIONS

CLIENT INVESTMENT MANDATE

Each client's investment objectives are expressed in a detailed investment mandate, based on actuarial asset and liability studies, and approved by the FSCA. The complexity of managing these mandates differs and is a function of factors such as portfolio size, risk parameters and strategic asset allocation.



Investments in these assets assist clients to realise their financial goals and social returns, while contributing to inclusive growth. Social returns include, inter alia, job creation, empowerment, transformation and contributing to affordable education and healthcare services.

The table below shows the listed asset allocation of the top five clients.

LISTED INVESTMENT ASSET CLASSES

| Client | Listed Equities | Listed Bonds | Money Markets | SIPS | Listed Properties | Offshore (global) | Rest of Africa |
|--------|-----------------|--------------|---------------|------|-------------------|-------------------|----------------|
| GEPF | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| UIF | ✓ | ✓ | ✓ | | ✓ | ✓ | |
| CC | ✓ | ✓ | ✓ | | | | |
| CP | ✓ | ✓ | ✓ | | | | |
| AIPF | | ✓ | ✓ | | | | |

The table below shows the unlisted asset allocation of the top five clients.

UNLISTED INVESTMENT ASSET CLASSES

| Client | Private Equity | Unlisted Property | Impact Investing | Offshore (global) | Rest of Africa |
|--------|----------------|-------------------|------------------|-------------------|----------------|
| GEPF | ✓ | ✓ | ✓ | | ✓ |
| UIF | | ✓ | ✓ | | |
| CC | | | ✓ | | |
| CP | | | ✓ | | |
| AIPF | | | | | |

INVESTMENT / PROCESS

POLICIES AND FRAMEWORKS

All transactions undergo a rigorous investment process, underpinned by and subject to various policies and frameworks, based on international best practices and aligned to legislation and regulations. Each role-player in the investment process derives its power and authority from the Delegation of Authority (DoA) Framework. The DoA delegates responsibilities to various role-players in the investment divisions (i.e. Listed, Unlisted and Property Investments) and employees in risk management, legal, compliance, corporate affairs and investment management. The DoA also outlines the powers of the Board, its committees and subcommittees, and those of the executive directors.

GOVERNANCE

Each investment under consideration is subjected to rigorous interventions as it goes through stages to its conclusion.



INVESTMENT
PROCESS

PIPELINE AND ORIGATION

- Proactive deal origination and development of projects
- Deal sourcing and exploring existing contacts
- Walk-in opportunities
- Co-investments



SCREENING AND INITIAL DEAL STRUCTURING

- Mandate checks
- High-level risk analysis and preliminary ESG assessment
- PMC presentation
- High-level structure of the deal (preliminary)



DUE DILIGENCE

- Understanding the project development outcomes
- Determining feasibility and potential value creation plan and returns
- Assessing technical viability and competitiveness; financial viability; management ability; legal and risk issues; environmental, social and governance issues; potential development impact and sustainability



DEAL STRUCTURING AND DECISION

- Credit risk analysis
- Pricing and structuring
- Stress testing of the structure
- Deal presentation to relevant committees
- ESG report and corrective action plan
- Legal report
- Credit risk report
- Approvals



IMPLEMENTATION AND MONITORING

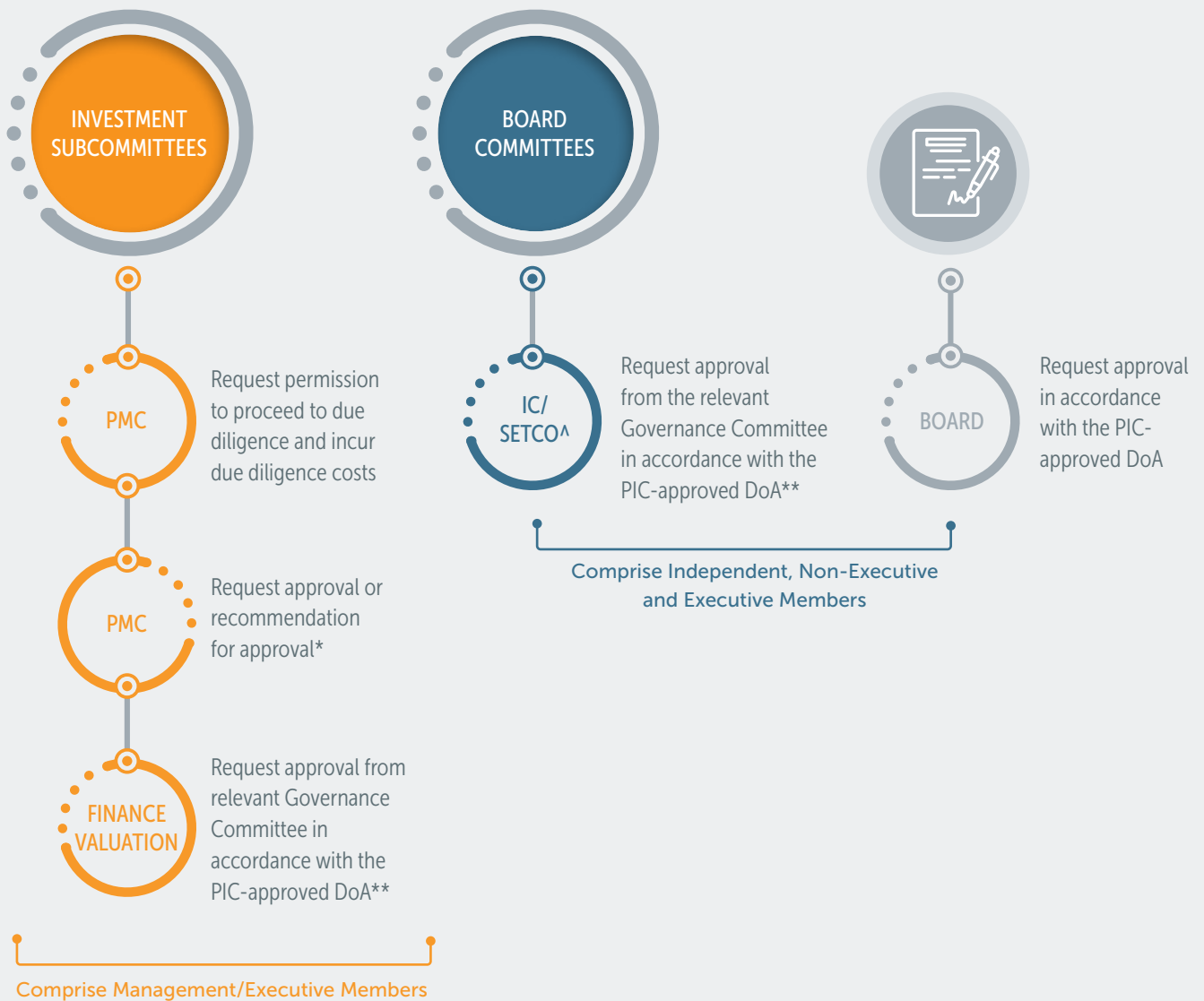
- Compiling legal agreements and meeting conditions
- Meeting all regulatory approvals
- Disbursement of capital
- Ongoing monitoring of performance
- Continued interventions and support
- Board representation
- Engagements



VALUE ADD

- Enhance ESG business practices to enable sustainable practices
- Identification and exploitation of synergies among investee companies
- Board representation
- Exit

THE INVESTMENT / COMMITTEE APPROVAL PROCESS



* In line with DoA where PMC is delegated to approve

** All committees to approve investments operate in line with each committee's terms of reference

[^] Transactions with the potential for reputational risk are referred to the Social, Ethics and Transformation Committee (SETCO) for consideration

RISK / MANAGEMENT

Effective risk management is essential for any business to function. Conducting its business ethically, responsibly and sustainably is fundamental to a well-functioning PIC. Maintaining high standards of operation, and ensuring full compliance with all applicable laws and regulations are crucial. Equally important is the expectation of stakeholders and clients that the Corporation will deliver value against the mandates entrusted to it. Compliance with client mandates is integral to PIC operations and is monitored by the Mandate Compliance Department, which is part of the Risk function. Clients are informed timeously of any mandate breach and remedial action is taken promptly.

The Board is ultimately responsible for ensuring that all risks are timeously identified and effectively managed, but has delegated the overseeing of risk management to the Risk Committee. The Risk function is led by the Chief Risk Officer who reports to the Chief Executive Officer.

Risk management involves the identification, assessment, measurement, prioritisation and response to risks that may impact on achieving strategic, investment and operational objectives. Through management, monitoring and reporting of key risks, the probability of negative events is minimised and the potential of credible opportunities maximised.

Strategic risks have been identified in the PIC's role and interaction with stakeholders such as clients, employees, the shareholder, government, regulators, investee companies and the public. Through risk identification and measurement, appropriate responses are developed and continuously updated and enhanced as the business environment shifts.

The Risk function:



- Identifies and manages risks within organisational risk appetite and risk tolerance parameters, which are aligned to the Board's strategy and objectives, and to client mandates.
- Integrates risk concerns into the Corporation's daily decision-making and implementation processes.
- Improves the Corporation's ability to prevent, detect, correct, escalate and respond to critical risk issues by executing risk management plans and recommendations, and monitoring these effectively.
- Complies with risk management standards and best practices, including corporate governance guidelines and the King IV Code.
- Creates risk awareness to ensure that a risk-based approach is embedded in strategic and operational decision-making.

ENTERPRISE-WIDE RISK MANAGEMENT

In a complex financial services environment, risk management processes and strategies evolve and are subject to ongoing review and modification. The PIC subscribes to an enterprise-wide approach to managing risk, defined in the Enterprise Risk Management Framework (ERMF), which stipulates the approach to identifying, measuring, managing, reporting and monitoring risks throughout the organisation.

The framework, which is based on a strong governance structure, echoes the principles of the King IV Code, the ISO 31000 and Committee of Sponsoring Organisations of the Treadway Commission frameworks. It guides the definition of risk appetite and risk tolerance levels, inculcating a risk-

aware culture, developing and implementing risk-related policies and processes to identify, assess, mitigate, monitor and report existing and emerging risks.

In executing the ERMF, 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 Board, Executive Committee (EXCO), the Risk Committee and other Board subcommittees. The bottom-up approach involves risk assessment in every department and function. The intention of both, is to identify the key risks that may impede the achievement of strategic objectives.

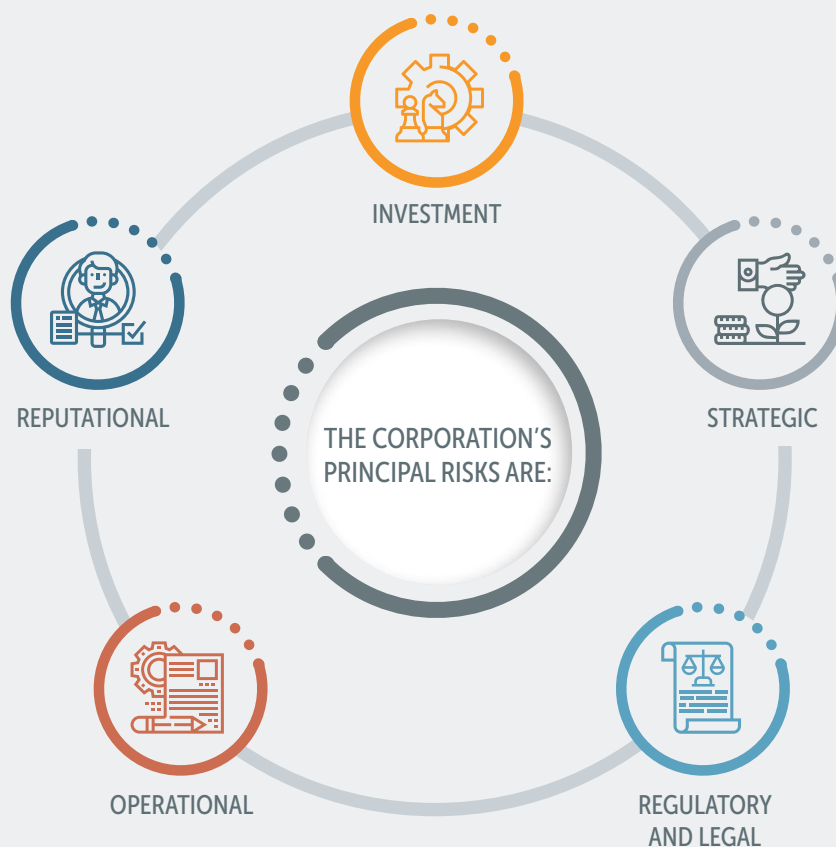
The process adopted under the ERMF is as follows:

THE PIC'S RISK MANAGEMENT PROCESS



A combined assurance approach optimises the assurance coverage obtained from line management (first line of defence), internal specialist functions – e.g. legal, risk (second line of defence), and internal and external assurance providers – e.g. Internal Audit and External Audit (third line of defence) to ensure that prioritised risks at all levels of the organisation are mitigated through effective operating controls.

PIC PRINCIPAL RISKS



Controls to manage principal risks are embedded in the business units and functions to ensure that the strategic objectives are met.

PIC PRINCIPAL RISK MITIGATIONS

| RISK | DEFINITION | MANAGEMENT AND MITIGATION |
|---------------------------------|---|---|
| Investment performance | The risk of not outperforming client-mandated investment benchmark (risk of investment underperformance) | <ul style="list-style-type: none"> ● Adherence to client-approved mandates. ● Implementation of Board-approved investment strategies. ● Adoption of robust investment processes, underpinned by a strong investment philosophy. ● Development and implementation of the asset selection and allocation strategy approved by the Strategic Asset Allocation Committee. ● Incorporation of portfolio construction into asset selection and allocation. ● Insightful research and intelligence are embedded in the investment process. ● Capacitated teams of skilled investment professionals with experience and understanding of markets. ● Risk management is embedded in the investment process. ● Environmental, social and governance (ESG) principles are embedded in the investment process. |
| Financial sustainability | The risk of business failure (going concern risk) | <ul style="list-style-type: none"> ● Growing the client base. ● Additional investment product offering. ● Maintaining good cost optimisation. ● Adequate budgeting. |
| Reputational | The risk of damage to the PIC brand/image (negative stakeholder perceptions of the PIC) | <ul style="list-style-type: none"> ● Providing timeous and high-quality information to enable transparency in reporting. ● Reputational key risk indicator monitoring is in place to assess reputational risk. ● Frequent improvement of the business environment and internal control factors. ● Stakeholder management framework approved and implemented. ● Maintaining clean audits. |
| Mandate compliance | Inability to adhere to limits/requirements of client mandates | <ul style="list-style-type: none"> ● Client mandates are communicated to PIC Investment Committees by the Client Relations Department. ● Client mandates and mandate changes are communicated to external fund managers by the Externally Managed Funds Business Unit. ● Appropriate governance, processes and systems for monitoring client mandate limits and restrictions. |
| Regulatory | The risk of financial loss and reputational damage due to non-compliance with local and international regulations | <ul style="list-style-type: none"> ● Maintenance of the PIC's regulatory universe, informed by legislative developments from regulators, industry bodies etc. ● Implementation of annual compliance and Internal Audit plans approved by the Audit Committee. ● Conduct annual and ad hoc audit reviews in business units to assess compliance and recommend remedial actions to improve the control environment. ● Training of staff on legislation, policies and procedures. ● Appropriate systems for monitoring of regulatory and client mandate limits and restrictions. |

| RISK | DEFINITION | MANAGEMENT AND MITIGATION |
|---|---|--|
| Technology | The risk of PIC systems not functioning as designed to support the achievement of business objectives | <ul style="list-style-type: none"> ● Implementation of the IT strategy. ● Implementation of IT governance and risk management principles. ● Adoption of business process enablement (including IT business continuity, IT disaster recovery testing). ● Access control mechanisms in place for accessibility of PIC network drives. Monitoring of user activity and managed access to all network drives. ● Access control in place for PIC corporate wi-fi. ● Information security strategy in place. ● Data-loss-prevention toolsets (encryption, mimecast, data governance tools) on PIC mobile devices. |
| Information and cybersecurity | The risk to business continuity of unavailability of critical business systems | <ul style="list-style-type: none"> ● Firewalls are in place to prevent unauthorised access. ● Periodic vulnerability-and-penetration testing to test the robustness of current security systems. ● Security awareness programmes rolled out. ● Endpoint security in place. ● Internet protocol spoofing/intrusion detection system in place. ● Acceptable user/information security policy in place. |
| Inadequate risk management processes | The risk of financial loss due to inadequate or failed processes, people, systems and external events | <ul style="list-style-type: none"> ● Monitoring the implementation of the Anti-fraud, Bribery and Corruption Policy. ● Maintaining an access-controlled working environment. ● Adherence to compliance with safety, health and environment (SHE) legislation and workplace safety. ● Development and implementation of business continuity framework, including strategic, tactical and operational business continuity plans. ● Developing and testing disaster recovery plans. ● Business continuity management (BCM) programme to minimise disruption to operations. |
| Human capital | Inability to attract, retain and motivate skilled and experienced personnel | <ul style="list-style-type: none"> ● Competitive employee value proposition for staff attraction and retention. ● Attraction, development and retention plans commensurate with market peers. ● Development of talent management and succession planning. ● Improved engagement levels. ● Management development interventions, coaching and mentoring. ● Regular communication and information sharing. |

CLIMATE RISK

Climate risk involves formal analysis of the consequences and likelihoods of and responses to the impacts of climate change and how society, with its constraints, can act and adapt to minimise these. The PIC is directly and indirectly affected by climate change. It is establishing structures and processes to identify the impacts of climate risks to its portfolio, with the ultimate aim of integrating climate risk into the integrated risk management framework.

RISK PROFILE SUMMARY

Key strategic risks, identified by EXCO and approved by the Board, are monitored throughout the year and adjustments made as risks migrated. During the year under review, COVID-19 impacted our staff and operations as well as a number of our investee companies. In response, the Risk function developed internal protocols to mitigate the risk on staff and COVID-19 Repayment Relief Guidelines to facilitate a consistent approach of financial support to Investee Companies that have been adversely impacted by the global pandemic. The purpose of the guidelines was to assist various committees in applying a consistent approach to assessing investment decisions, where a company has been adversely impacted by COVID-19.

Furthermore, the Board and various Board subcommittees continuously reviewed the principal risks to ensure that appropriate controls are in place.

The residual risks facing the PIC are depicted in the risk matrix below.

| LIKELIHOOD | RESIDUAL RISK RATING | | | | | | |
|----------------------------------|--|---|--|---|-----------------|----|----|
| 5 Almost certain >90% | 5 | 10 Brand/ image/ perception | Technology risk | 15 Information and cyber- security risk | Mandate risk | 20 | 25 |
| 4 Highly probable 51 – 70% | 4 Non-compliance risk (regulatory) | 8 Effective enterprise risk management | Investment performance risk | 12 Government risk (including ethics risk) | 16 | 20 | |
| 3 Possible 31 – 50% | 3 | 6 Human capital risk | 9 Financial sustainability risk | 12 | 15 | | |
| 2 Unlikely 11 – 30% | 2 | 4 | 6 | 8 | 10 | | |
| 1 Rare | 1 | 2 | 3 | 4 | 5 | | |
| IMPACT | 1 Negligible | 2 Minor | 3 Moderate | 4 Major | 5 Critical | | |

| Risk grade | Score range |
|------------|-------------|
| Low | 1 – 3 |
| Balanced | 4 – 8 |
| Moderate | 9 – 12 |
| High | 13 – 19 |
| Critical | 20 – 25 |

*The above impact rating scales are being reviewed in line with the Risk Appetite Framework that is being enhanced.

KEY RISK FUNCTION INITIATIVES

An external service provider was appointed at the behest of the Risk Committee to conduct an end-to-end gap analysis of the risk function and practices. The Committee highlighted that the Risk function, crucial to the PIC, needs to be effective and contribute to the strength and maturity of the PIC. A diagnostic/benchmarking exercise was conducted to compare the PIC to asset managers of similar size and greater, to ensure comparability with industry best practices.



The review by the external service provider highlighted that a number of risk management policies and frameworks need to be enhanced and new ones (i.e. Liquidity Risk and Model Risk Policies) be developed. Furthermore, there were a number of recommendations to improve processes and enhance the role of risk management at the PIC.

In summary, the review by the external services provider highlighted the following:

- Various areas of risk management were at varying levels of maturity. To address this, there is ongoing work to implement the recommendations and move up the maturity curve;
- Implement a risk operating model that is suitable for the PIC;
- Define a risk appetite statement with appropriate tolerance limits;
- Develop liquidity and model risk frameworks;
- Implement supporting systems and infrastructure aimed at automating risk controls and measurement; and
- Improve the robustness of existing policies, frameworks and standard operating procedures.

All the recommendations are being implemented, and progress reported to various Board Committees. According to the implementation plan approved by the Risk Committee, the implementation phase is scheduled for completion by 31 March 2022.



03

**GENERATING
LONG-TERM
SUSTAINABLE
RETURNS**



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- 40 Generating Financial Returns
- 96 Generating Social Returns:
 - Social Impact of Unlisted Investments

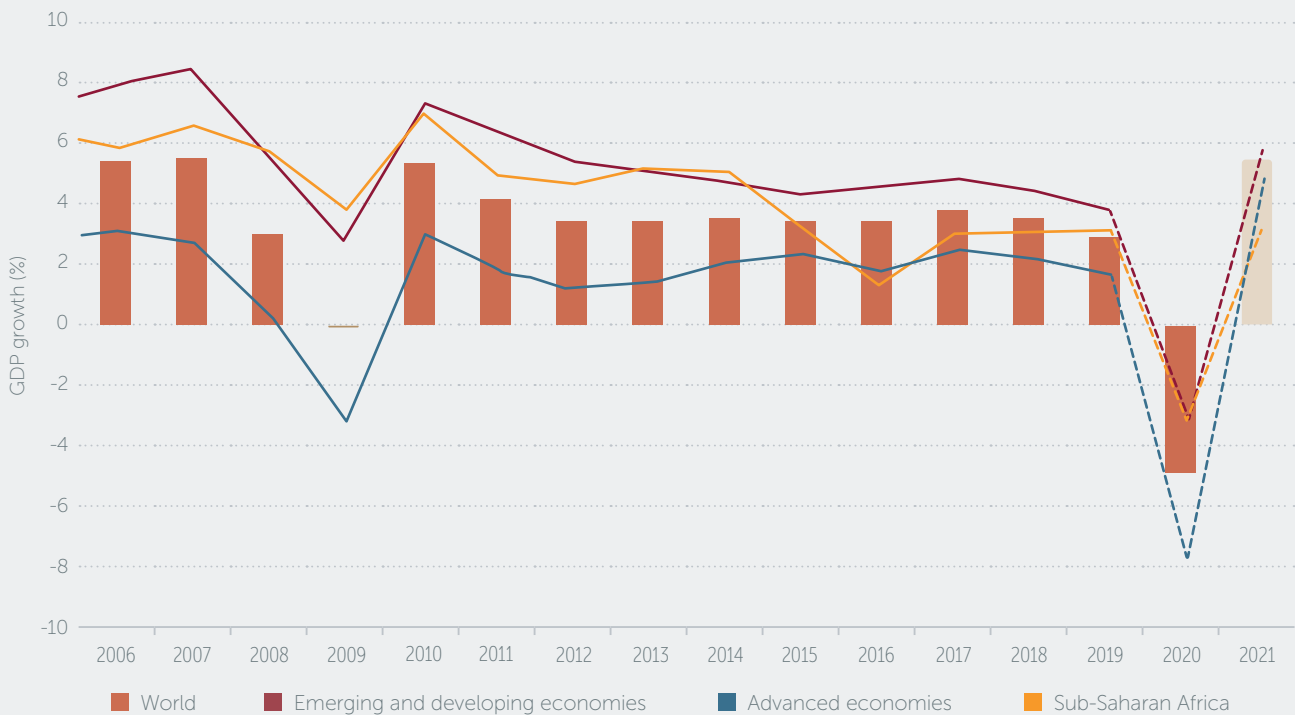
GENERATING / FINANCIAL RETURNS

ECONOMIC REVIEW: 2020/2021

Global Economic Conditions and Outlook

Global growth contracted by 3.2% in 2020 as several governments implemented lockdown measures and restricted mobility to curb the spread of the COVID-19 virus. These disrupted the world economy to a level not seen since the Great Depression in the 1930s and that dwarfs 2008 Global Financial Crisis (GFC) losses. In the first quarter of 2020, the World Health Organisation (WHO) declared the outbreak a pandemic after the virus had spread outside China to most of the world. Fortunately, a V-shaped global economic growth recovery is underway, although it obscures divergent growth paths driven by varying vaccination progress, with emerging and developing countries lagging behind advanced economies.

GROWTH FORECAST BY MAJOR GROUPING



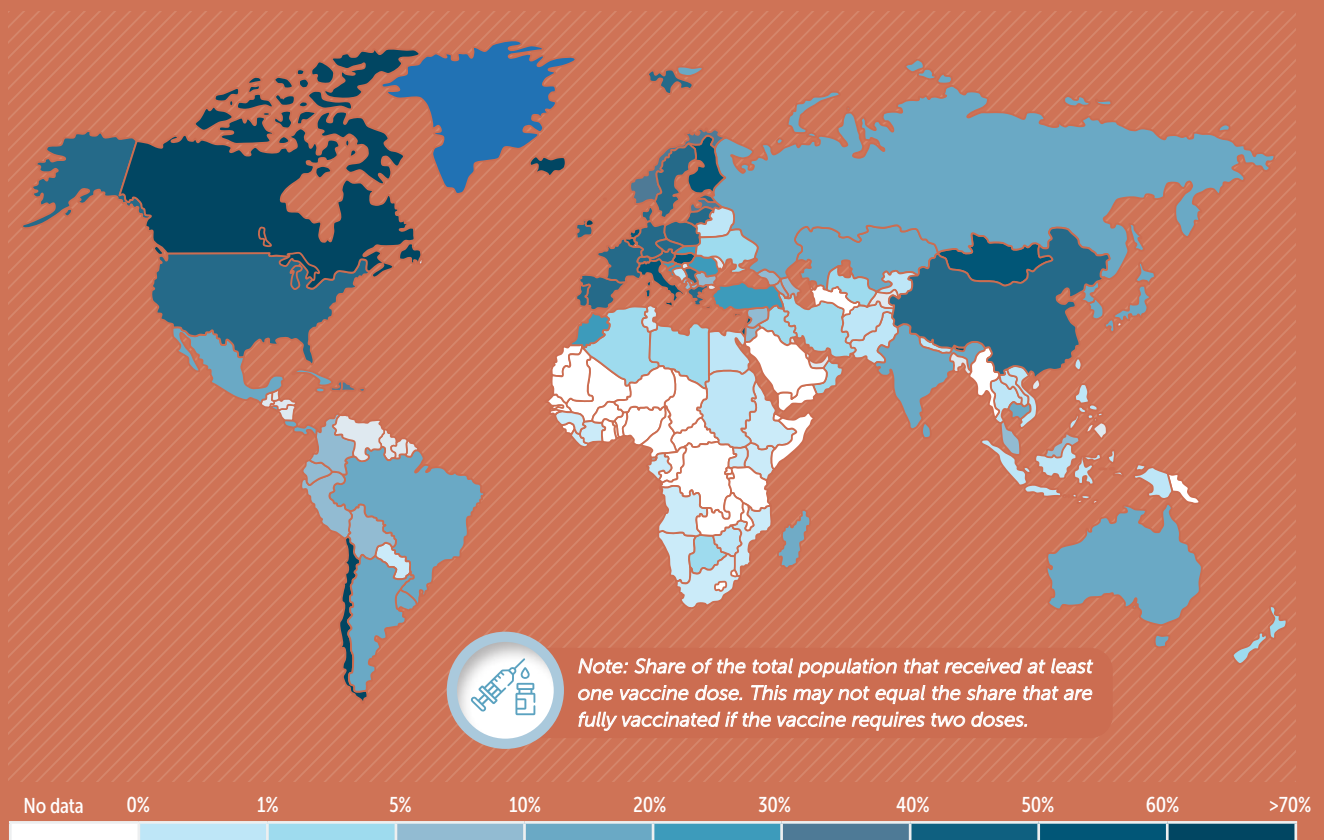
Source: IMF, PIC Research

China experienced its steepest decline in gross domestic product (GDP) in the first quarter of 2020, whereas the largest contractions for most countries occurred in the second quarter. China quickly lowered the rate of infections and opened its economy, ending 2020 with a 2.3% larger economy than in 2019 – the only major economy with positive growth in that year. The initial response to the virus from the United States (US) was lacklustre under the leadership of President Donald Trump, with increasing numbers of cases and deaths as the US became the epicentre. Most countries went into strict lockdowns during the first wave of infections in the second quarter of 2020 and subsequently opened up to minimise economic damage. Second waves of infections arose in most countries from the third quarter of 2020, resulting in more lockdowns, which dampened activity in the second half of the year. New strains were more contagious,

including a strain first identified in South Africa, which drove most of the second wave of infections in different countries. European countries suffered a huge blow from the second wave and the Euro area region had a technical recession as the economy contracted in the fourth quarter of 2020 and the first quarter of 2021. However, the second wave was less severe and caused less economic disruption. Fortunately, pharmaceutical companies were working expeditiously on vaccines. The first vaccine was approved in December 2020, with vaccine rollout starting shortly after.

Developed market (DM) economies have led the vaccination race while emerging market (EM) economies are lagging behind. This pattern will shape economic recovery, where emerging markets are likely to recover only later and experience larger GDP shortfalls.

SHARE OF POPULATION FULLY VACCINATED

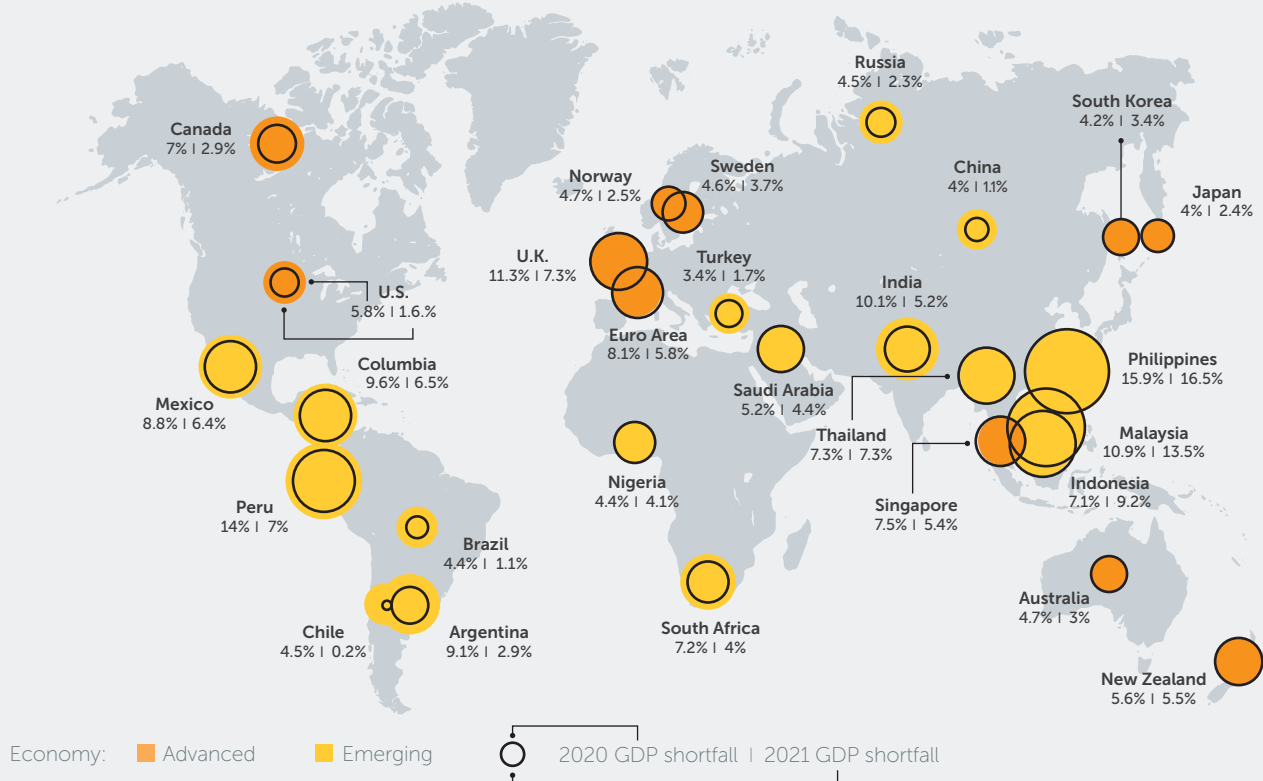


Source: Our World in Data. Accurate as of 17 June 2021.

The diagram below shows that GDP shortfalls are larger for countries with low vaccination coverage. Most countries are expected to have smaller GDP shortfalls in 2021 compared to 2020, except for a few south-east Asian countries. Using International Monetary Fund (IMF) forecasts, by 2024 the global economy will still be 3% smaller than it would have been without the pandemic, largely because advanced economies have fewer policy levers and emerging economies are struggling to secure vaccines. The divergences are stark – India and South Africa will end 2021 with their GDP 5.2% and 4% smaller, respectively, while the US will end 2021 only 1.6% smaller.

THE IMF FORECAST SHOWS DIVERGENT GROWTH PATHS AS EMERGING MARKETS ARE LIKELY TO STRUGGLE TO RETURN TO PRE-PANDEMIC LEVELS

Note: GDP shortfall is relative to pre-pandemic path



Source: Bloomberg Economics (using IMF forecast)

Central banks in developed markets significantly increased their balance sheets through asset purchases to put downward pressure on interest rates and improved liquidity. The largest three central banks (US Federal Reserve, European Central Bank and Bank of Japan) bought assets amounting to US\$3.6 trillion between the start of 2020 and April 2021. In 2020, the US Federal Reserve announced it would buy US\$700 billion of assets, the European Central Bank introduced a new €750 billion pandemic emergency purchase programme for government bonds, and the Bank of Japan committed to an unlimited number of asset purchases.

Advanced Economies

GDP growth in advanced economies contracted by 4.6% in 2020 after growing by 1.6% in 2019. Containment measures restricted mobility and dampened activity, leading to large economic contractions in the second quarter of 2020. Subsequent waves of infections led to the reimposition of lockdown restrictions after most countries eased restrictions in the third quarter of 2020. Most advanced economies were able to buoy their economies through massive fiscal stimulus packages and asset purchases by central banks.

The US economy contracted by 3.5% in 2020 following growth of 2.2% in 2019. At the peak of the pandemic (April 2020) the unemployment rate was 14.8%, with 21 million people claiming unemployment benefits. The labour market has since recovered, leaving the unemployment rate at 6.1% a year later. To lessen the blow on the economy, significant fiscal stimulus was injected into the economy, which included direct checks. Additional fiscal stimulus and vaccination progress will fuel the 7% recovery expected by the IMF in 2021. Euro area growth was -6.5% for 2020 from 1.3% in 2019. The region battled with subsequent waves of infections, pushing the economy into a technical recession in the first quarter of 2021. The IMF sees the Euro area expanding by 4.6% in 2021. The United Kingdom had the steepest contraction at 9.8% in 2020, exacerbated by Brexit reorganisation, and is expected to recover to 7% in 2021. In Japan, additional fiscal support announced towards the end of 2020 is expected to support the 2.8% expansion in 2021, from a 4.7% contraction in 2020.

Emerging Markets

In emerging markets, procurement data suggest that effective protection from the virus may remain unavailable for most of the population in 2021. Lockdowns and other containment

measures may be used more frequently in 2021 and 2022 in emerging markets than in advanced economies, potentially causing long-term damage and prolonging the divergent growth paths. Emerging market economies had a slightly less severe contraction than advanced economies, with growth at -2.1% for 2020 following 3.7% growth in 2019, despite limited fiscal support and less-advanced healthcare systems.

There was divergent growth in emerging markets, with the Chinese economy expanding by 2.3% in 2020. Countries relying on tourism, such as Fiji, Seychelles and Thailand, will probably continue to remain under pressure as the recovery in this industry will depend heavily on vaccinations and the normalisation of cross-border travel. Despite limited vaccination coverage risks, emerging market growth is expected to come in at 6.3% in 2021 before moderating to 5.2% in 2022.

The Chinese economy returned to pre-pandemic levels in the fourth quarter of 2020. In China, effective outbreak management and significant policy support led to GDP expansion of 2.3% in 2020, down from 5.8% in 2019. The IMF expects China's economy to grow by 8.1% in 2021, before moderating to pre-pandemic trend growth of about 6%.

ECONOMIC GROWTH IN SELECTED COUNTRIES

| | PRE-GFC* | | POST-GFC* | ESTIMATE | AVERAGE GDP FORECAST | |
|--|------------|------------|------------|-------------|----------------------|------------|
| | 2000-2008 | 2010-2019 | 2010-2019 | 2020 | 2021 | 2022 |
| World | 4.3 | 3.7 | 3.7 | -3.2 | 6.0 | 4.9 |
| Advanced economies | 2.4 | 2.0 | 2.0 | -4.6 | 5.6 | 4.4 |
| United States | 2.4 | 2.3 | 2.3 | -3.5 | 7.0 | 4.9 |
| Euro area | 2.0 | 1.4 | 1.4 | -6.5 | 4.6 | 4.3 |
| United Kingdom | 2.4 | 1.8 | 1.8 | -9.8 | 7.0 | 4.8 |
| Japan | 1.2 | 1.2 | 1.2 | -4.7 | 2.8 | 3.0 |
| Emerging and developing economies | 6.4 | 5.1 | 5.1 | -2.1 | 6.3 | 5.2 |
| China | 10.4 | 7.7 | 7.7 | 2.3 | 8.1 | 5.7 |
| Brazil | 3.8 | 1.5 | 1.5 | -4.1 | 5.3 | 1.9 |
| Russia | 7.0 | 2.1 | 2.1 | -3.0 | 4.4 | 3.1 |
| India | 6.8 | 7.0 | 7.0 | -7.3 | 9.5 | 8.5 |
| Sub-Saharan Africa | 5.7 | 4.1 | 4.1 | -1.8 | 3.4 | 4.1 |
| Nigeria | 8.3 | 3.8 | 3.8 | -1.8 | 2.5 | 2.6 |
| Ghana | 5.3 | 6.7 | 6.7 | 0.9 | 4.6 | 6.1 |
| Kenya | 3.4 | 5.8 | 5.8 | -0.1 | 7.6 | 5.7 |
| South Africa (IMF forecast) | 4.2 | 1.7 | 1.7 | -7.0 | 4.0 | 2.2 |

* Global Financial Crisis (GFC)

Source: IMF World Economic Outlook Update, July 2021

India was one of the worst-affected economies, with a contraction of 7.3% in 2020, after growing by 4% in 2019. In addition, the identification of the Delta strain will compromise progress that had been made thus far and further weaken the recovery. The Indian economy was expected to grow by 9.5% in 2021, but this now seems unlikely. Other major emerging markets will see moderate growth this year, with the IMF expecting Brazil and Russia to grow at 5.3% and 4.4% respectively in 2021.

In sub-Saharan Africa, growth contracted by -1.8% in 2020 from 3.2% in 2019, the smallest decline of all major regions, but the largest contraction ever recorded for the region. The IMF expects the region to recover to 3.4% in 2021. Tourist- and oil export-oriented economies were adversely impacted by the pandemic. Most sub-Saharan African countries are behind in the vaccination race, which will prolong their recovery.

Global Synopsis

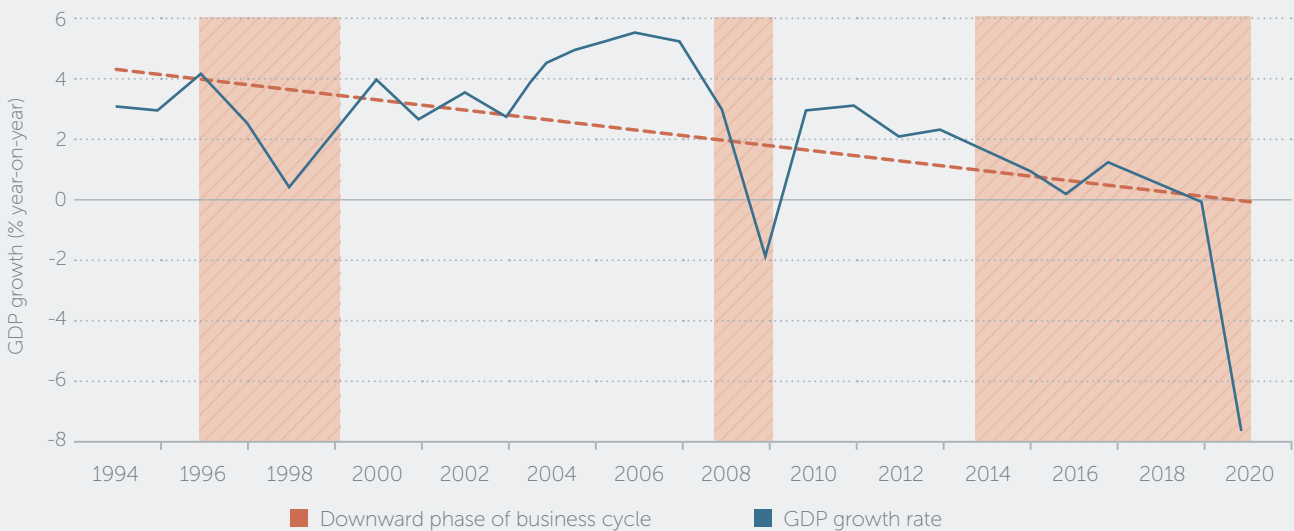
While the global economy is expected to expand by 6% in 2021, there are divergent growth paths across different countries due to varying vaccination progress. Divergent growth paths are evident in the time it will take to reach pre-pandemic levels of GDP and are a key theme to the global outlook for the foreseeable future. European Central Bank President Christine Lagarde was correct in saying that vaccine policy is economic policy, as faster progress in ending the health crisis could shorten the recovery period for many economies.

The strength of the recovery will depend largely on monetary policy settings by the major global central banks remaining accommodative for longer and the success of vaccine rollouts. Risks to recovery include large fiscal deficits, elevated debt ratios, a mutated virus resistant to existing vaccines and heightened uncertainty. These risks, should they materialise, could prolong the return to pre-pandemic output levels.

South Africa Economic Review and Outlook

The South African economy was already fragile before COVID-19. Growth in annual output was trending lower, from a high of 3.3% in 2011 to only 0.2% in 2019, before contracting substantially by -7% in 2020 due to the national lockdown. This was the second-largest annual contraction since 1920, when real GDP fell by 11.9%, and some five times larger than the contraction of -1.5% that followed the GFC in 2009. The decline in real GDP in 2020 consisted of a substantial contraction of -17% in the first half of the year and a recovery of 8.5% in the second half following the partial reopening of the economy in the third quarter. The economy is expected to recover in 2021 from a very low base, delivering the highest growth rate since before the GFC, and much higher than the 2015 to 2019 average of 0.8%, before moderating back to its potential growth rate, unless structural reforms are timeously implemented that could crowd-in investment and lift growth.

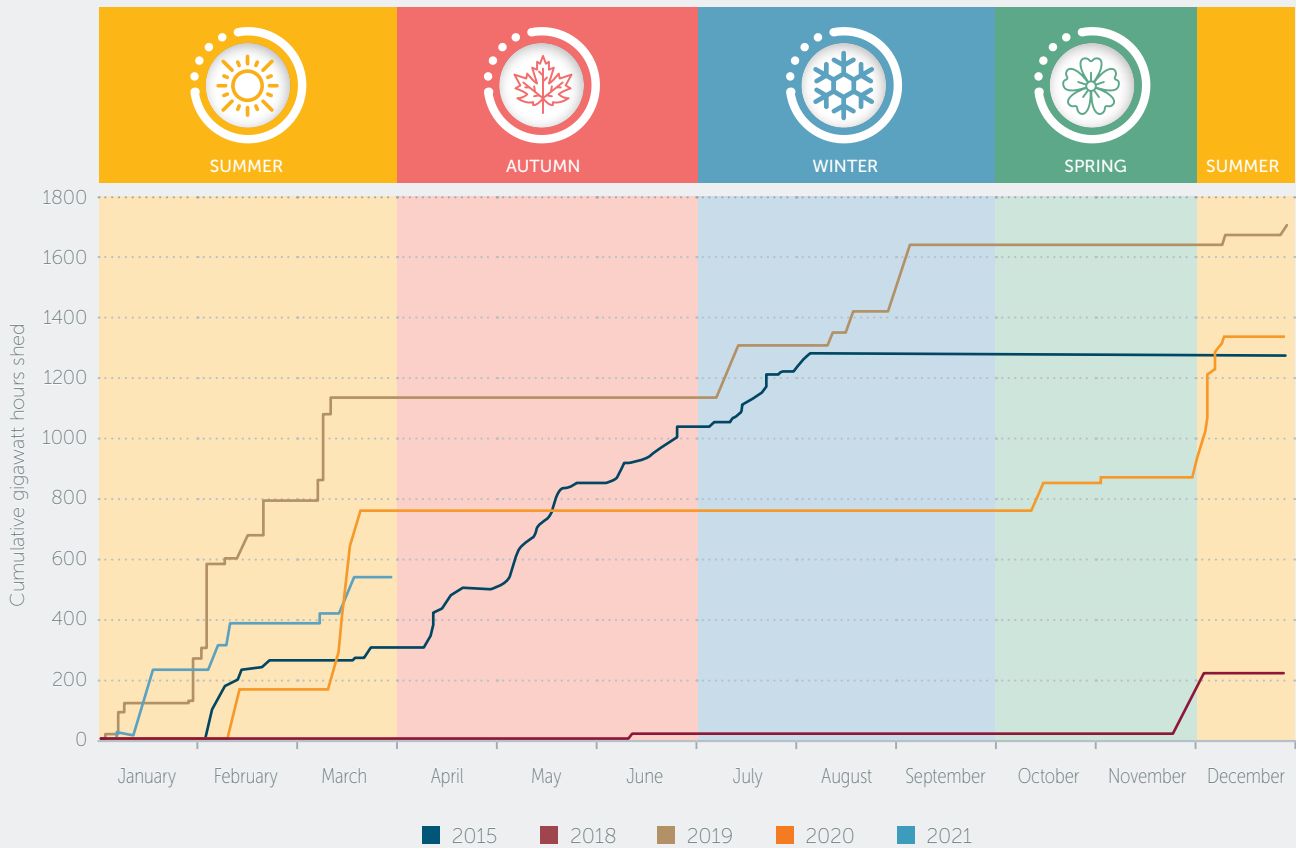
REAL SOUTH AFRICA GDP GROWTH



Source: Stats SA, PIC Research

One of the largest domestic productivity constraints is persistent electricity supply shortages. Despite very low economic activity, loadshedding during 2020 was the worst annual performance on record, and this trend is likely to continue through 2021. The Council for Scientific and Industrial Research notes that the minimum total energy availability factor to assure reliability for South Africa is 72%, whereas it is currently around 60%, and is expected to remain near these levels over the next five years, stunting economic growth.

CUMULATIVE LOADSHEDDING

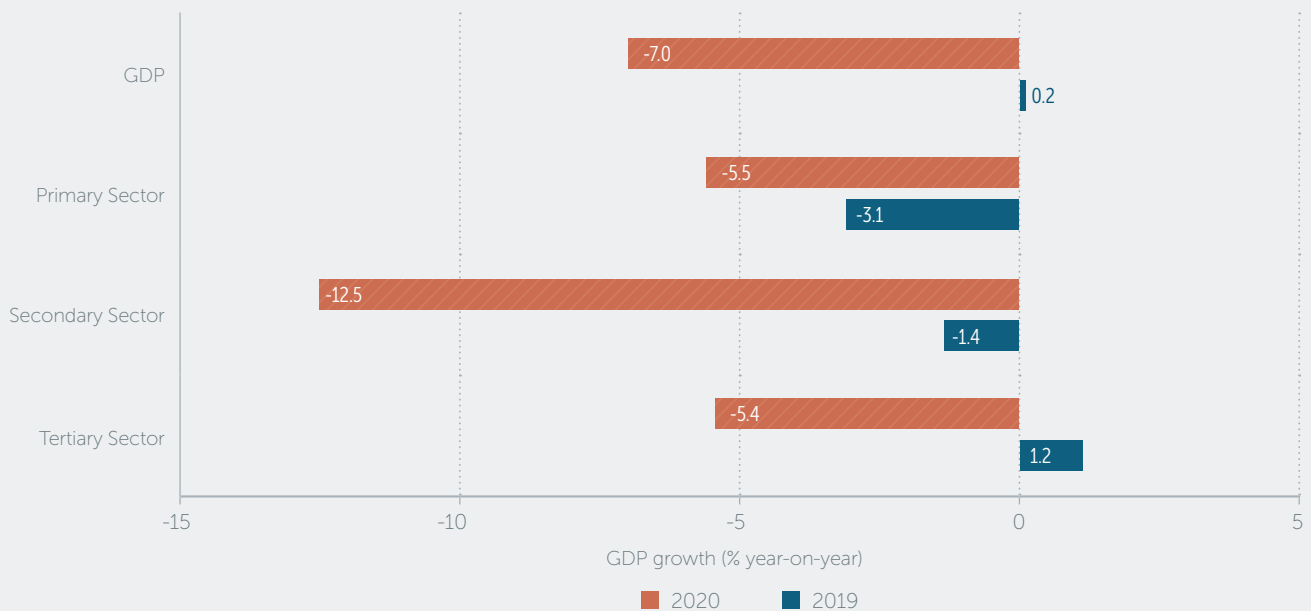


Source: EskomSePush (app), Eskom Twitter account, SARB, PIC Research

The impact of COVID-19 was broad-based, although sectors unable to operate remotely experienced the steepest losses during the second quarter of 2020. This was especially true in the primary and secondary sectors, such as mining and manufacturing, but also the tertiary sector, including transport and trade. Usually, contractions in the tertiary sector during recessions are less extreme than in the primary and secondary sectors. However, the COVID-19 recession is atypical in its origins and nature.

Annual growth in the primary sector contracted by a further 5.5% in 2020 following a decrease of 3.1% in 2019. Steady growth in all four quarters of the year contributed to the acceleration in real output growth of the agricultural sector to 13.1% in 2020 after shrinking by 6.9% in 2019. Mining activity was constrained by physical distancing and electricity supply disruptions. The real gross value add (GVA) by the mining sector decreased by 11.2% in 2020 after falling by 1.9% in 2019, marking the third consecutive annual contraction and the deepest contraction since annual records began in 1946.

SECTOR GROWTH RATES 2019 VS 2020



Source: Stats SA, PIC Research

The real GVA by the secondary sector contracted 12.5% in 2020 from -1.4% in 2019. Although electricity supply was already constrained before COVID-19, restrictions on economic activity aggravated the situation, resulting in a decrease of 5% in real GVA by the electricity, gas and water sector in 2020, following a contraction of 2% in 2019. Construction output declined sharply by 20.3% in 2020 after falling 3.3% in 2019, its fourth successive annual contraction.

GROWTH TRENDS IN COMPONENTS OF GDP

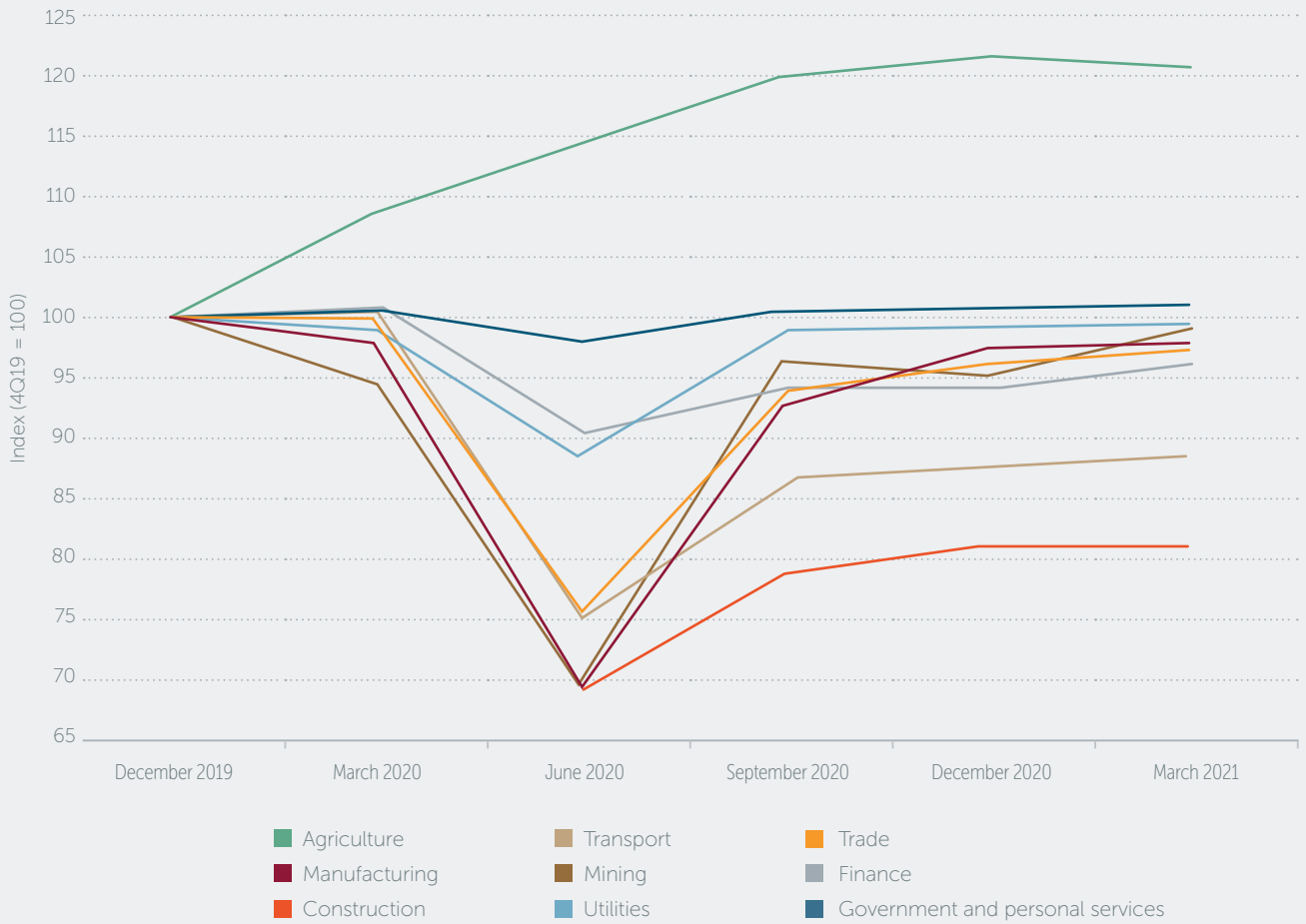


| | 2019 | 2020 Q1 | 2020 Q2 | 2020 Q3 | 2020 Q4 | 2020 |
|--|------------|-------------|--------------|-------------|------------|-------------|
| Agriculture, forestry and fishing | -6.9 | 38.8 | 22.0 | 20.1 | 5.9 | 12.1 |
| Mining and quarrying | -1.9 | -22.1 | -70.8 | 271.20 | -5.7 | -11.2 |
| Manufacturing | -0.8 | -8.2 | -74.7 | 212.9 | 21.1 | -11.6 |
| Electricity, gas and water | -2.0 | -5.6 | -36.4 | 58.0 | 2.2 | -5.0 |
| Construction | -3.3 | -5.9 | -76.8 | 73.6 | 11.2 | -20.3 |
| Trade, catering and accommodation | 0.0 | -0.7 | -67.6 | 137.0 | 9.8 | -9.1 |
| Transport, storage and communication | -0.4 | 0.8 | -69.5 | 78.1 | 6.7 | -14.8 |
| Finance, real estate and business services | 2.3 | 3.1 | -35.7 | 17.0 | -0.2 | -4.4 |
| General government services | 1.7 | 1.4 | -1.0 | 1.0 | 0.7 | 0.7 |
| Personal services | 1.0 | 0.6 | -31.7 | 39.7 | 4.8 | -2.3 |
| GDP | 0.2 | -1.8 | -51.7 | 67.3 | 5.8 | -7.0 |

Source: Stats SA, PIC Research

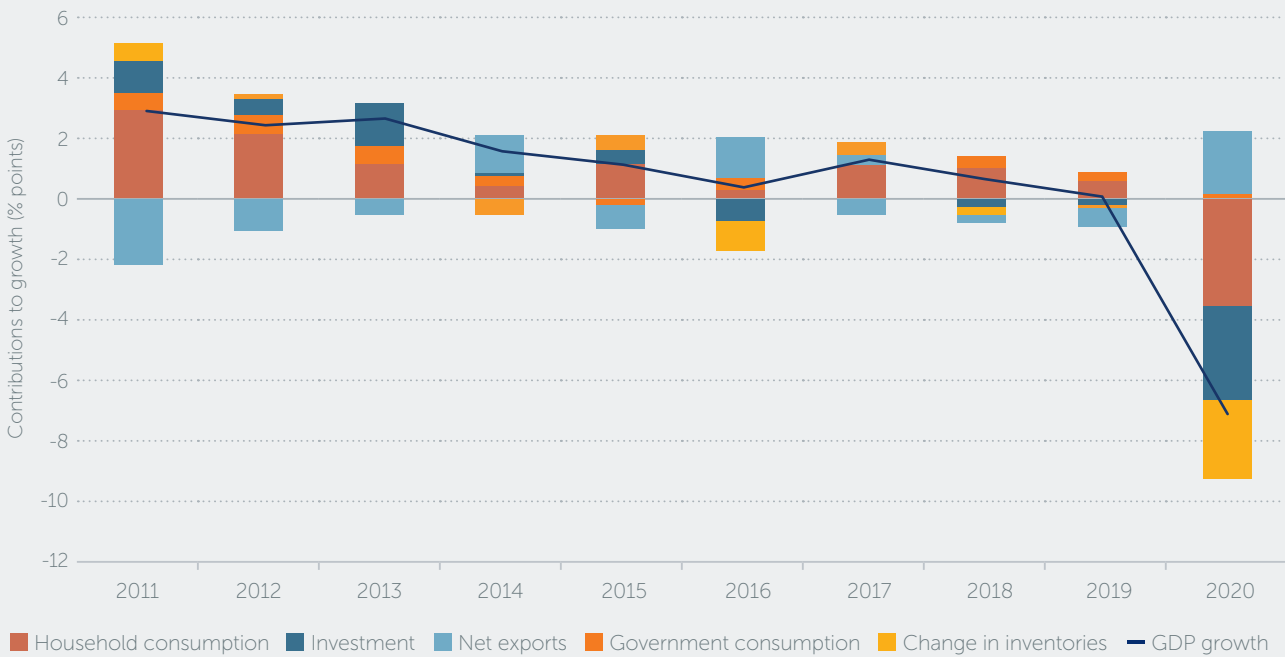
The real GVA by the tertiary sector declined by 5.4% in 2020 from +1.2% in 2019 – the first annual contraction in 28 years. Real growth in the trade sector contracted by 9.1% in 2020 after reporting no growth in 2019, suppressed by weak consumer demand, constrained household finances, electricity supply interruptions and continued supply-chain disruptions. Transport declined by 14.8% in 2020 from -0.4% in 2019. Finance GVA receded by an unprecedented 4.4% in 2020, from an increase of 2.3% in 2019. In 2020, growth in general government services output moderated to 0.7% compared with 1.7% in 2019.

SECTOR GROWTH TRENDS



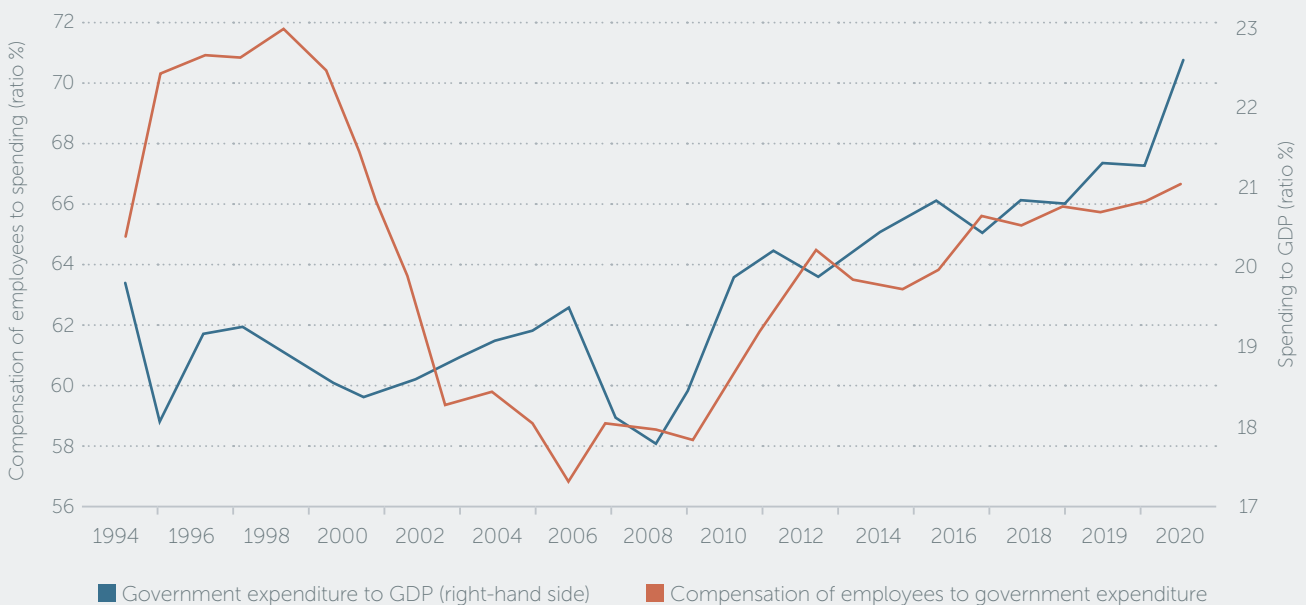
Source: Stats SA, PIC Research

DEMAND-SIDE CONTRIBUTION TO GDP GROWTH



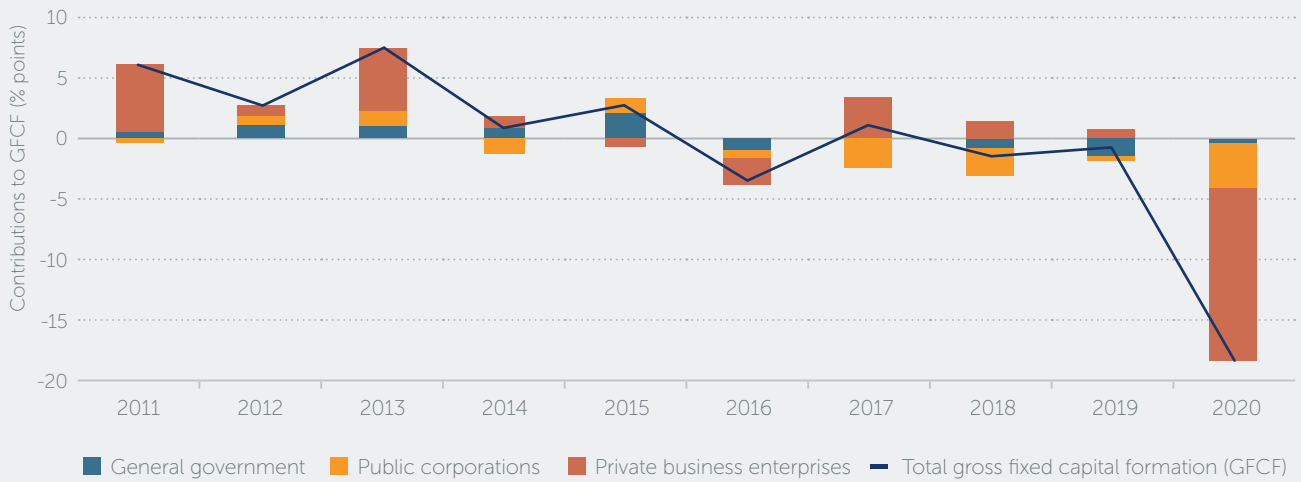
Source: Stats SA, PIC Research

NOMINAL GOVERNMENT EXPENDITURE



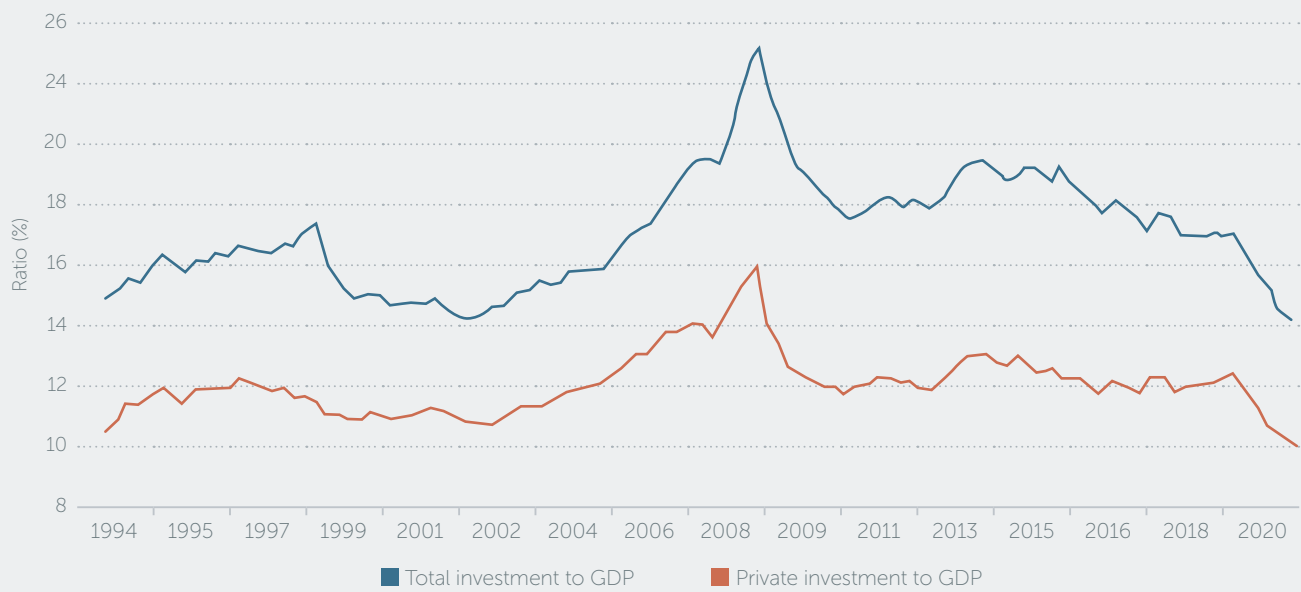
Source: Stats SA, PIC Research

CONTRIBUTIONS TO GROSS FIXED CAPITAL FORMATION



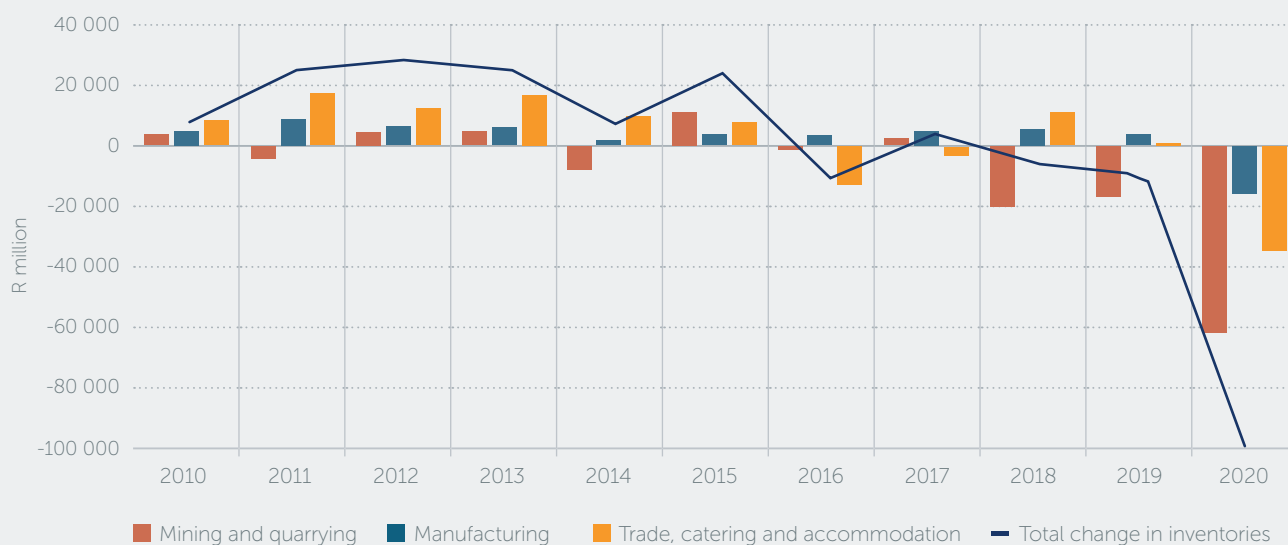
Source: Stats SA, PIC Research

NOMINAL INVESTMENT



Source: Stats SA, PIC Research

INVENTORY DRAWDOWN MAY NECESSITATE SOME INVESTMENT SPENDING



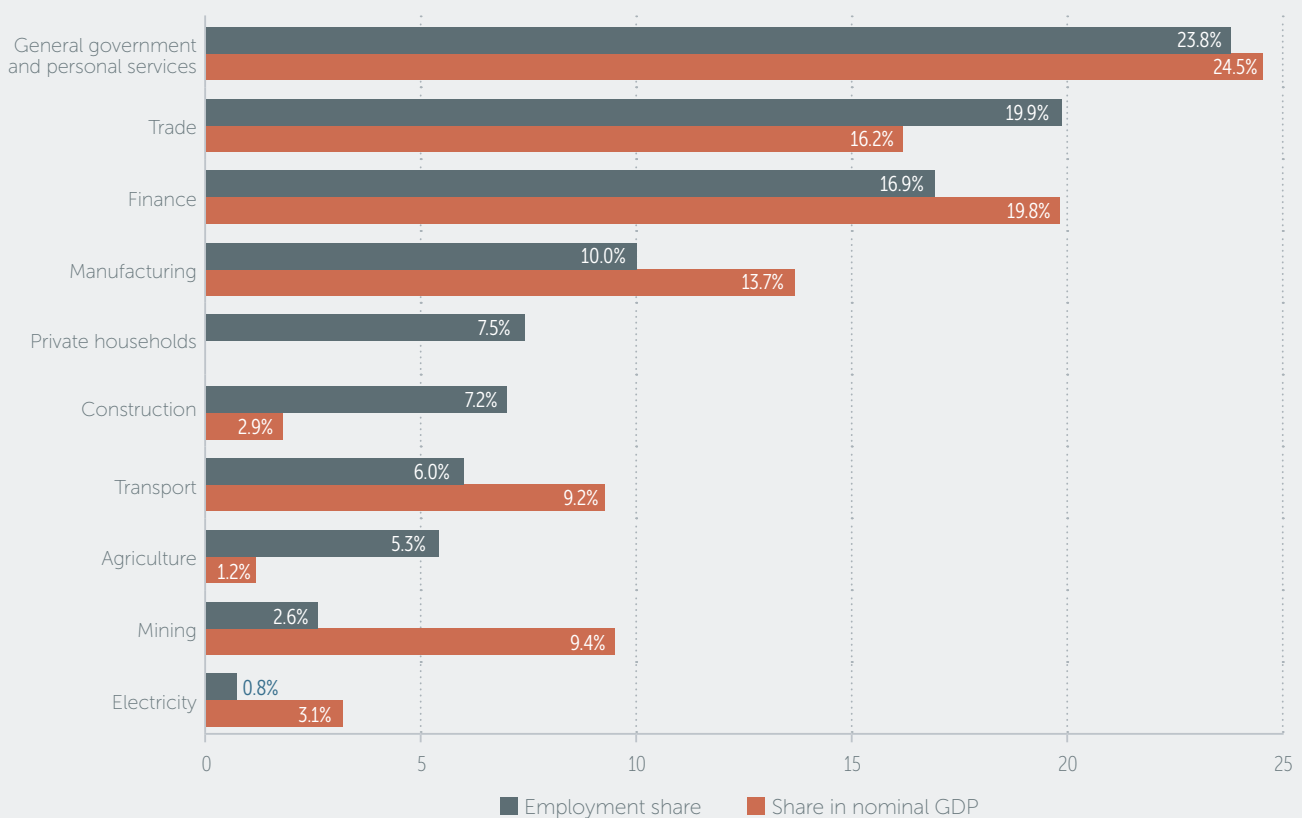
Source: Stats SA, PIC Research

The economy started to recover during the second half of 2020, albeit slowly and unevenly across sectors. Overall, projected growth rates are higher than South Africa has achieved in the recent past, but output is not expected to reach the 2019 pre-COVID level until 2023. As a result, the recovery will be wing-shaped, with a sharp, yet incomplete, initial bounce back followed by a gradual rise to pre-COVID levels. This reflects both immediate headwinds to growth and pre-existing structural constraints. After the rebound in 2021, GDP is expected to average around 2% between 2022 and 2025.

South Africa's balance on the current account of the balance of payments switched from a deficit of 3% in 2019 to a surplus of 2.2% in 2020 amid the pandemic – the first annual surplus since 2002. This outcome can be attributed largely to a significant increase in trade surplus due to improved export performance, supported by higher prices. Weak domestic demand with a sharp decline in crude oil prices weighed down the value of imports, while the shortfall on the services, income and current transfer account also narrowed. South Africa's current account has been in deficit nearly two-thirds of the time since 1960 and even more than that since 1994. The 2020 surplus should, however, be temporary and should narrow in 2021, before reverting to a deficit from 2022. South Africa's structural current account and budget deficit reflect high external financing needs.

The negative effects of the pandemic on the economy also reflected in the labour market, where joblessness was exacerbated. South Africa's official unemployment rate rose to a record high of 32.6% in the first quarter of 2021, from 30.1% a year before. A continued recovery in jobs lost at the height of the pandemic is losing steam and there were 1.4 million fewer jobs in the first quarter of 2021 (15 million employed people) than in the previous year (16.4 million). The structural unemployment rate (the proportion of people unemployed for one year and longer), relative to short-term cyclical unemployment, rose to 75.3% in the first quarter of 2021 from 71.7% in the previous year. The level and its trajectory remain concerning as most unemployed youth falls into this category, reflecting the inability of the South African labour market to absorb the growing pool of largely unskilled labour, both existing workers and new entrants. The pandemic also rendered the economy less labour-intensive. Urgent and appropriate policy interventions as outlined in both the Economic Reconstruction and Recovery Plan and National Treasury's structural reform agenda are essential.

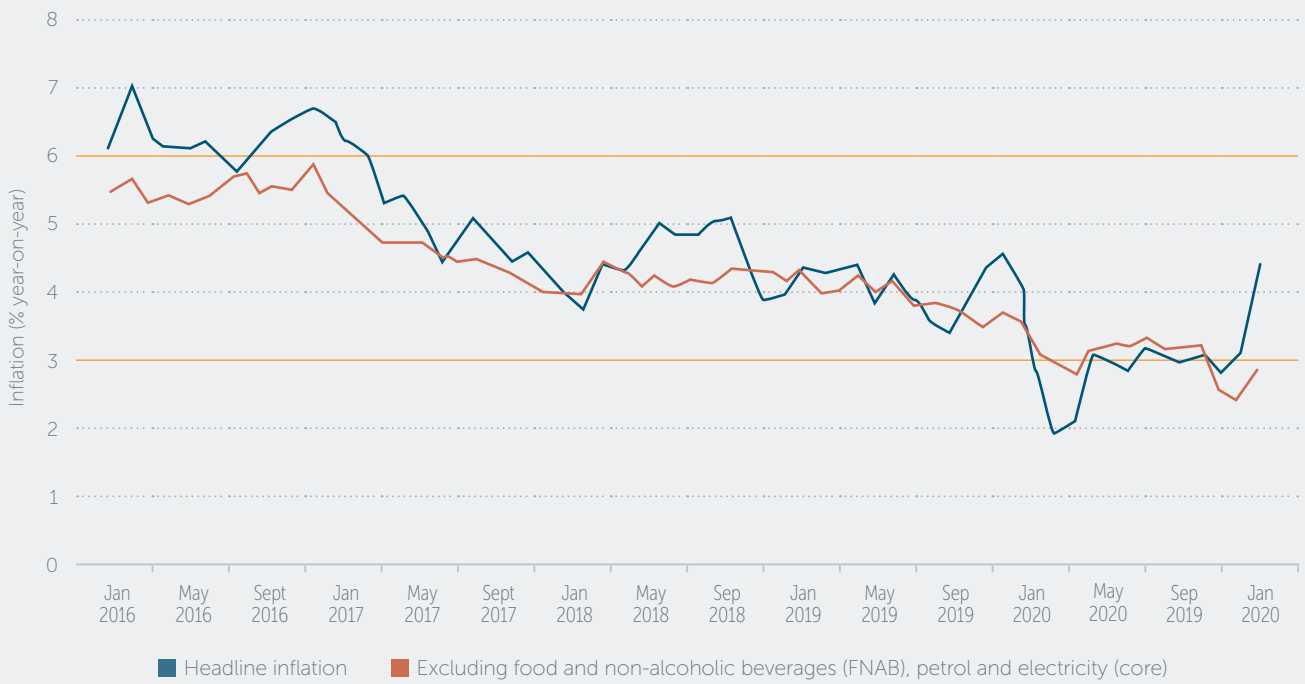
EMPLOYMENT AND GDP SHARE PER INDUSTRY, FIRST QUARTER 2021



Source: Stats SA, PIC Research

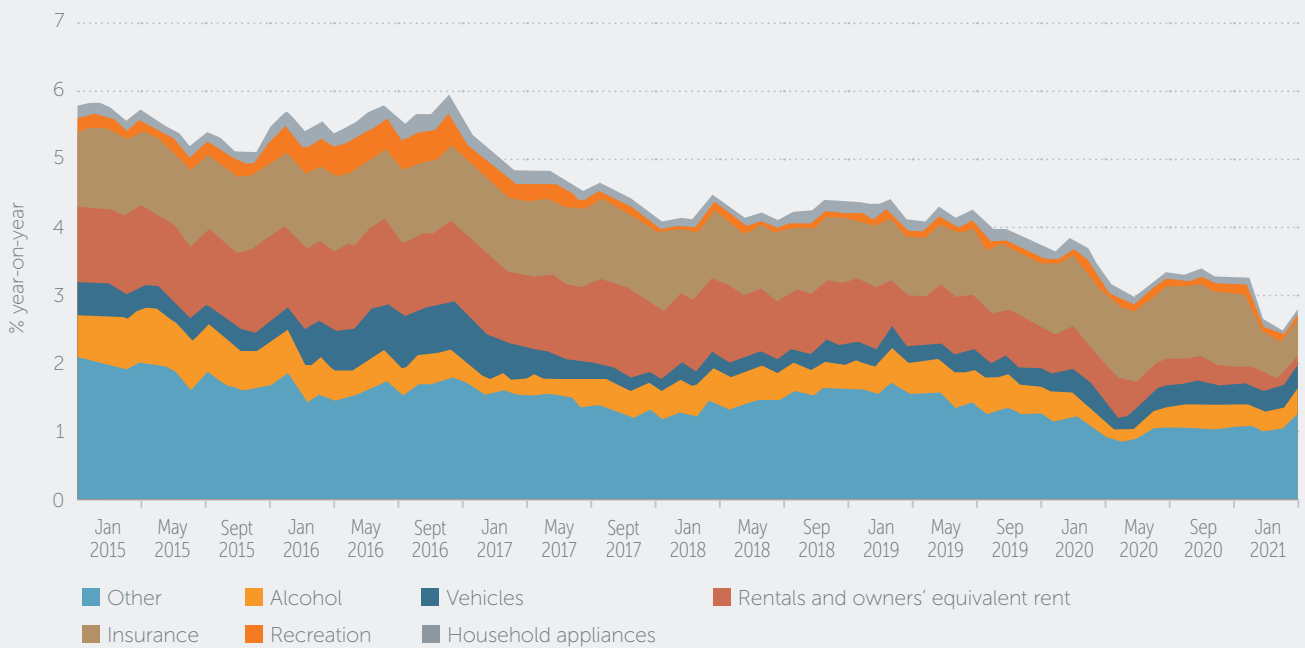
Headline consumer inflation averaged 3.3% in 2020, a record annual low for targeted inflation. Inflation was volatile over the period, driven by lockdown-related imputations, municipal adjustments for electricity, declining rental prices, and petrol and food prices. From July 2020, inflation hovered at around 3%. Underlying inflationary pressures remained muted, with core inflation slowing for a fourth successive year to an annual average of 3.3% in 2020, with both core goods and services now considerably below the midpoint of the target range. This weakness should continue in 2021, as big-ticket items – such as medical insurance and housing – are subdued, and most items are expected to recover only gradually in line with the general economy. Looking ahead, a rise in volatile consumer price index components will lead headline inflation to temporarily breach the target midpoint in the second quarter of 2021. Over the medium term, core inflation should settle around the midpoint from 2023. The major sources of upward pressure to headline are food, fuel and electricity.

HEADLINE AND CORE INFLATION



Source: Stats SA, PIC Research

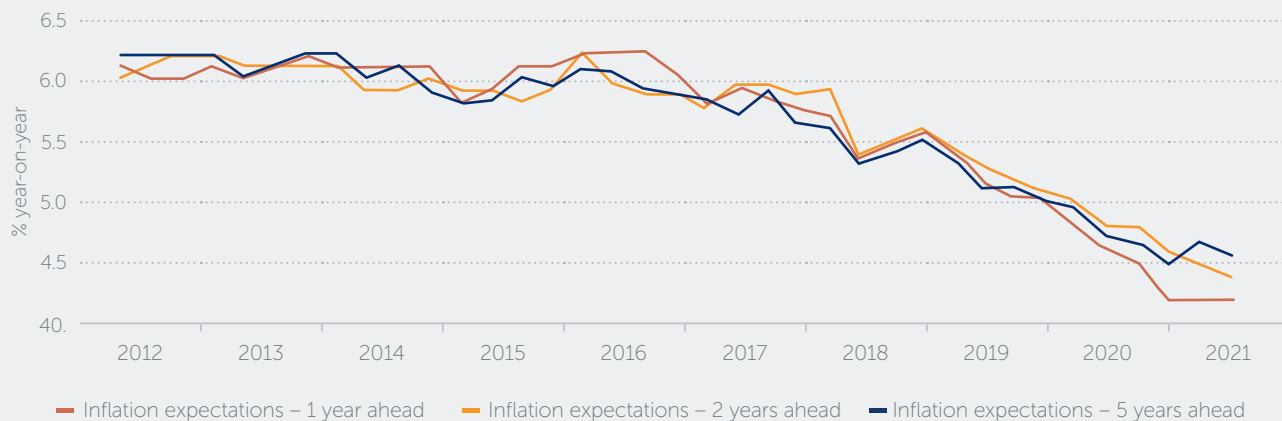
SELECTED COMPONENTS OF HEADLINE INFLATION



Source: Stats SA

Inflation expectations are a crucial driver of longer-term inflation. Since 2017, inflation expectations have moderated closer to the midpoint of the target range. This is in line with the inflation stance of the South African Reserve Bank (SARB) Monetary Policy Committee (MPC). Inflation is projected to remain close to the 4.5% midpoint throughout the forecast period. However, the challenge will be inflationary pressures emanating from non-core items (electricity, food and fuel inflation), which could trigger expectations of higher inflation.

EASING INFLATION EXPECTATIONS TAKE PRESSURE OFF SARB TO HIKE RATES

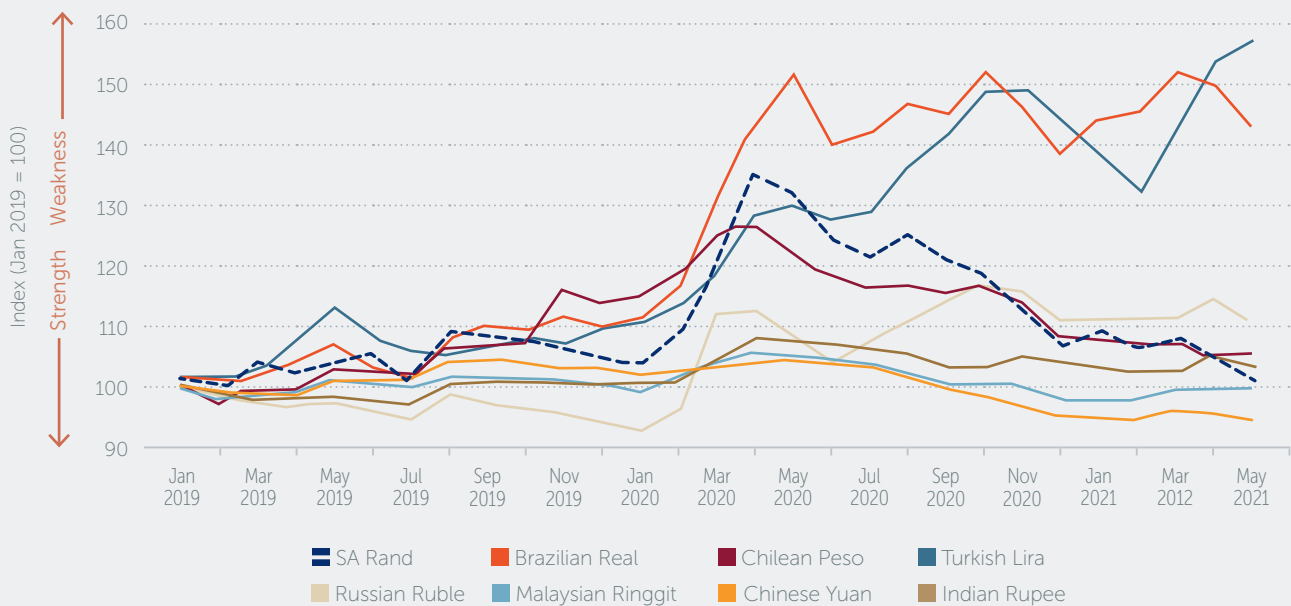


Source: BER, PIC Research

The SARB MPC responded to the COVID-19 shock by aggressively lowering the repo rate by a cumulative 2.75 percentage points between March and July 2020. The resultant lower borrowing costs supported credit extension to both households and corporates, and spurred a recovery in consumption, with durable goods showing a sharp recovery from the lows of the second quarter of 2020. Low-interest rates helped to ease debt repayment pressures, boosting real purchasing power of households and corporates. The government also benefitted from low-interest rates through lower costs of borrowing. The MPC held the repo rate unchanged at 3.5% in its November 2020, January 2021, March 2021 and May 2021 meetings, as the economic recovery gained momentum. The return of inflation to the midpoint target will require rates normalisation close to the real interest rate gap. SARB has indicated that over the long term, structural growth issues remain and require policy reforms rather than monetary policy intervention.

The exchange rates of most currencies have been fairly volatile as economic activity and financial markets contended with the pandemic. Although volatility in global financial markets has subsided somewhat and many emerging market currencies strengthened during the second half of 2020, the rand performed relatively well throughout against other emerging market currencies, despite South Africa's non-investment grade sovereign credit rating. After depreciating by 36% from the start of the year to its highest closing price on 23 April 2020, the rand gained over 20% and ended 2020 close to the level it started at – R14.69/US\$ (average: R16.46/US\$), outperforming several emerging market currencies, such as the Indian rupee, Mexican peso, Brazilian real, Russian ruble and Turkish lira. The currency is expected to remain volatile in 2021 due to its high-beta nature, as global sentiment seesaws between COVID-19 fears and vaccine hopes.

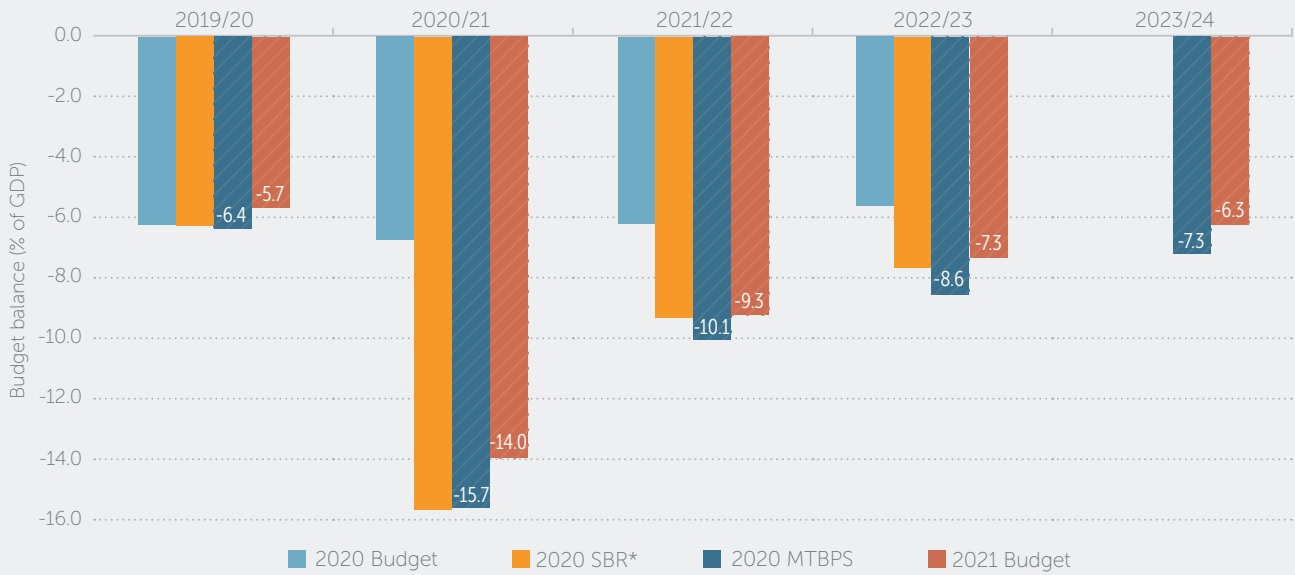
EMERGING MARKETS CURRENCIES



Source: Bloomberg, PIC Research

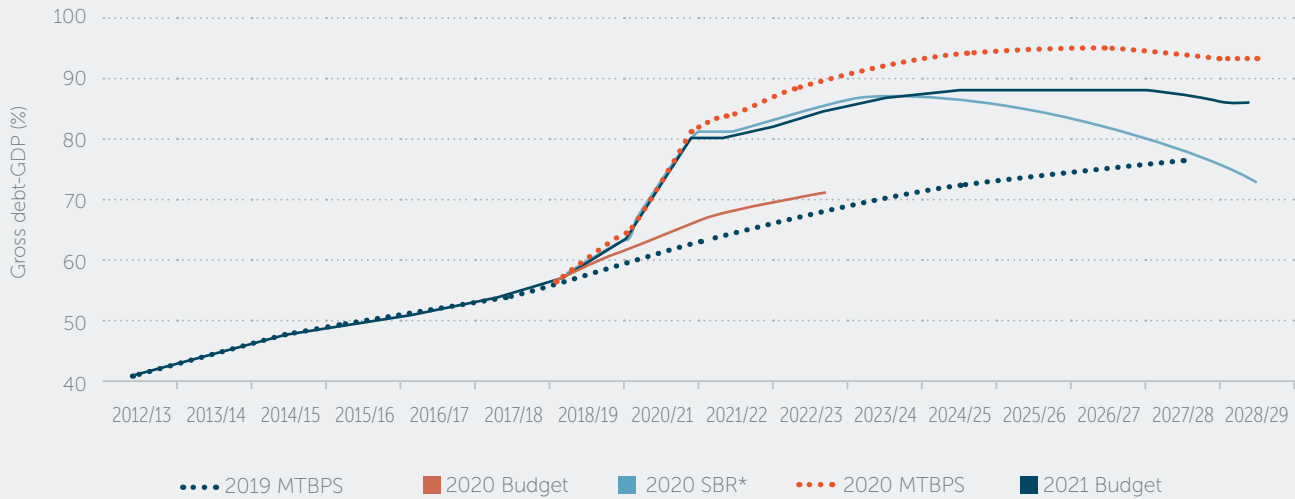
South Africa's fiscal situation remains precarious as debt levels have been stubbornly elevated for an extended period. The 2021 Budget Review expects gross national debt to stabilise at 88.9% of GDP in 2025/26 compared to 95.3% of GDP projected in the 2020 Medium-term Budget Policy Statement (MTBPS). Debt-service costs remain elevated and are estimated to absorb 22% of revenue by 2023/24. The 2021 Budget Review commits to reining in spending, reducing it by R265 billion in the medium term. Fiscal spending, however, remains sensitive to eventualities such as further support to state-owned enterprises, the still-to-be-finalised public sector wage dispute and the evolution of the COVID-19 pandemic, all of which remain uncertain.

BUDGET DEFICITS – MTBPS VS BUDGET REVIEW



*2020 Supplementary Budget Review
 Source: National Treasury, PIC Research

GROSS DEBT-TO-GDP – MTBPS VS BUDGET REVIEW



*2020 Supplementary Budget Review
 Source: National Treasury, PIC Research

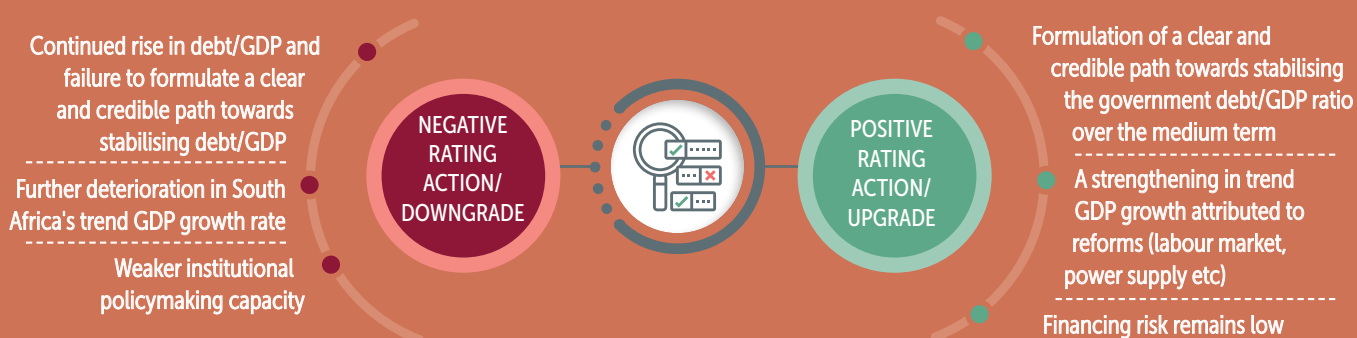
In November 2020, South Africa’s sovereign credit rating was further downgraded by both Fitch Ratings Inc (Fitch) and Moody’s Investors Service (Moody’s), with both agencies also maintaining a negative outlook. Although these developments were not fully anticipated, the market reaction was fairly muted. Investors may have already taken into account South Africa’s earlier exclusion from the World Government Bond Index and the worsening of its sovereign credit rating to sub-investment grade. However, there is a risk of further rating downgrades or outlook changes if there is further fiscal deterioration or downward revisions to growth as a result of further delays in structural reforms.

SOUTH AFRICA’S LONG-TERM SOVEREIGN CREDIT RATING

| | Moody’s | S&P Global | Fitch |
|------------------|-----------------|---------------|----------------|
| Investment grade | Baa1 | BBB+ | BBB+ |
| | Baa2 | BBB+ | BBB+ |
| | Baa3 | BBB- | BBB- |
| Sub-investment | Ba1 | BB+ | BB+ |
| | Ba2 (LC and FC) | BB (LC) | BB |
| | Ba3 | BB-(FC) | BB-(LC and FC) |
| Outlook | Negative | Stable | Negative |
| Rating as of: | May 2021 | May 2021 | May 2021 |
| Next review: | November 2021 | November 2021 | N/A |

Source: Moody’s, Fitch, S&P Global

DOWNGRADE AND STABLE OUTLOOK TRIGGERS



Source: Fitch, Moody’s, PIC Research

President Ramaphosa addressed a joint sitting of Parliament in mid-October 2020 to unveil the government's latest Economic Reconstruction and Recovery Plan, the third phase of the government's coronavirus response. The President framed the plan – developed by government, business, labour and civil society – in the broader context of the National Development Plan, the high-level economic policy framework.

PHASES OF THE GOVERNMENT'S COVID-19 RESPONSE



LOCKDOWN

Involved relatively 'light' measures as lockdown commenced:

- Tax relief
- Disaster relief funds
- Emergency procurement
- Wage support via Unemployment Insurance Fund
- Funding small and medium-sized enterprises
- Monetary policy response



FISCAL RELIEF PACKAGE

R500 billion fiscal relief package sourced from:

- Budget reprioritisation (R130 billion)
- Local sources (R200 billion)
- International financing (R170 billion)

Focus on protecting the most vulnerable and private sector employment:

- Loan guarantee scheme
- Tax measures
- Temporary top-ups to social grants
- Health



ECONOMY RECOVERY PLAN

Two broad components:

- Immediate short-term measures to mitigate effects of pandemic
 - Rolling out infrastructure
 - Expanding electricity generation capacity
 - Creating 'mass employment'
 - Supporting rapid industrialisation
- Structural reform to promote inclusive growth over medium- to long term
 - Reforms drawn from Treasury's structural reform agenda
 - Modernising network industries
 - Reducing barriers to entry
 - Regional integration and trade

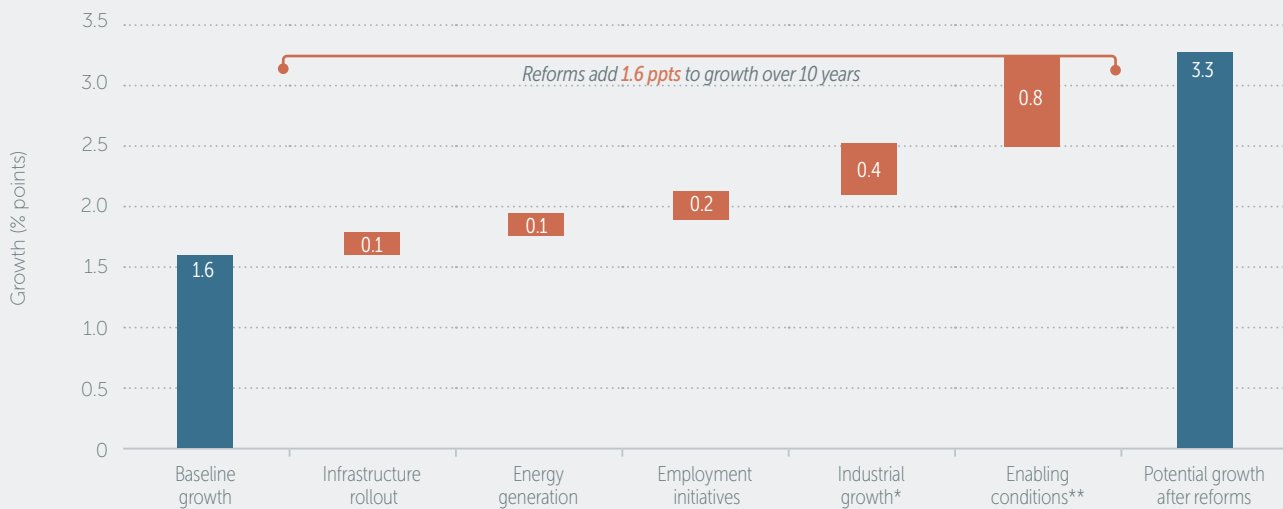
Source: National Treasury, Presidency, PIC Research

In the MTBPS tabled on 28 October 2020, National Treasury quantified the possible growth from the economic recovery plan, which has two broad components:

- 1) Immediate and short-term measures to mitigate the effects of the pandemic. In the short term, the plan will roll out infrastructure, expand energy-generation capacity, create mass public employment and support rapid industrialisation.
- 2) Structural reforms to promote faster, more inclusive growth and employment over the medium- to long term. Many of these reforms are outlined in the National Treasury 2019 discussion paper '*Economic transformation, inclusive growth and competitiveness: Towards an economic strategy for South Africa*' and include modernising network industries, reducing barriers to entry, and increasing regional integration and trade.

Growth estimates from infrastructure rollout and energy generation are quite small compared to what National Treasury believes 'agricultural and industrial initiatives' and 'reducing barriers to entry, easing skills constraints and tourism initiatives' could bring. National Treasury estimates that reforms in these areas can raise growth to more than 3% over the next 10 years and create more than 1 million jobs.

NATIONAL TREASURY ESTIMATES: ECONOMIC RECOVERY PLAN EFFECTS ON GROWTH BY 2030



* Agricultural and industrial initiatives

** Reducing barriers to entry, easing the skills constraints and implementing tourism initiatives

Source: National Treasury, PIC Research

Local Synopsis

After enduring the largest contraction in annual GDP in a century during 2020, the South African economy is recovering, although it appears uneven across sectors and remains fragile. Elevated terms of trade have supported macro balances, with the current account surplus at its highest in 32 years and tax revenue outperforming projections. Vaccine distribution should accelerate economic normalisation. However, the slow recovery to the 2019 output indicates economic constraints that predate COVID-19. Structural constraints – including insufficient energy supply, inefficiencies in key infrastructure sectors, skills shortages, the regulatory burden faced by enterprises and weak competition – will impede faster medium-term recovery. Furthermore, the fiscal outlook

remains sensitive to nominal wage bill progress, which also serves as an obstacle to growth through its effects on long-term borrowing costs and confidence. These factors raise the cost of doing business or of restructuring given major shocks to the business environment, affecting competitiveness. Inadequate electricity affects production and disincentivises new investment, which hampers the country's growth.

South Africa's strength lies in its strong institutions and deep financial markets, and structural reforms are widely supported to achieve sustainable and inclusive growth. The PIC has an important role in the post-COVID economy and will continue to align investment decisions with government's structural reform agenda to reach its socio-economic objectives while obtaining the best possible client returns.

LISTED INVESTMENT PORTFOLIO

The Listed Investments division supports the PIC's vision to be the leader in developmental investing for sustainable financial prosperity of our stakeholders and to contribute to inclusive growth by, among others:

- Aligning with the objectives of the National Development Plan (NDP), with specific focus on infrastructure projects undertaken by other state-owned companies;
- Driving transformation through broad-based black economic empowerment (B-BBEE) principles contained in the external manager programme, which aims to grow sustainable black-owned asset management businesses; and
- The integration of environmental, social and governance (ESG) aspects across investment processes, direct engagement with investee companies and active proxy voting.

LISTED EQUITIES

Divisional Highlights For 2020/21

- Delivered positive returns for our clients with assets under management growing 51.4% over the 12-month period to R838 billion;
- Continued investments in companies listed on the Johannesburg Stock Exchange (JSE) that support the South African economy;
- Continued support for black stockbroking businesses through internal trading processes and by mandating external managers; and
- Enhanced the quality research portal on the top 60 listed companies on the JSE.

Achievements

Notable transactions concluded during the 2020/21 financial year:

Prosus

Background

Prosus NV, listed on the Amsterdam exchange and the JSE, provides ecommerce, social and internet, as well as corporate platforms. The ecommerce segment operates internet platforms to provide various services and products, and includes classifieds, payments and fintech, food delivery,

retail and travel. The social and internet segment holds listed investments in platforms through Tencent and Mail.ru. The corporate segment comprises of entities that provide corporate functions and activities. The largest contributor to its net asset value is Tencent, listed on the Hong Kong exchange.

Prosus was 100% owned by Naspers Limited, constituting about 22% of its equity benchmark, until it unbundled about 27% of its holding to shareholders in September 2019. After the unbundling, the PIC's exposure to Prosus was greater than its 1.5% weight in the client benchmark. Over the past year, the Corporation sold down around R45 billion to align with the benchmark.

Divisional Performance

During the review year, the Listed Equities division delivered returns that exceeded client benchmarks, while complying with clients' risk parameters. It also facilitated B-BBEE and skills development through its investment activities. It did this by allocating a minimum of 55% of brokerage fees to brokers certified as levels one to four black economic empowerment contributors, namely those that are 51% owned and/or 30% managed by historically disadvantaged individuals.

Client benchmarks were exceeded through the generation of high-quality research on the JSE All Share Top 60 companies in valuation models, deep-dive research and periodic updates covered on the research portal. High-quality research is a cornerstone of PIC investment decisions.

Portfolio Performance

The Listed Investments Portfolio outperformed the composite index over three years to 31 March 2021 by 0.21% cumulatively. There was also a significant improvement on a risk-adjusted basis through portfolio positioning in key sectors. However, the Listed Property Portfolio underperformed against the benchmark over this period, by 2.46% cumulatively.

This performance was achieved despite global macro-economic uncertainty and the downgrade of South Africa's investment rating. The national state of disaster and lockdown following the outbreak of COVID-19 made investment decision-making difficult. Emerging markets and South Africa returned 58.9% and 81.5% in dollar terms respectively over the

12 months to 31 March 2021. This was due to a combination of low base effect, huge economic stimulus packages and optimism given the rollout of vaccines and the reopening of economies. South Africa outperforming the Morgan Stanley Composite Index was due to the strengthening of the rand against the dollar over the first quarter of 2021.

The prolonged lockdown and suppression of economic activity negatively affected the earnings of consumer-facing companies and their share prices. However, the reopening of the economy, combined with low-interest rates, prompted a strong recovery in retailers and banks from the third quarter of 2020. The resources sector, with its large exposure to the global economy and hard currency revenues, delivered strong returns. The PIC's goal remains to deliver sustainable equity returns for clients over the medium- to long term. It intervenes when events beyond its control change the investment outlook, buying more of certain stocks or sectors if prices drop.

The PIC is making a concerted effort to find resolution in distressed investments such as Steinhoff and Ayo Technology Solutions. Steinhoff intends to progress with implementation of the global settlement proposal to market purchase claimants and contractual claimants. They recently increased the offer announced in July 2020 from EUR 370 million to EUR 613 million.

Contribution to B-BBEE, Transformation and Job Creation

The PIC's concern for the pace of transformation in the financial services sector led it to stipulate in its internal policies that at least 55% of the equities brokerage allocation be channelled to brokers who meet its black economic empowerment requirements.

Over the last five financial years to March 2021, the PIC has increased the percentage of brokerage spend to B-BBEE brokers from 64% to 80%.

Numerous investments in special purpose acquisition companies and other black economic empowerment transactions on the JSE have helped to transform South Africa's economic landscape. The acquisition company listings focus on community- and business-development initiatives that will create employment. Increasing the brokerage paid to B-BBEE brokers enables them to create more jobs in equity trading and research.

The PIC's participation in rights issues and initial public offerings supports business expansion and contributes to job creation across sectors.

The COVID-19 pandemic severely impacted the viability of various businesses. A case in point is the Foschini group, whose trading was severely impacted by lockdown regulations during 2020. The company raised equity to address potential balance sheet risk through a rights issue in which the PIC was a participant. The proceeds from the rights issue helped to protect jobs over this period.

Outlook

The outlook remains highly uncertain one year into the pandemic. New virus mutations and the accumulating human toll are concerning, even as growing vaccine coverage lifts sentiment. Economic recoveries are diverging across countries and sectors, reflecting variation in pandemic-induced disruptions and the extent of policy support. The outlook depends not only on the outcome of the battle between the virus and vaccines, but how effectively economic policies, deployed under conditions of high uncertainty, can limit lasting damage. The International Monetary Fund projects global growth at 6% in 2021, moderating to 4.4% in 2022.

Listed property companies will be negatively affected as rentals come under further pressure, reducing asset values and increasing balance sheet risk.

The JSE All-Share Index (ALSI) one-year forward price to earnings multiple is currently trading at 10.6x (discount to historic mean of 14.8x), which suggests the market is cheap. Fair value models indicate the ALSI will return 14% over the next 12 months driven largely by financials and technology stocks.

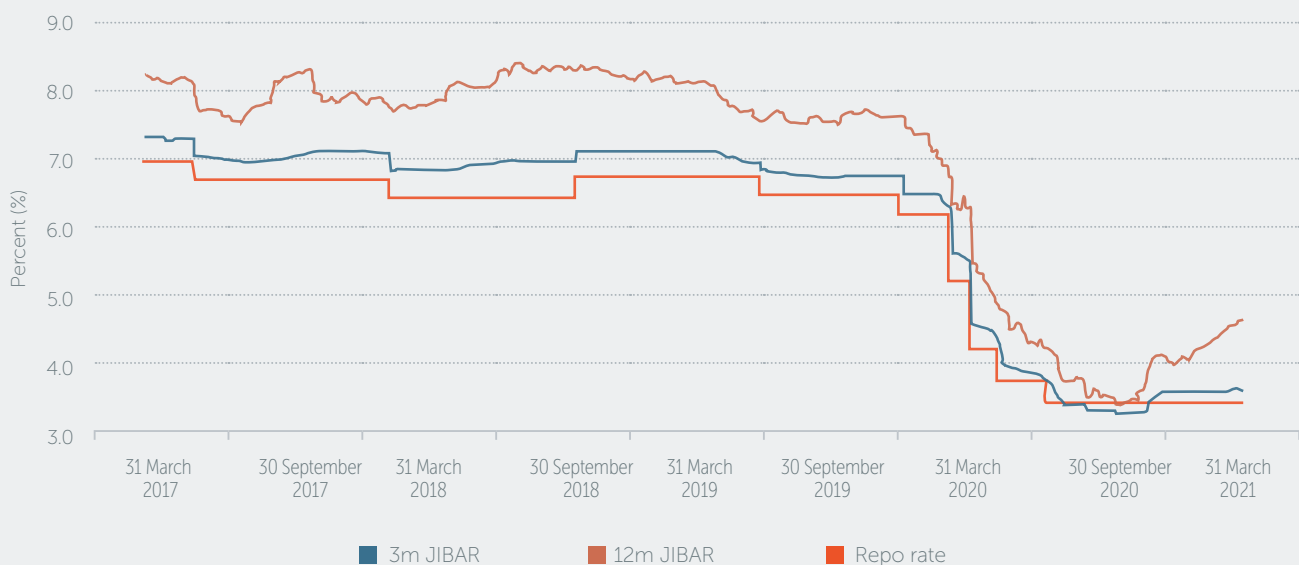
While most companies' earnings will recover strongly from a low base, this will be reflected largely in share prices and further COVID-19 disruptions will be a headwind. Vaccination rollout should help return economies to a level of normalcy.

The focus will continue to be on adding value and outperforming clients' investment return objectives and benchmarks. The listed equity research team will enhance coverage of the top 60 companies, with attention on selective investments into the rest of Africa. The PIC will continue to build capability to invest in global equity markets.

FIXED INCOME

The 2020/21 financial year started on a bad note as the country went into lockdown on 26 March 2020 due to the coronavirus pandemic. The SARB's Monetary Policy Committee (MPC) reduced the repo rate aggressively for the greater part of 2020 as it noted the risks to economic growth posed by effects of the global COVID-19 pandemic. The MPC reiterated that this was done to ease financial conditions as lower inflation forecasts created scope for such easing. At 31 March 2021, the MPC had dropped the repo rate by a cumulative 175 basis points since 1 April 2020.

MONEY MARKET RATES



Source: IRESS

Long-end money market rates dropped more than short-end rates in response to the policy rate cuts, resulting in the slope of the money market yield curve flattening significantly during the review period. The spread between the three-month and 12-month JIBAR traded as low as 11 basis points in October 2020 and ended the period under review at 95 basis points as long-end money market rates started normalising.

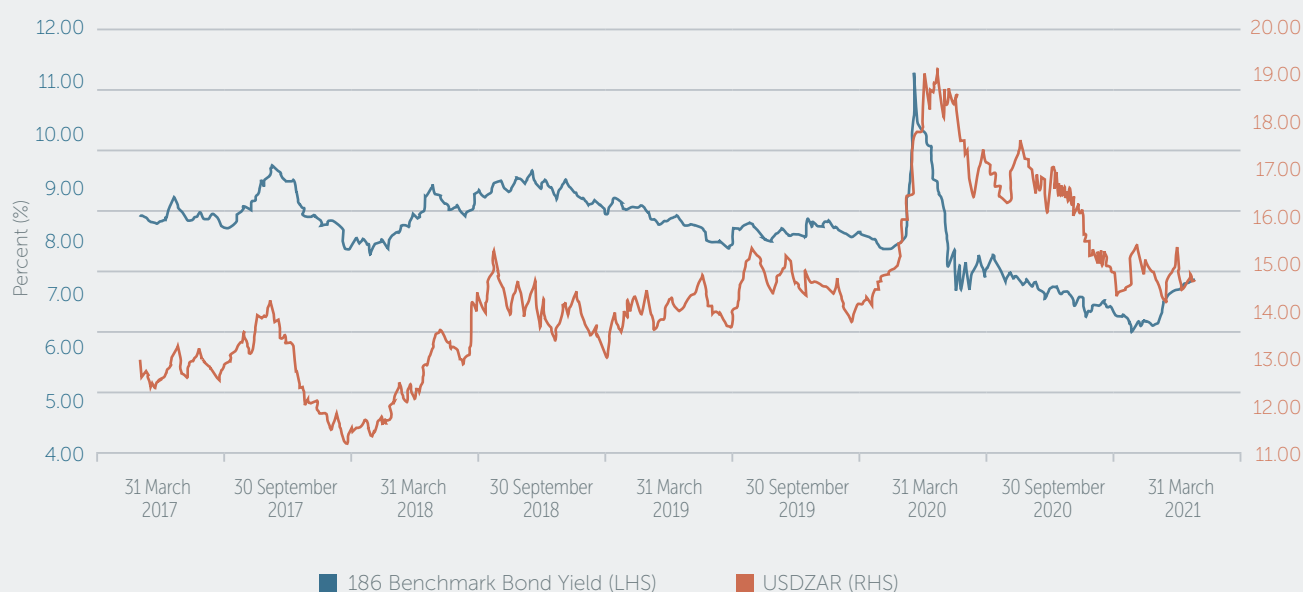
Local bond yields were under pressure as the coronavirus pandemic implied pressure on the fiscus. To make matters worse, end-March 2020 saw Moody's lowering South Africa's sovereign rating to BA1, with the outlook remaining negative, bringing it in line with peer agencies Fitch and S&P Global. The rebalancing of the World Government Bond Index (WGBI) was postponed to end-April 2020.

In response to the credit rating downgrades, we saw foreign investors selling South African government bonds.

In addition, there were expectations of worsening fiscal metrics caused by the COVID-19 pandemic. National Treasury announced increases in issuance of both nominal and inflation-linked bonds in the weekly auctions by R500 million to R6.6 billion and R600 million to R2 billion respectively.

The bond sell-off was brutal and continued unabated during April 2020 when the benchmark R186 bond traded as high as 10.44% from 9.86% at 31 March 2020. SARB introduced a bond programme to improve liquidity in the capital market during the second quarter of 2020. SARB was forced to intervene after government bonds came under pressure as investors fled to safe-haven assets amid COVID-19-related panic, causing local bond yields to breach the 13% mark on long-end bonds in late-March 2020. Despite Moody's dropping South Africa's sovereign rating to BA1 in March 2020 and the capital market experiencing huge volatility in bond yields, there was a downward shift in yield direction in response to the bond buying programme and a strengthening

RAND VERSUS GOVERNMENT BENCHMARK R186 BOND (MATURING 2026)



Source: IRESS

rand. Non-residents seemed to see value in the back end of the domestic yield curve, which was further supported by the constructive rand. SARB intervention through the secondary market in the fourth quarter of 2020, however, decreased due to improving liquidity conditions in the domestic capital markets. Credit rating agencies were busy in April 2020, with Moody's and Fitch's downgrades of the South African sovereign rating impacting local issuers' ratings.

The period under review also saw huge volatility in real yields as inflation-linked bonds were mostly offered across the real yield curve. Disinflation and supply risks continued to subdue demand for inflation-linked bonds during the second quarter of 2020. The announcement by National Treasury of increasing inflation-linked bond issuance in the weekly auctions by R600 million added to the upside risk in real yields. Back-end real yields as reflected by the I2050 bond (maturing 2050) yield traded at a high of 6.70% just before end of March 2020 and closed the financial year 2020/21 at 4.24%.

Monetary policy was the main driver of the nominal yield direction in the second quarter of 2020 and repo rate cuts were largely responsible for the short-end performance of the nominal yield curve. Conventional bonds (ALBI) continued their impressive form, leading fixed income assets on a year-on-year basis returning 16.96%, followed by

inflation-linked bonds (CILI) with 16.68% and cash (STEFI) in last with 4.57% at 31 March 2021.

Portfolio Activities

The steeper yield curve was due to short-end rates dropping in response to monetary policy easing, while the long-end sold off significantly, presented good bond buying opportunities. In terms of bond portfolio activity, the PIC fixed-income team bought conventional bonds as well as inflation-linked bonds in response to the rising yields, mostly in quarter one and quarter two of 2020. The bond purchases at higher yields and subsequent bond market rally during the period under review contributed to the outperformance of PIC internally managed conventional bond funds against the ALBI benchmark.

At the end of the first quarter of 2020, the South African government introduced the COVID-19 TERS benefit, which meant that the UIF fund had to embark on a process of raising liquidity to contribute towards the disaster relief initiatives. The UIF subsequently asked the PIC to assist with raising the much-needed liquidity. The PIC was, therefore, not able to continue rolling any of UIF's money market maturities and the client drew down on the liquidity provided as and when the funds were required. As a result, the UIF's investment holdings decreased during the period under review.

In April 2020, Land Bank defaulted on outstanding Money Market maturities that were due. Following the default, Landbank repaid a small portion of the outstanding liabilities. Discussions with broader stakeholders remain ongoing in order to find an amicable solution for all parties involved.

Domestic Fixed Income Outlook

National Treasury announced in the first quarter of 2021 a reduction in the size of the weekly auctions for South African government bonds (SAGBs). This has been the impetus in the recent demand seen in SAGBs synchronal with offshore interest searching for yield. We note the reimposition of lockdown regulations and extensions locally, their implications for domestic GDP and the revenue base for National Treasury.

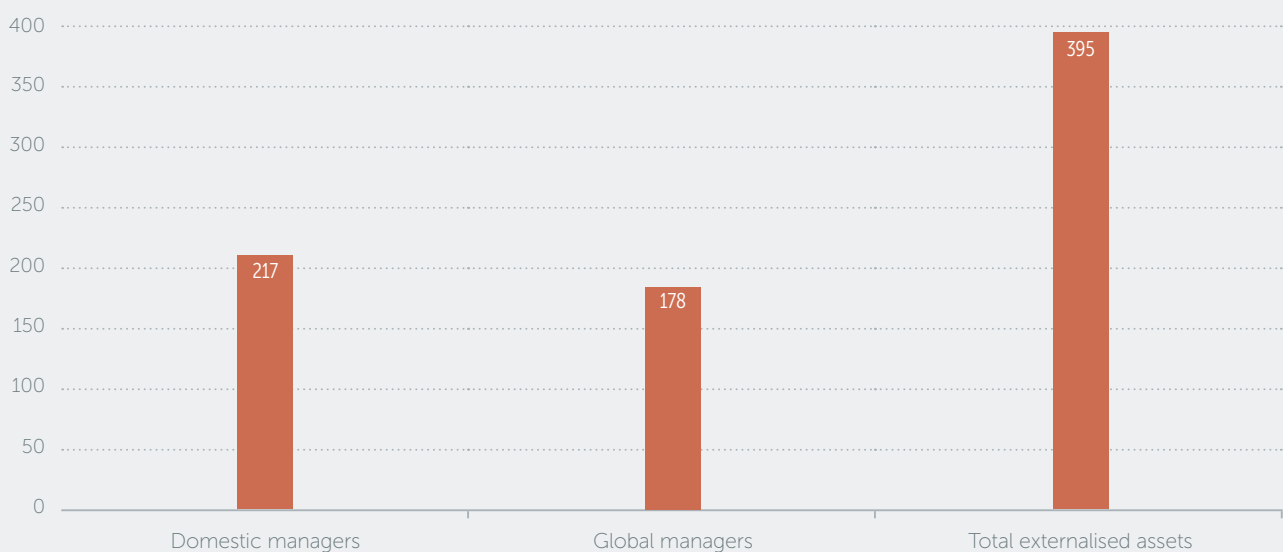
The ability of National Treasury to keep in line with its expenditure forecasts will undoubtedly be a challenge and is being closely monitored by the market. We anticipate a steeper yield curve in the medium term and see value in longer dated bonds. The fixed-income team will continue to assess opportunities in the capital market that are in line with client mandates, all internally managed fixed income portfolios are compliant with their respective mandates and no breaches have since been recorded.

EXTERNALLY MANAGED FUNDS PROGRAMME

The PIC is the largest asset allocator of funds in South Africa, with assets totalling R395 billion by the end of the financial year. The PIC Externally Managed Funds Programme has allocated capital to eight global firms and 20 domestic firms, with an asset split of R178 billion and R217 billion respectively.

The PIC has both an alpha-generation objective, i.e. to enable these managers to deliver sustainable, over-benchmark returns to client portfolios, as well as clear transformation goals. With this in mind, the PIC introduced a B-BBEE Developmental Manager Programme in 2009, to transform the South African asset management industry. Although this programme has increased the participation of black asset managers in the savings, investments and asset management industries, more black women are needed in investment roles. While in the domestic market, the PIC focuses on transformation, global managers such as World Bank, Blackrock and Goldman Sachs continue to contribute to our skills development efforts by providing superior technical training opportunities to PIC staff and clients.

EXTERNALISED ASSETS – 31 MARCH 2021

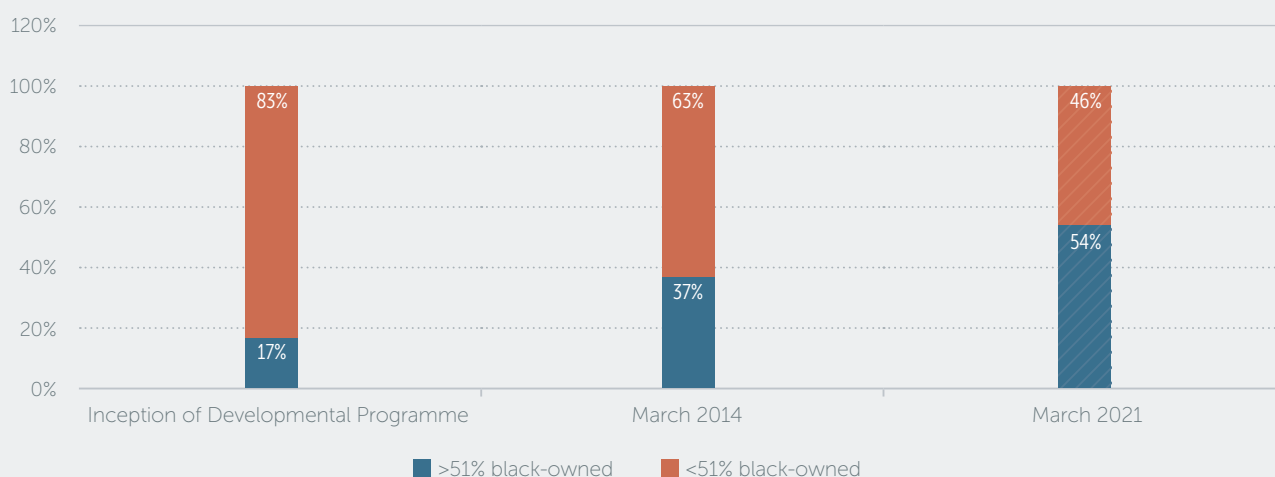


The PIC analyses the demographic of the 20 domestic managers (16 of which are >51% black-owned), and the statistics on the investment teams were noted. The 20 managers employ a total of 280 investment professionals, with 177 black investment professionals – 64 (23%) of whom are black females and 113 (40%) black males. While these numbers have increased over the years, the PIC continues to engage firms on their recruitment and retention processes – particularly as they relate to black women in investment roles.

| | >51% black-owned firms (16) | <51% black-owned firms (four) | TOTAL |
|---|-----------------------------|-------------------------------|------------|
| Number of investment professionals | 150 | 130 | 280 |
| Number of black females | 46 | 18 | 64 |
| % of black females | 31% | 14% | 23% |
| Number of black males | 72 | 41 | 113 |
| % of black males | 48% | 32% | 40% |
| Total number of black professionals | 118 | 59 | 177 |
| % black investment professionals | 79% | 45% | 63% |

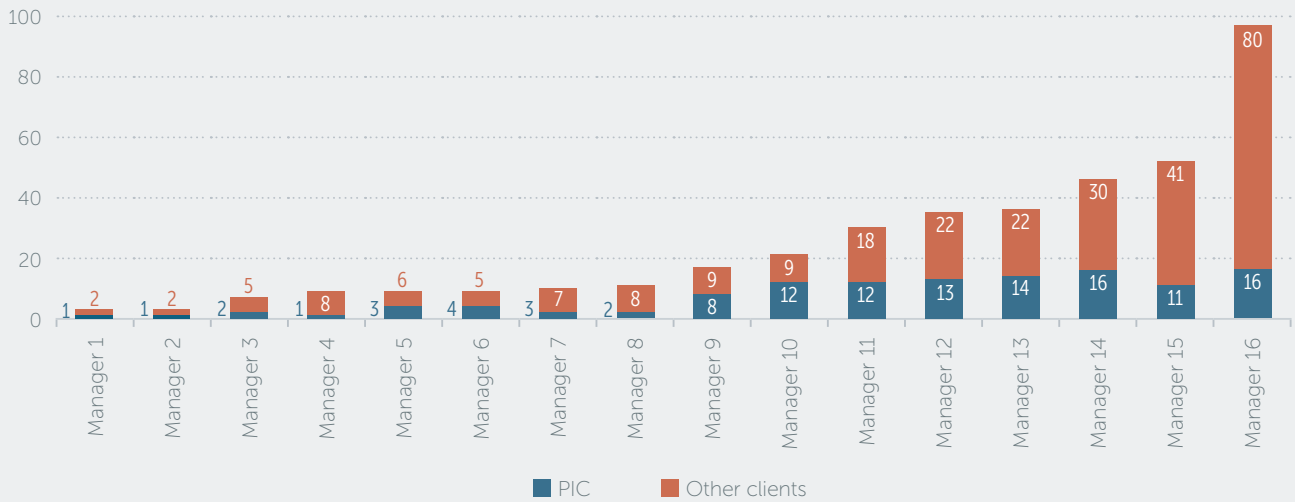
As an anchor investor in many black firms, the PIC has enabled experienced black professionals to build credible track records. At the start of the Developmental Manager Programme, black-owned firms managed only 17% of the R64 billion externalised assets. By the end of the 2020/21 financial year, R117.5 billion of the R217 billion in externalised assets were managed by black-owned entities, with more than 51% black ownership and 30% black management control. About 30% of client assets and 54% of PIC externalised assets are held by domestic managers.

BREAKDOWN OF ASSETS TO DOMESTIC MANAGERS



The impact of PIC in the lifecycle of the asset managers we contract is significant and the graph on page 66 shows AuM per manager and the split between PIC assets and those of other clients. Only three of the managers hold assets of over R40 billion, while five have allocations of between R15 billion and R40 billion, showing the relatively slow progress of allocation to black firms in South Africa. The management fees these managers have earned from PIC clients have substantially boosted their revenue, contributing to their growth and the improved financial sustainability of their firms.

BLACK-OWNED FIRMS AuM AS AT 31 MARCH 2021



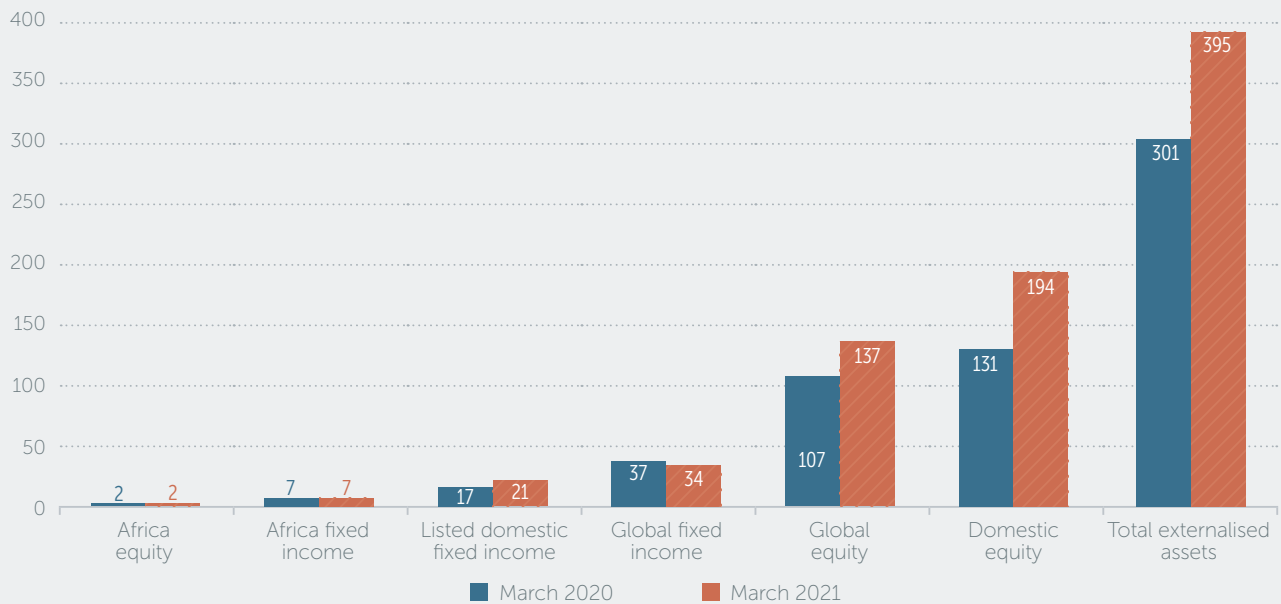
In order to continue to focus on the alpha generation and transformation objectives of the PIC, recent request for proposal processes were initiated to find suitable asset managers who meet the technical criteria in both developmental and established categories – across various asset classes – for possible allocation to improve client solutions. While developmental categories were open to small black-owned firms only, established managers with a minimum Level 4 contributor status could apply. The list of managers placed on the panel reflects a broad range of offerings available in the South African asset management industry.

The externally managed funds team continues to research domestic and global markets and strategies to optimise client outcomes on a risk-adjusted basis. Analysing the opportunity set from both strategy and manager selection perspectives remains crucial in the management and monitoring of client solutions. The team delivers on client objectives across asset classes through a clear, repeatable process with portfolio construction principles that are applied consistently.

The impact of the COVID-19 pandemic on the asset management industry has been a significant test of business continuity plans and disaster management within firms. With work-from-home strategies implemented abruptly across the globe, operational readiness to manage assets remotely was significantly tested. The PIC continued to enhance its monitoring of the managers' operating environment and governance procedures during this time – with no meaningful incidents. It became clear during the course of the year that asset managers found it tough to attract assets during this period as institutional clients were not making significant changes to allocations. The PIC managed to extend the contracts of two managers in the Developmental Programme during this time, while graduating two managers into the established composites, with increased allocations.

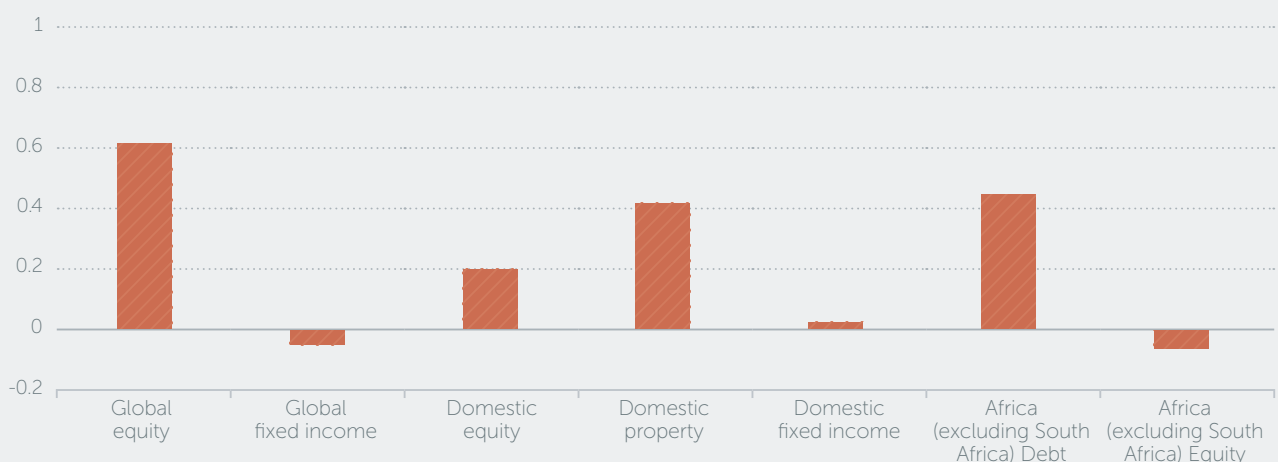
Externalised assets grew from R301 billion in March 2020, to R395 billion in March 2021, the largest increase came from Global and Domestic equity assets classes, which have significantly outperformed other asset classes from an absolute return perspective over the year.

EXTERNALISED ASSETS PER ASSET CLASS



The result of a disciplined investment process is the delivery of positive risk-adjusted returns on behalf of our clients, over their desired time horizon. Looking at three-year information ratios (IR) on underlying external composites of our largest client, we are happy that five out of seven composites have delivered positive information ratios – indicating higher returns than risk taken. The global equity composite has delivered excellent risk-adjusted returns with an information ratio of 0.62, while the domestic property and Africa (excluding South Africa) debt composites have almost reached the 0.5 IR target. Domestic Equity results have improved, predominantly due to the outperformance of the sector-specific funds, while Global Fixed Income and Africa (excluding South Africa) Equity solutions require some review of delivery.

THREE-YEAR INFORMATION RATIO TO MARCH 2021





ONCE A NEW BEGINNING, NOW AN ESTABLISHED MANAGER

Mianzo Asset Management is an independent, black-owned and -managed Cape Town based company, whose name means 'new beginnings' in Swahili. In the aftermath of the 2008/09 global financial crisis, the founder, Luvo Tyandela, envisioned creating an investment business with the best people, state-of-the-art systems and an enabling environment for staff to apply themselves to investment, while thriving both professionally and personally.

Dedicated professionals handle all non-investment functions and their associated risks, allowing the investment team to remain focused on investment analysis and portfolio management.

In 2013, Mianzo became a signatory to the UN Principles of Responsible Investing. Its first portfolios were absolute return and index tracking mandates and shortly thereafter, equity portfolios were added. According to the 2020 BEE.economics survey, the company ranked 13 out of 51 black-owned asset management firms in terms of the size of AuM.

In April 2014, the PIC included Mianzo in its developmental manager programme, awarding it an initial investment mandate of R500 million that enabled it to grow its team from five investment professionals to the current staff of 15, all from previously disadvantaged backgrounds. AuM grew from R2.1 billion in 2014 to more than R10 billion currently.

"The foresight of asset owners and their confidence in us, with the support of industry captains such as the PIC, prompted other big institutional clients to follow suit and Mianzo started gaining traction and expanding," says Tyandela.

In December 2019, the PIC promoted Mianzo from the "developing manager platform" to its mainstream of investment management firms, with an additional R900 million allocation. Similar incubation programmes upgraded the company to mainstream manager status and today, it has a diversified client base with 25 institutional mandates. In 2021, Mianzo was nominated to participate in the Emerging Manager Forum Europe showcasing emerging managers.

In 2020, its 10th year of operation, Mianzo launched its retail unit trust offerings to make investing affordable and accessible to all. The platform now has a R100 million AuM spread across a number of institutional and retail clients. In June 2021, an institutional client added a further R40 million.

The Mianzo core team has remained in place since inception, with Thembeke Sobekwa also having been involved in setting up the platforms and processes and now managing certain active equity portfolios and index-tracking funds. Mark Lamohr, an experienced portfolio manager, was appointed head of equities in 2013 and Mohamed Loonat, a seasoned portfolio manager who previously worked with both Mark and Luvo at Abvest and Associates, joined the investment team in 2018.

"MIANZO ASCRIBES TO A QUALITY-VALUE INVESTMENT PHILOSOPHY, WITH EMPHASIS ON QUALITY," Tyandela explains.

"We have a contrarian value style that is benchmark cognisant. ESG is crucial and we create portfolios with a higher-than-benchmark ESG score.

"Ours is a continuously learning organisation that brings in new talent and is committed to upskilling team members, which has delivered excellent results and nurtured a culture of commitment and success.

"We understand that the road is long and our journey is still in its infancy, but we are always focused on the way ahead. As the saying goes, 'well begun is half done'."

ENVIRONMENT, SOCIAL AND GOVERNANCE – LISTED PORTFOLIO

The PIC's long-standing commitment to responsible investing and environment, social and governance (ESG) matters is demonstrated by its active participation in the United Nations Principles for Responsible Investing, the UN Global Compact and its endorsement and support for both the Code for Responsible Investing SA (CRISA) and the Sustainable Development Goals (SDGs). As the PIC celebrates its milestone anniversary of 110 years, it places greater emphasis on ESG integration into its investment processes in what is now termed 'the new normal'.

The COVID-19 Pandemic

As with many institutions globally, the PIC had to adjust to the COVID-19 pandemic, shifting somewhat from the 'standard' response to investee companies, to a more agile and innovative approach.

The proxy voting policy was reconsidered to alleviate liquidity pressures and the threshold was increased for a general authority to place control for authorised but unissued ordinary

shares with the directors. Directors were also given authority to issue shares for cash from 5% to 10%, considering each investee's resolutions individually, while carefully assessing how the interests of shareholders could be best served. The change was approved until 30 June 2021.

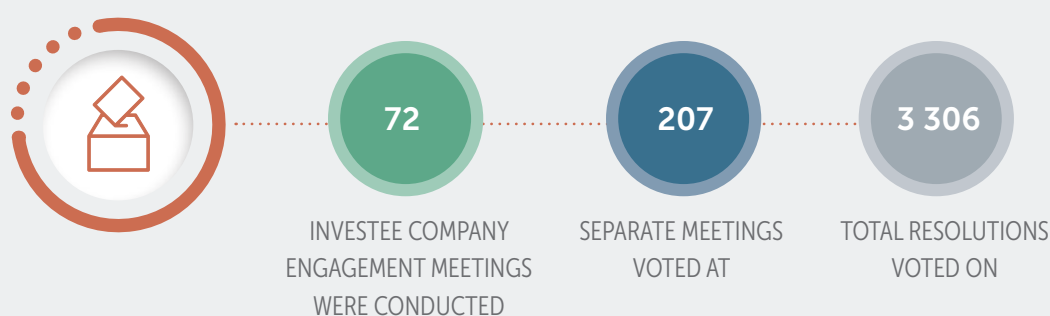
Active Ownership

The PIC is proud of the stewardship of its active ownership model, which includes:

- Proxy voting – exercising voting rights as a shareholder in investee companies; and
- Regular engagements with leaders of investee companies.

The PIC engages with investee companies and votes at all investee company meetings. In line with its proxy voting policies and guidelines, it votes in a consistent, independent and responsible manner, conveying its views on investee companies' corporate governance practices.

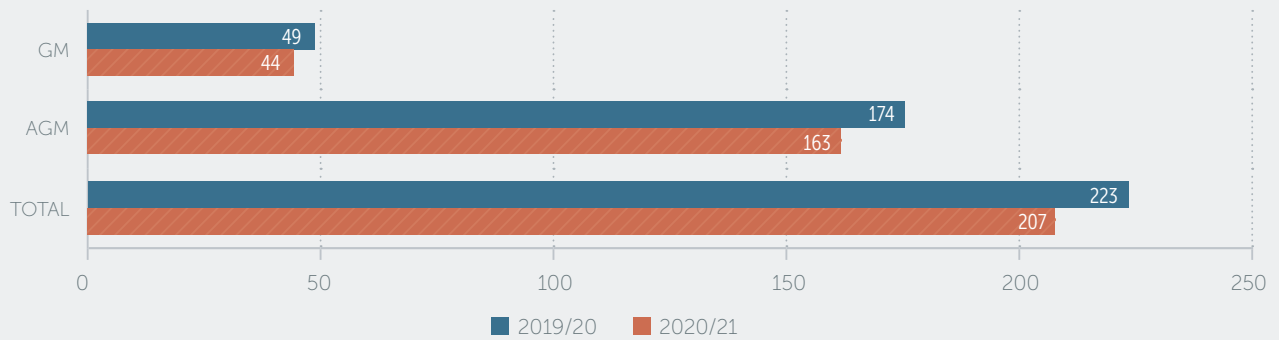
BELOW IS A SUMMARY OF VOTING FOR THE PERIOD ENDING 31 MARCH 2021



Analysis of Meetings per Meeting Type

The following graphical illustrations provide a summary of the meetings held during the financial year with a focus on the types of meetings held.

TOTAL MEETING VOTED WERE 223 IN 2020/21



Analysis of meetings

There were fewer meetings in 2021 than in 2020 due to the COVID-19 pandemic. This also shows in the types of meetings held year-on-year – general meeting numbers decreased marginally by 11% and annual general meetings numbers by 7%.

VOTING SUMMARY PER SECTOR FOR THE 2020/21 FINANCIAL YEAR

| | MEETINGS | ANNUAL GENERAL MEETING | GENERAL MEETING | RESOLUTIONS | FOR | AGAINST | ABSTAIN |
|---------------------|------------|------------------------|-----------------|--------------|--------------|------------|----------|
| Banking | 9 | 7 | 2 | 150 | 135 | 15 | 0 |
| Chemicals | 4 | 2 | 2 | 48 | 47 | 1 | 0 |
| Consumer | 43 | 31 | 12 | 651 | 548 | 102 | 1 |
| Financial services | 9 | 9 | 0 | 203 | 176 | 27 | 0 |
| Healthcare | 7 | 7 | 0 | 128 | 120 | 8 | 0 |
| Industrials | 27 | 24 | 3 | 521 | 455 | 66 | 0 |
| Insurance | 7 | 5 | 2 | 141 | 130 | 11 | 0 |
| Investment services | 22 | 14 | 8 | 259 | 217 | 42 | 0 |
| Property | 38 | 32 | 6 | 640 | 586 | 53 | 1 |
| Resources | 34 | 26 | 8 | 449 | 422 | 27 | 0 |
| Telecommunications | 7 | 6 | 1 | 116 | 88 | 28 | 0 |
| TOTALS | 207 | 163 | 44 | 3,306 | 2,924 | 380 | 2 |

The most voted-against resolutions for the year based on the PIC's ESG Listed Voting Policy were remuneration policies (18%), remuneration implementation reports (18%), the reappointment of auditors (17%) and the appointment of Audit Committee members – this follows the trend of previous financial years.

The two abstentions were for the following investee companies:

Investec Australia Property Fund

The proposal to adopt the issue of units for cash under the Australian Listing Requirements was a resolution specifically for Australian-based shareholders in line with the Australian laws.

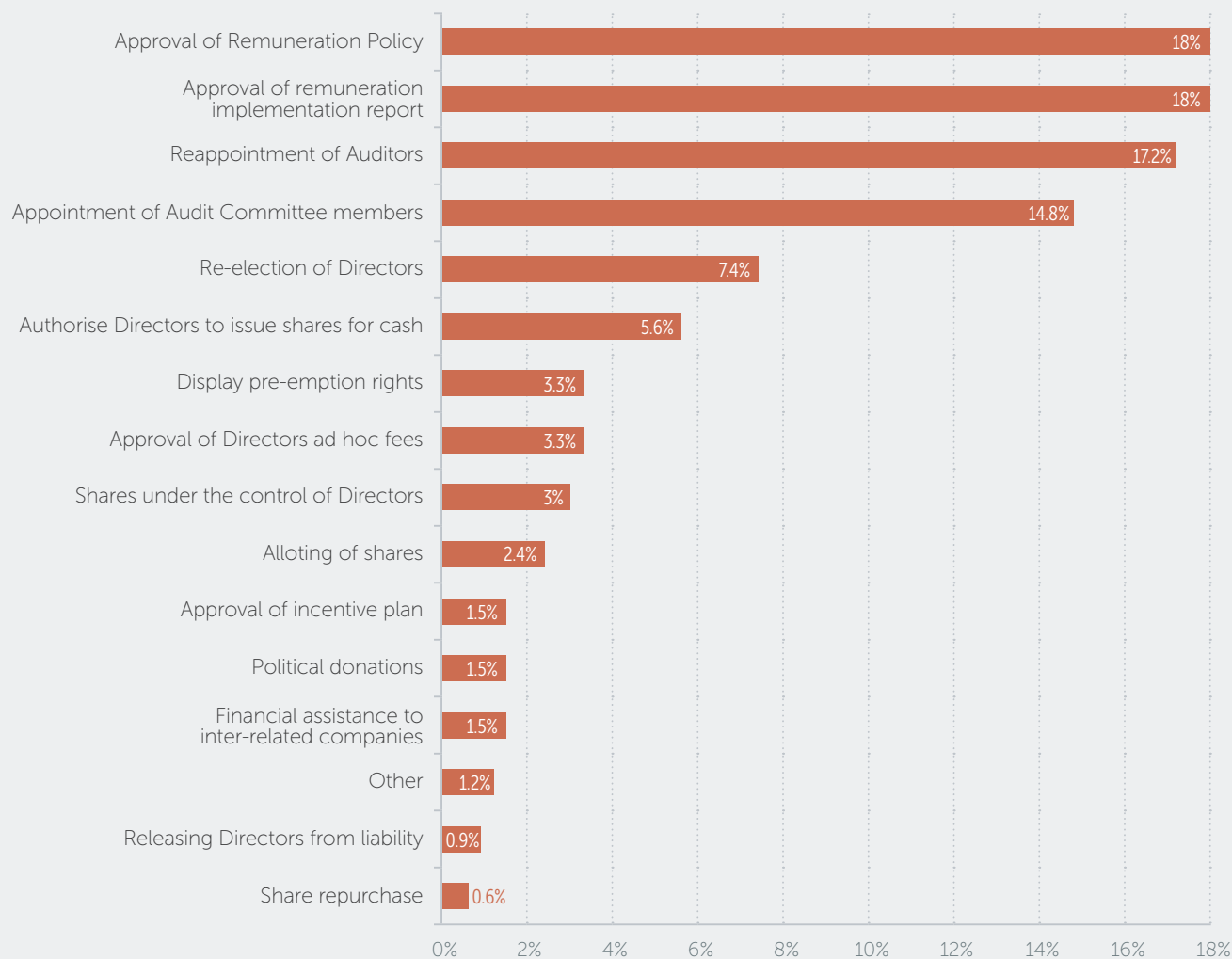
Steinhoff International Holdings NV

The proposal to adopt the annual accounts for the financial year ended 30 September 2019 – the PIC abstained because there is concern about the extent of uncertainty highlighted in the financial statements, and the nature of the audit opinion provided by the external auditor. The uncertainty is as a result of currently unresolved issues (mostly relating to litigation and tax) that relate to prior years.

Breakdown of Against Votes

The graphical illustration below shows the specific against votes exercised across the investee companies' universe.

BREAKDOWN AGAINST VOTES



Resolutions voted against across all sectors

The PIC noted alignment in voting with other shareholders for remuneration policy resolutions and the remuneration implementation report. This resulted in the resolutions not carrying the requisite vote, forcing investee companies to engage with shareholders on Principle 14 of the King IV Report, which states: ‘A non-binding advisory vote is aimed at providing an opportunity for shareholders to influence the governing body’s perspective on remuneration matters. In the event that either the remuneration policy or the implementation report, or both, were voted against by 25% or more of the voting rights exercised, the investee company is obliged to engage with shareholders to ascertain the reasons for dissenting votes; and to disclose the nature of the steps taken to address the legitimate and reasonable objections and concerns raised by those shareholders.’

Engagements

The PIC’s ESG Listed team, in partnership with the investment teams, met with Boards and management of investee companies during the review year. There were 74 investee company engagements in 2020/21 compared to 108 the year before.

In 2021, PIC engagements across all sectors were driven largely by remuneration policy and the remuneration implementation plan, Board composition (independence, Board and Board subcommittee composition and Board diversity) and general corporate governance (matters that impact on good governance in investee companies).

MOST COMMON ENGAGEMENT THEMES ACROSS PILLARS FOR FINANCIAL YEAR 2021



The PIC continues to see an impact in its engagements coming through active ownership in proxy voting, with the alignment in voting with other shareholders resulting in some of the resolutions not carrying the requisite vote.

The PIC engaged investee companies as per the ESG Strategy of Active Ownership. Specific controversial engagements were with African Bank, Clicks, Old Mutual and Unilever.

The CEOs of African Bank and Old Mutual left without completing their terms of office. Their departures sparked a serious governance debate over the roles responsibilities and interactions between the Board of directors, the chairperson, the CEO and the executives.

Clicks posted an advert as part of a campaign by TRESemmé, which presented a black woman's hair as "dry" and "damaged" and that of a white woman as "fine" and "flat". TRESemmé is product of Unilever and sold by Clicks.

The PIC drew some serious lessons from these unfortunate circumstances. These are listed hereunder:

I. INVESTEE COMPANIES SHOULD MANAGE CONFLICTS OF INTERESTS

Conflicts that are real, potential or perceived should be carefully managed to safeguard directors' and companies' reputation and guard against value destruction.

II. THERE SHOULD BE A PROPER BALANCE OF POWER ON THE BOARD

Good governance requires a balance of power between the chairperson and non-executive directors. Directors should step up to their fiduciary responsibilities and exercise their duties without fear or favour of dominant personalities within the Board. Effective chairpersons enable the Board as a whole to make decisions rather than dominating the group process.

III. TRANSFORMATION IS A BUSINESS IMPERATIVE

The PIC in its engagements with the companies highlighted the need for investee companies to give preference to HDIs in all company appointments with specific reference to CEOs and CFOs to reflect the demographics of the country. Gender and racial diversity will remain the PIC's focal area of engagement. The mismatch in demographics implies either a lack of progression of black candidates within the management pipeline or an inability of companies to put together roadmaps aimed at ensuring that their demographics are indicative of some correlation with the national picture. In pursuit of fighting the systemic inequality companies need to ensure that their demographics are reflective of the society's status quo. The Board of Directors should ensure that companies echo the diversity of the nation, employees and consumer base.

The PIC will always advocate transformation at all levels of employment. Companies should be catalysts in demonstrating the appropriate redress measures in areas of age, gender, disability and racial diversity.

IV. COMPANIES SHOULD CREATE VALUE FOR SHAREHOLDERS

The PIC saw the experiences as a clear demonstration of the correlation between shareholder value creation and the quality of corporate governance at the companies in which it invests. The PIC will continue to strive to further integrate ESG assessment outcomes (especially governance) into their investment processes.

V. SUCCESSION PLANNING IS KEY FOR BUSINESS CONTINUITY

Maintaining credible succession planning for key leadership positions in an organisation will help Boards to respond quickly to unanticipated departures and manage the often-lengthier process of "pre-announced" departures. A change in culture or strategy is required in the interest of preserving organisational and cultural alignment, identifying and developing an internal successor candidate who is already aligned with organisational strategy, culture and growth could be beneficial to the company. Moreover, internal candidates may provide stability and continuity of knowledge, which may prove to be invaluable in times of extreme change.

VI. STAKEHOLDER MANAGEMENT STRATEGY IS KEY TO IMPROVING RELATIONSHIPS WITH STAKEHOLDERS

Companies should develop policies to oversee the management of stakeholder relationships, including the management of stakeholder risk and formal mechanisms for engagement. Failure to manage risks undermines the company's reputation and destroys value.

Responsible Investing Engagements in a COVID-19 Crisis Environment

Several engagements were held to discuss COVID-19 risk mitigation as investee companies battled to ensure sustainability in the interests of long-term economic performance. The pandemic had a significant impact on remuneration, with companies having to compensate executives despite lockdown-impaired performance while ensuring that employee pay was minimally affected.

The pandemic focused attention on social issues such as emerging labour practices. The precariousness of work was exposed, with workers left critically vulnerable by the economic downturn.

Disability was also in the spotlight. While always of serious concern, equal opportunity and skills development for people with disabilities have not always received the attention that gender and race equity have. An ESG focus ensures that disability is on the agenda as a transformation imperative.

While climate change and other environmental impacts results in an increase in the tabling of resolutions by listed companies, the PIC continues to strengthen its advocacy role. Engagements with sectors such as banking and extractives are opportunities for the Corporation to reinforce climate change as a concern and a fixed agenda item.

Labour management is an enduringly important issue for companies, particularly in retail, where labour disputes have been noted on pay structures for lower-scale employees.

To charter a decisive and sustainable way forward, the PIC will deepen and widen its research and engage on pressing issues and areas such as age, climate change, including other environmental impacting issues, disability, gender, racial diversity, succession planning and transformation.

UNLISTED INVESTMENTS PORTFOLIO

The Unlisted Investments portfolio comprises Impact Investing; Private Equity and Structured Investment Products; Fund of Funds and Co-investments; and excludes Property. These investments seek to earn good financial returns, while supporting positive, long-term economic, social, transformative and environmental sustainability outcomes in South Africa and the rest of the African continent.

About Impact Investing

The Impact Investing portfolio provides loan and equity funding to new and established companies wishing to start, preserve and/or expand their operations. The portfolio seeks to diversify by sector, stage of development and asset class. The funds create new capacity while balancing the portfolio with brownfield opportunities, which retain existing capacity and jobs.

Key sectors of focus are economic, environmental and social infrastructure, energy, small and medium enterprises, and priority sectors that create higher numbers of jobs, such as agriculture, tourism, manufacturing and mining beneficiation.

About Private Equity and Structured Investment Products

The Private Equity portfolio invests in companies that can generate good financial returns and promote transformation. The PIC invests funds in well-managed businesses with established business models, poised for regional and national growth. The funds are sector agnostic and pursue areas with attractive growth trajectories, including consumer goods and services, resources and infrastructure services, financial services and industrials.

The Structured Investment Product portfolio seeks to promote transformation of key industries through instruments that optimise returns while minimising risk of capital loss. This has been done primarily through facilitating black shareholding in listed assets. We are currently not making new investments in this portfolio pending review of the programme by PIC clients.

About Fund Of Funds and Co-investments (FoF)

The Fund of Funds and Co-investment division was created to implement the indirect investment strategy of the PIC. Mandates from the PIC's clients inform FoF's strategy and investment activities. FoF aims to generate sustainable risk-adjusted alpha over the long term.

The PIC selects a diversified portfolio of fund managers mainly in South Africa and sub-Saharan Africa to achieve its investment objectives. The selection of fund managers will have a bias towards transformed fund managers that extend the reach of the PIC's investment strategy. FoF invests in equity and mezzanine funds in real estate, impact investments and private equity.

FoF invests indirectly through established, developmental and hybrid fund managers that meet and comply with the investment strategy and transformation requirements of the PIC.

The objective of FoF is to enable participation in the expected outperformance of an active investment management strategy and expose the PIC to proprietary deal flow in Private Equity and Impact Investing in South Africa and the rest of the African continent. The FoF value proposition includes the extension of reach of the PIC strategy; transformation and anchoring of black fund managers; access to market intelligence; portfolio diversification; and access to specialised fields with specialised skills.

Portfolio Performance

As expected, the impact of COVID-19 was much more significant in the current year than the previous year. Our general approach was to support our investee companies throughout the pandemic. Most requests were for payment holidays, extension of loan tenures, waivers of covenant breaches, among other requests. We also received requests for further cash investment to keep investee companies afloat.

Approvals during the review year totalled R853 million, a decrease of 87% from the R6.55 billion of 2019/20 and 72% below the 2020/21 approval target. The underperformance was mainly due to a depressed economic environment (including COVID-19), changes within internal approval processes and focus on the existing portfolio. In addition, significant effort has been spent on implementing the recommendations of the Mpati Commission, which required development, review and enhancement of the investment policies, processes and procedures. Disbursements amounted to R5.7 billion, a decrease of 47.7% from the R10.9 billion in 2019/20. The portfolio value increased slightly by 10.32% to R81.5 billion (2019/20: R73.9 billion). Performance remains subdued, with an internal rate of return of 2.78% against the end-of-fund life internal rate of return of 8%.

Notable Transactions during 2020/21

Shielded through Investment

A R581 million equity investment was approved to allow Project Shield to invest in a diversified business services, food and agriculture platform. Through the consolidation of selected assets, the platform will include entities that provide food and integrated business services; and a producer, marketer and distributor of staple milled maize products. The platform will also include an integrated fresh leaves farming, processing and distribution business; a leading fresh produce marketing agency; and a producer, marketer, distributor and exporter of citrus fruit and grapes. As at the reporting date, the transaction had not reached financial close.

Funds not Going to Waste

The PIC approved an investment of R190 million in Bio2Watt (B2W), (Pty) Ltd. B2W is a black-owned developer and operator of waste-to-energy plants, founded in 2007, which operates the first industrial-scale waste-to-energy facility in Africa. The Bronkhorstspuit Biogas Plant (Pty) Ltd (BBP) can generate 4.6MW of power from waste, using anaerobic digestion technology. B2W approached the PIC to fund its expansion of BBP from 4.6MW to 7.2MW, which will deflect 500 tons of waste from landfills and facilitate the exit of current minority shareholders. As at the reporting date, the transaction had not reached financial close.



SMALL BUSINESS WITH A BIG IMPACT

Business Partners started life in 1981 as the Small Business Development Corporation, focused on nurturing and supporting entrepreneurship by providing small business owners with finance, mentorship, technical assistance and affordable business premises.



The PIC, on behalf of the GEPPF, extended a 10-year term loan facility of R400 million to the company in 2012, accelerating its strategic plan and enabling it to assist 71 615 small and medium enterprises with amounts ranging from R500 000 to R50 million, which collectively created almost 650 000 jobs. Nine years after disbursing the PIC loan funding, R2.273 billion has been deployed to black-owned SMEs, broken down as follows: R1.408 billion to black-owned SMEs, R684 million to black women-owned SMEs, and R181 million to black youth-owned SMEs.

The company has continuously developed and enhanced its successful model of best-of-breed business processes, supported by considerable institutional knowledge to deliver risk finance to small and medium owner-managed businesses.

Since inception, and with the PIC's help, Business Partners has approved more than R20 billion in development funding, consistently demonstrating a sound and strong balance sheet, and delivering growth and returns to its investors. The Global SME Finance Awards named the company the 2019 gold winner in the category SME Bank of the Year – Africa.

Noteworthy projects include the Sukuma Relief Programme, on behalf of Remgro Limited and the Rupert family, and its own COVID-19 client relief programme post the company's 31 March 2020 year-end, through which it disbursed funds to hundreds of businesses, while adjusting to working remotely.

Business Partners' proven South African business model has been successfully tested and deployed in eastern and southern African countries such as Kenya, Malawi, Namibia, Rwanda, Uganda and Zambia, where the company now has established operations.



INVESTING IN CRUCIAL ROAD INFRASTRUCTURE

BPCC – N4 PRETORIA TO BOTSWANA

Cape Town-based South African Toll Road Company (SATRC) holds investments in infrastructure and infrastructure-related assets. It owns 100% of Infrastructure Concessions South Africa (ICSA), which has a direct holding of 82.68% in Bakwena Platinum Corridor Concessionaire Proprietary Limited (BPCC).



BPCC – N4 Pretoria to Botswana

On 4 October 2000, BPCC entered into a 30-year concession contract with the South African National Roads Agency (SANRAL) for the design, construction, commissioning, rehabilitation, financing, operation, maintenance and the construction of toll plazas, buildings and other facilities on a portion of the national route (N1), from Pretoria (the Proefplaas interchange) northwards to Bela-Bela. It also includes the portion of national route (N4) from Pretoria (the Kameeldrift interchange) westwards to the Botswana border. The BPCC concession contract became effective in 2001, with ramps and mainline plazas coming into operation in 2003.

In August 2001, the PIC invested about R445 million into BPCC on behalf of the GEPPF, resulting in an equity holding of 8.42% in the company. In July 2016, the PIC further invested about R751 million for an equity holding of 22.07% in SATRC, held equally by its two clients, the GEPPF and the UIF.

The travel and tourism sectors were significantly impacted by the COVID-19 pandemic, but BPCC traffic volumes were slightly above budget over the last financial year ending December 2020 on the back of the easing of lockdown regulations.

N3TC – N3 JOHANNESBURG TO DURBAN



N3TC – N3 Johannesburg to Durban

In November 1999, N3 Toll Concession (N3TC) entered into a 30-year toll road concession contract with SANRAL to manage a 415km section of the N3 transport corridor, known as the N3 toll route, which starts at Cedara interchange in KwaZulu-Natal and ends at Heidelberg South interchange in Gauteng.

In November 1999, the PIC invested about R372 million in N3TC on behalf of the GEPF for a 10.42% equity holding. This was increased when the PIC further invested about R362 million in July 2016 equally on behalf of the GEPF and the UIF, resulting in an increased approximate equity holding of 18.21% for the GEPF and 7.79% for the UIF.

The pandemic had a material impact on N3TC, with traffic volumes behind budget for the last financial year although higher than the prior corresponding period. Both light- and heavy-vehicle traffic volumes were negatively impacted, although heavy vehicles to a lesser extent due to essential services and trade haulage allowed to continue.

TRAC – N4 PRETORIA TO MAPUTO



TRAC – N4 Pretoria to Maputo

The Trans-African Concession Company (TRAC), established in 1999, is a 30-year concessionaire responsible for the 570km N4 toll road between Solomon Mahlangu Drive interchange in Tshwane, Gauteng, and the Maputo Port in Mozambique. The company was awarded this first major toll road concession in southern Africa by a joint venture between South Africa and Mozambique.

In 2015, the PIC formed a consortium with the African Finance Corporation and Stanlib Asset Management to participate in the sale of the South Africa Infrastructure Fund to maintain exposure to the underlying assets, one of which was TRAC. Through the sale, completed in July 2016, the PIC invested about R882 million on behalf of both GEPF and UIF equally, to acquire an equity stake of approximately 24.68% in TRAC.

As at December 2020, year-to-date traffic volumes were above budget for both light- and heavy vehicles due to the easing of lockdown regulations.



PLOUGHING DOLLARS INTO FERTILISED GROUND

In 2016, the PIC invested USD193 million, on behalf of the GEPF, to acquire a 49% direct holding in Export Trading Group Inputs Holdco Limited (EIHL), a subsidiary of the Export Trading Group Limited (ETG). The investment fell on fertile ground. In 2019, the GEPF further invested USD19.6 million. The company is headquartered in Dubai with its operations in more than 21 countries in the African continent.



EIHL's liquid fertiliser plant is located in Endicott, South Africa, producing enhanced efficiency liquid fertilisers for the local market



EIHL samples and analyses the soil for each of its customers in order to provide accurate advice on fertiliser applications

EIHL imports and processes fertilisers to supply farmers throughout Africa and other parts of the world. The company has employed a team of agronomists that advises on the appropriate fertiliser formulations to suit specific crop and climate conditions. EIHL also supplies seeds, agro-chemicals and agronomic services, while also buying the farmers' output. EIHL operates more than 300 warehouses and distribution centres and currently employs 5 206 people in and out of season.

The investment offers the PIC a strategic relationship with partners who are close and familiar with the challenging environment and conditions on the African continent.

The acquisition has provided a well-established infrastructure and logistical network that can be used by other PIC portfolio companies and interested South African companies to sell their agricultural produce across the continent, thus promoting intra- and inter-regional trade.

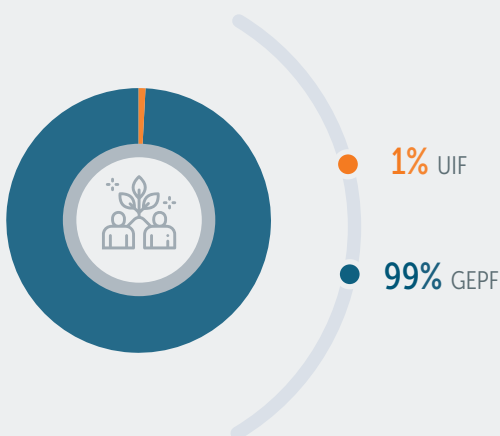
EIHL continues to strive for the following for its operations across the value chain – improving yields, providing employment and area development through agricultural activities. The operations impact an extensive network of more than 3 000 small-scale farmers in the African region yearly. Testament to its sheer size and reach, the business now provides product training and farming operational and management know-how training.

UNLISTED PROPERTIES OVERVIEW

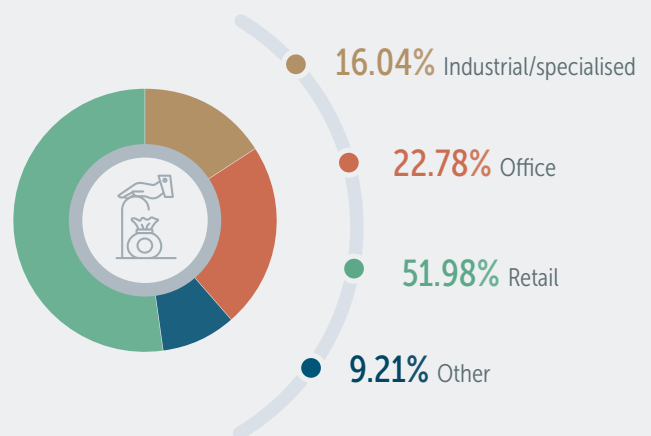
The PIC, on behalf of its clients the GEPF, UIF and CC, is mandated to invest in unlisted property. This portfolio comprises directly and indirectly held investments, accounting for R43.37 billion in assets. The portfolio is made up of domestic and rest of Africa investments that include notable investments such as Pareto, V&A Waterfront, Arch Property Fund and Gateway Real Estate Africa.

In addition, given its development mandate, the PIC, on behalf of its clients, has invested alongside other property developers to roll out 10 000 student beds, about 1 500 of which will be ready by the second half of 2021/22.

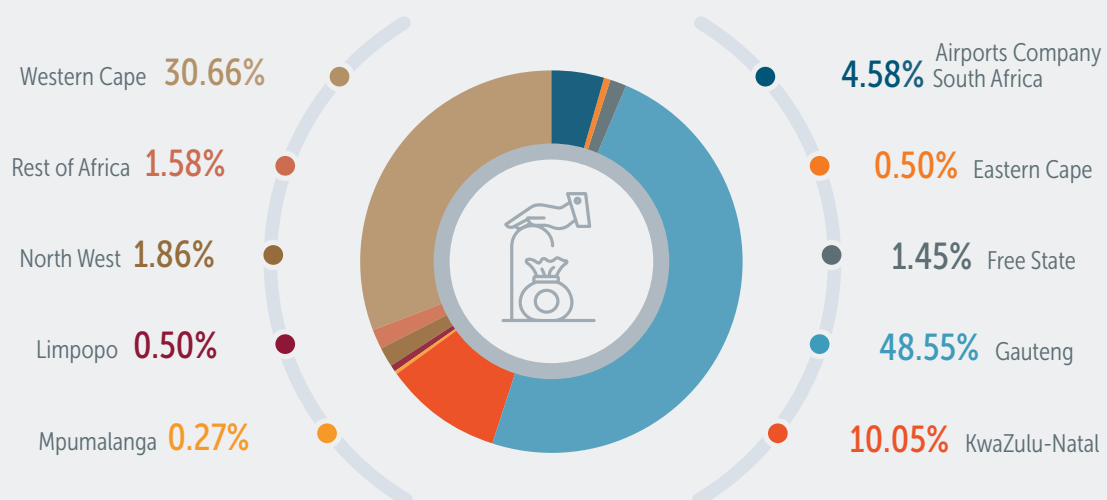
CLIENT SPLIT BY MARKET VALUE



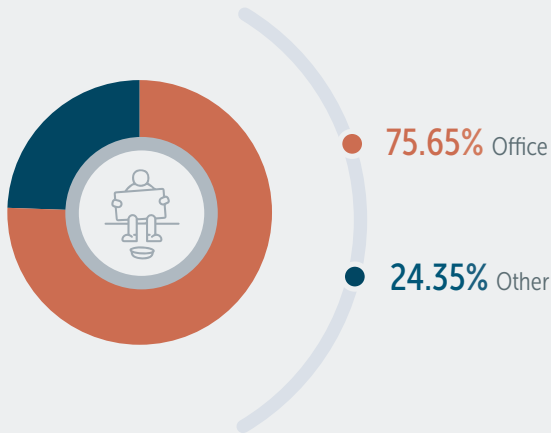
PROPERTY SECTOR SPLIT BY MARKET VALUE – GEPF



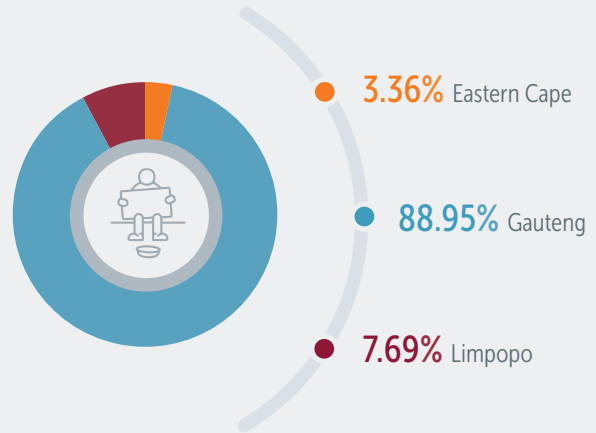
PROPERTY GEOGRAPHICAL SPLIT BY MARKET VALUE – GEPF



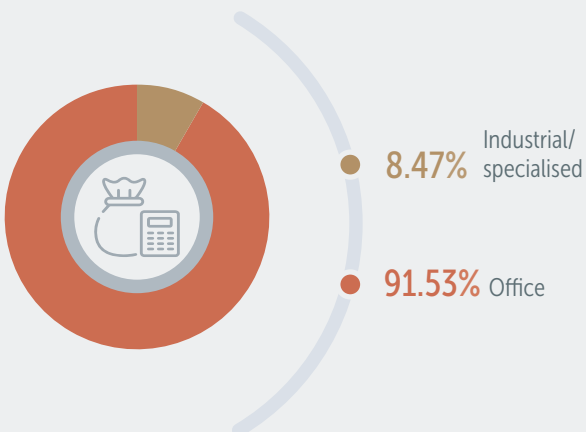
PROPERTY SECTOR SPLIT BY MARKET VALUE – UIF



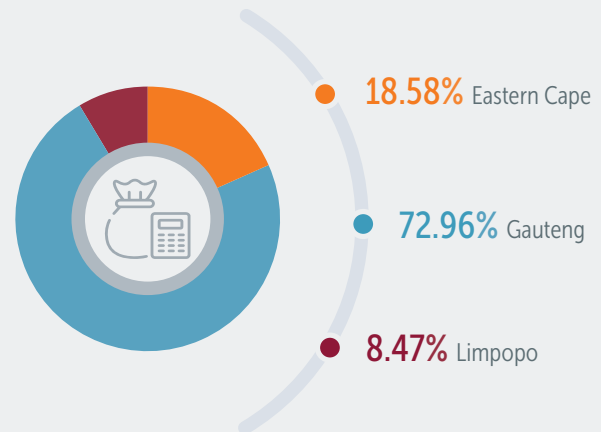
PROPERTY GEOGRAPHICAL SPLIT BY MARKET VALUE – UIF



PROPERTY SECTOR SPLIT BY MARKET VALUE – CC



PROPERTY GEOGRAPHICAL SPLIT BY MARKET VALUE – CC



UNLISTED PROPERTY PORTFOLIO PERFORMANCE OVERVIEW

The 2020/21 financial year started with an ailing economy, a level 5 COVID-19 lockdown and a Moody's downgrade. The property investment market recorded its first negative return in 25 years, according to the MSCI Real Estate Index, with total and capital returns of -3.0% and -9.6% respectively, for the All Property Index.

The pandemic halted real estate patron mobility, reduced occupational density and decreased the capital values of assets, resulting in increased vacancies, depressed rental growth, increased landlord concessions and shorter lease terms.

The retail sector's performance was mixed, with super-regional shopping centres recording -9.6% total return and neighbourhood shopping centres showing positive returns of 1.6%. The highest returns were seen in the township retail segment, at 5.6%.

Unsurprisingly, the office sector suffered, while warehousing and distribution centres recorded positive returns of 2.2% and 5.1% respectively. The hotel sector was the worst hit, with a -10.7% return.

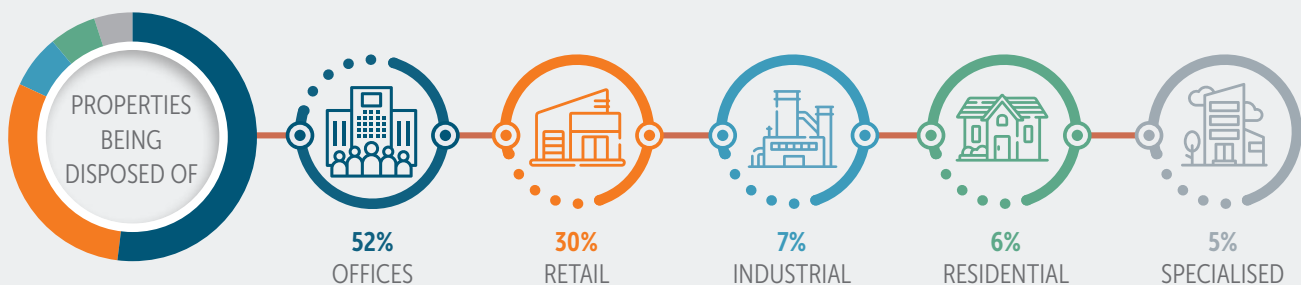
Indirectly held investments constitute 66% of the PIC Unlisted Properties Portfolio and have historically outperformed their Consumer Price Index plus 500 basis point benchmark. The portfolio comprises prime super-regional shopping centres

and large precincts in core metropolitan markets. These investments have performed well due to their dominance in their local markets, their mixed-use nature and the exposure to tourism. However, the impact of COVID-19 on travel and tourism has adversely impacted the portfolio. Smaller suburban retail centres, by contrast, have not suffered as much.

The Directly Held Portfolio was not as severely impacted, because its retail assets are smaller, there are more industrial assets and the portfolio includes emerging sectors such as student accommodation. Certain approved developments were, however, stalled as fresh underwriting is needed in the current market circumstances.

The Directly Held Portfolio is disposing of 70 properties in response to changing functional requirements of buildings and popularity of nodes and to align relative to the benchmark. The innovative use of an online platform, which includes blockchain technology to ensure a fair and auditable process, is a first in South Africa. The technology is being used to secure the client's private data during the transaction, ensuring compliance with laws and global best practice.

The quality of marketing material (professional photos and drone videos) and information (investment memorandums and due diligence information) is ensuring lowest risk for investors to secure best prices for the client.



As a result of the COVID-19 pandemic, the PIC and its investee companies provided rental concessions to their tenants to sustain them through the hard lockdown (March to June 2020) where non-essential services businesses were prohibited from trading, among other strict regulations. For the financial year ended 31 March 2021, about R1.5 billion was provided in rental discounts, with the highest discounts offered in the retail and office sectors due to non-essential retail tenants not operating at all and some office tenants suffering due to the ailing economy. Recovery to pre-COVID levels is expected to be long and gradual, and dependent on an effective vaccine rollout programme.


 PORTFOLIO HIGHLIGHTS


GATEWAY REAL ESTATE AFRICA is close to completing the USD21 million **METROPLEX SHOPPING MALL** redevelopment in Kampala, Uganda, with 13 000m² of gross lettable area.



THE V&A WATERFRONT, partnering with National Treasury's Jobs Fund, launched the R63 million **MAKERS LANDING**. The project entailed the conversion of a 3 000m² warehouse into a fresh food market and a kitchen incubator, which gives food entrepreneurs access to space, mentorship, guidance and skills needed to become the next award-winning food businesses.



THE RIDGE, in the V&A Waterfront precinct, is a landmark 8 500m² commercial office development custom-designed for Deloitte. The development was recognised by the Green Building Council of South Africa, and features several firsts in South Africa commercial building design.



MENLYN MAINE INVESTMENT HOLDINGS completed the P-Grade Park Lane West commercial office building in June 2020, bringing the Menlyn Maine precinct closer to completion. Another notable development in the precinct is the **GROWTHPOINT CINTOCARE HOSPITAL**, the first African healthcare facility recognised for its sustainability achievements. The hospital was awarded a five-star green star rating for custom healthcare design.



Construction of the 352-bed **FREDERICK STREET**, Pretoria West, and 1 047-bed **ELLIS PARK STUDENT VILLAGE** student accommodation buildings is progressing well despite COVID-19-related delays and should be completed in the second half of 2021.



Emerging African Property Partners acquired **MAKRO CAPE GATE**, an 18 356m² retail warehouse design, and **ONELOGIX PROPERTIES**, which encompasses a state-of-the-art transport logistics facility and a 541 000m² tract of land (hardstand) and 10 861m² in office, warehouse and ancillary gross lettable area.

Impact of Community Unrest on PIC Developments

There has been a significant increase in site invasions, which have unfortunately been led by what can be described as a construction mafia. These are groups of individuals who believe themselves to be legitimate agents of 'radical economic transformation'. On the contrary, their approach has included rampant elements of criminality, which in many instances have overshadowed the genuine needs of local communities that seek real opportunities.

The result of this orchestrated unrest is that numerous construction and infrastructure projects nationwide, valued at billions of Rands, have been hindered.

While state infrastructure projects have been worst affected, private sector projects have not been immune to this phenomenon, nor have property investments of the PIC.

In response to incidents at Gauteng and North West-based developments, and in anticipation of further disruptions, the PIC has increased its community and stakeholder engagement activities and has included, as part of the formal process, the services of community participation consultants to ensure that both the needs of the PIC and local communities are adequately addressed.

Further to such stakeholder engagement, local municipalities have been involved in executing public participation processes, a move that has been well received and supported.

Community steering committees have been formed and community liaison officers appointed.

Barring isolated incidents at the Garankuwa and Kingsley developments, progress at multiple projects has not been severely disrupted.

Outlook

The outlook remains uncertain but the global experience has shown that effective vaccine rollout and containing the spread of COVID-19 have restored economic performance. However, the true financial impact on businesses in developing economies is still to be understood. The decline in mobility and economic output highlight occupational density and sustained demand for essential goods as key short-term drivers. Long-term impacts could be driven by changing behaviour linked to technology and culture.

In the light of this, commercial office and non-essential retail demand is expected to be muted, while additional demand is expected for warehousing and logistics as companies on-shore their supply chains due to the growth in e-commerce during COVID-19 lockdowns. However, global online shopping trends indicate that this is not expected to severely affect bricks-and-mortar shopping in the foreseeable future, due to lack of last-mile capabilities in emerging markets.

The fourth industrial revolution (digitisation) has gained speed. However, the attraction of real estate as an investment class globally is reflected in increased capital injections, which evidences that the sector is still growing and significant global players still have the appetite to participate in it. Careful management of current investments and judicious underwriting of future investments are important.



ACQUISITIONS ALREADY PLANNED FOR TOWNSHIP AND RURAL RETAIL AND INDUSTRIAL PROPERTIES REMAIN ATTRACTIVE IN A POST-COVID-19 INVESTMENT WORLD.



FREDERICK STREET STUDENT ACCOMMODATION

PIC Properties, on behalf of the GEPF, and in partnership with private developer Adowa Infrastructure Managers (RF) (Pty) Ltd, is currently developing Frederick Street student accommodation in Pretoria West, about 2km from Tshwane University of Technology.



The recently completed Frederick Street student accommodation (ABOVE AND BELOW)

Construction is underway of a 527 student bed campus. The first phase – 352 student beds – is due to come online fully in the 2022 academic year. The building includes amenities such as study rooms, fully furnished rooms and communal kitchens, equipped with microwaves, stoves and fridges. The building conforms to Department of Higher Education and Training minimum norms and standards for student accommodation and will also obtain Green Building Council edge certification. Labour and most materials are locally sourced.





TLHABANE SQUARE REDEVELOPMENT

Another GEPF project is the R1.04 billion Tlhabane Square in Rustenburg, North West. The site is bordered by Motsatsi and Moumo streets, the R104 Swartruggens Road and Monareng Street. It is close to Ferncrest Netcare, Curro Meridian and the existing Tlhabane police station and the magistrate's court.



Tlhabane 3D image (artist's impression at inception)

A joint venture between Ikemeleng and MMA Architects, both 100% black-owned entities, is developing a mixed-use scheme for the redevelopment, which includes a 26 000m² shopping centre, 8 256m² office building, a KFC drive-through, a BP service station, external road upgrades and refurbishment of the magistrate's court. The centre is anchored by Pick n Pay and Boxer and offers residents a safe shopping and entertainment experience.

A Wilson Bayly Homes and Trencon joint venture is the main contractor and currently employs around 750 people. The contractor uses the services of other small, emerging black-owned contractors in the area. The professional team consists of broad-based black economic empowerment consulting firms and the development is headed by a black female development manager and a black male asset manager.

Construction started in 2018 and will be completed in August 2021.



Tlhabane Mall taking shape (adjacent to the mall is the KFC drive-through and standalone Cashbuild)



Tlhabane office building (adjacent to the Curro Meridian and opposite the newly constructed mall)



CASE STUDY //

MALVERN/QUEENSBURGH PRECINCT, DURBAN (REDEVELOPMENT PROJECT)

The PIC, on behalf of the GEPF, acquired Malvern/Queensburgh Park in 2011 as part of the CBS Property Fund (Pty) Ltd portfolio acquisition. The properties are 12km south-west of the Durban CBD in eThekweni Municipality.

The precinct has three components – the 13 181m² Malvern Park centre, 1 800m² Queensburgh strip mall and 140-apartment Malvern Heights.

The strategy is to invest in expansions and upgrades to optimise returns, unlock new trading opportunities, and ensure the centres remain competitive and powerfully positioned for the future. The Queensburgh centre, currently vacant due to the state of repair, has 5 108m² of additional floor area.



The Malvern centre, which has evolved in phases, places its focus on community development, refurbishment and sustainability. It needs to revitalise its offering and address the legacy circulation fragmentation that shoppers currently experience.

The Malvern and Queensburgh sections will be merged to improve accessibility, efficiency, retail offering and flow to the existing Malvern section. The GLA will increase from 13 181m² to 18 000m².

The refurbishment includes:

- Demolition of existing ramp to make way for a 10 584m² GBA parking structure comprising 306 bays for a parking ratio of five bays/100m²;
- Replacing existing buildings with ground, first and second floor retail levels; and
- New external finishes and extensive façade upgrade.



Malvern Park centre 2020

The result will be a vibrant, well-integrated precinct, including retail and medical suites to complement the existing components.

The centre will feature a new-generation Checkers, Woolworths Food, Dischem, Clicks, Pepkor, Mr Price and strong fashion elements.

The main contractor tender was awarded to a 100% black-owned construction company, underlining the PIC's commitment to transformation in the built environment.

Building will start in June 2021, with an estimated completion date of March 2023.



Artist impression of the new redeveloped Malvern Park centre

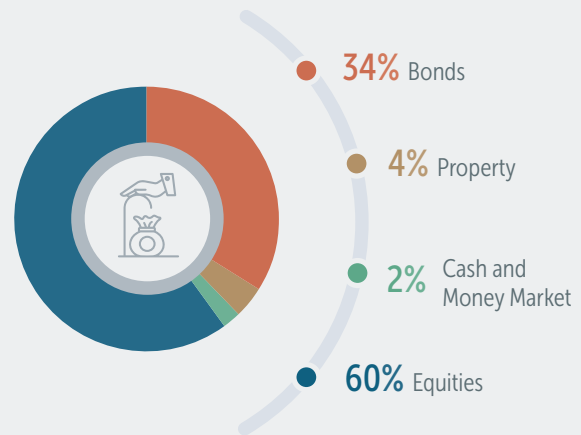
PORTFOLIO PERFORMANCE

THE GOVERNMENT EMPLOYEES PENSION FUND (GEPF)

Asset Allocation

The GEPF is the PIC's single biggest client, constituting 89.24% of assets under management (AuM), and has the most diversified asset classes of all clients. Its asset allocation comprises equities (local listed and unlisted, international and Africa equities, excluding South Africa), bonds (local listed and unlisted, and international capital markets), property (listed and unlisted), cash and money market instruments. Some investments, especially in equities, have been made through Impact Investing, Private Equity and Fund of Funds (FoF). Impact Investing, particularly on the rest of the African continent, includes infrastructure development and properties.

GEPF ASSET ALLOCATION



Performance

The GEPF AuM grew by 28% to R2.088 trillion, from R1.633 trillion in the previous financial year. The GEPF's local listed portfolio returned 35.33% against its benchmark return of 36.22%, underperforming by 0.65%. More specifically, the local listed equities returned 51.76% against the benchmark return of 52.19%, underperforming the equity sector benchmark by 0.28%. Capital markets, made up of conventional bonds and inflation linkers, returned 16.23% against a 16.91% benchmark, underperforming by 0.58%. Listed properties returned 35.22% against the benchmark of 34.44%, which exceeded sector performance by 0.58%. Money markets returned 5% against the benchmark of 4.57%, outperforming the STEFI (short-term fixed interest) index by 0.41%.

Africa listed equities returned 6.7% against the benchmark return of 10.36%, underperforming by 3.31%. Global equities outperformed by 2.65% against the benchmark, returning 29.24% against the benchmark return of 25.90%. Global bonds returned -8.48% against a benchmark return of -16.98, an outperformance of 10.23%.

| | 12 MONTHS (1 APRIL 2020 TO 31 MARCH 2021) | | | 24 MONTHS | | | 36 MONTHS | | |
|------------------------------------|--|---------------------|--------------------|----------------|---------------------|--------------------|----------------|---------------------|--------------------|
| | FUND RETURN | BENCHMARK RETURN | RELATIVE RETURN | FUND RETURN | BENCHMARK RETURN | RELATIVE RETURN | FUND RETURN | BENCHMARK RETURN | RELATIVE RETURN |
| | % | % | % | % | % | % | % | % | % |
| DOMESTIC | | | | | | | | | |
| LISTED EQUITY | 51.76 | 52.19 | -0.28 | 10.79 | 11.07 | -0.25 | 7.77 | 7.58 | 0.18 |
| Internal Equity | 51.14 | 52.19 | -0.69 | 10.55 | 11.07 | -0.47 | 7.65 | 7.58 | 0.07 |
| External Equity | 51.53 | 52.19 | -0.43 | 11.00 | 11.07 | -0.06 | 7.80 | 7.58 | 0.20 |
| LISTED PROPERTIES | 35.22 | 34.44 | 0.58 | -17.19 | -16.30 | -1.07 | -14.00 | -12.90 | -1.26 |
| Internal Listed Properties | 33.82 | 34.44 | -0.46 | -17.42 | -16.30 | -1.34 | -14.19 | -12.90 | -1.48 |
| External Listed Properties | 35.11 | 34.44 | 0.49 | -15.88 | -16.30 | 0.50 | -12.39 | -12.90 | 0.59 |
| CAPITAL MARKET | 16.23 | 16.91 | -0.58 | 6.77 | 6.03 | 0.69 | 5.03 | 4.05 | 0.95 |
| Internal Conventional Bonds | 16.16 | 16.96 | -0.68 | 7.46 | 6.51 | 0.89 | 6.67 | 5.48 | 1.12 |
| Internal Inflation-linked Bonds | 15.94 | 16.68 | -0.63 | 5.89 | 5.46 | 0.41 | 3.10 | 2.50 | 0.58 |
| External Conventional Bonds | 16.72 | 16.96 | -0.20 | 6.35 | 6.51 | -0.14 | 5.52 | 5.48 | 0.03 |
| MONEY MARKETS | 5.00 | 4.57 | 0.41 | 6.57 | 5.87 | 0.66 | 7.05 | 6.33 | 0.67 |
| Cash | 3.65 | 3.80 | -0.15 | 4.88 | 5.17 | -0.28 | 5.06 | 5.63 | -0.55 |
| TOTAL GEPF LISTED | 35.33 | 36.22 | -0.65 | 8.53 | 8.94 | -0.38 | 6.24 | 6.30 | -0.06 |
| AFRICA | | | | | | | | | |
| AFRICA LISTED EQUITY | 6.71 | 10.36 | -3.31 | -0.20 | 3.44 | -3.52 | 0.78 | 4.17 | -3.26 |
| Africa Equity – Internally managed | 7.04 | 10.36 | -3.01 | -0.09 | 3.44 | -3.41 | 0.41 | 4.08 | -3.53 |
| Africa Equity – Externally managed | 4.78 | 10.36 | -5.05 | -0.73 | 3.44 | -4.03 | 3.30 | 4.17 | -0.83 |
| AFRICA FIXED INCOME | 8.83 | | | 17.06 | | | 22.82 | | |
| INTERNATIONAL | | | | | | | | | |
| Global Equity | 29.24 | 25.90 | 2.65 | 18.55 | 16.14 | 2.08 | 20.51 | 18.47 | 1.73 |
| Global Bonds | -8.48 | -16.98 | 10.23 | 4.67 | 4.79 | -0.11 | 11.54 | 10.04 | 1.36 |

THE UNEMPLOYMENT INSURANCE FUND (UIF)

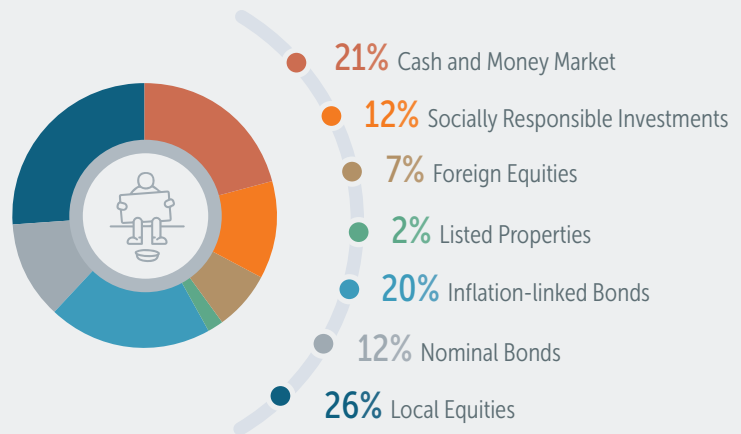
Asset Allocation

The UIF is the PIC's second largest client, with 4.96% of AuM. The Fund's asset allocation comprises inflation-linked bonds, listed equities (both local and foreign), cash and money market instruments, and Impact Investments.

Performance

The Fund's global equity returned 28.57% against the benchmark of 25.90%, outperforming it by 2.66%. Despite this, the UIF local portfolio returned 27.42% against a benchmark of 28.62%, down by 1.20%. This underperformance as well as unscheduled withdrawals to satisfy the requirements of the Temporary Employee/Employer Relief Scheme – a government intervention to compensate employees who have lost income due to the COVID-19 pandemic – reduced the fund's AuM by 24%, from R151 billion to R116 billion at 31 March 2021.

UIF ASSET ALLOCATION



| | 12 MONTHS (1 APRIL 2020 TO 31 MARCH 2021) | | | 24 MONTHS | | | 36 MONTHS | | |
|--------------------------|---|------------------|-----------------|-------------|------------------|-----------------|-------------|------------------|-----------------|
| | FUND RETURN | BENCHMARK RETURN | RELATIVE RETURN | FUND RETURN | BENCHMARK RETURN | RELATIVE RETURN | FUND RETURN | BENCHMARK RETURN | RELATIVE RETURN |
| | % | % | % | % | % | % | % | % | % |
| DOMESTIC | | | | | | | | | |
| TOTAL BONDS | 15.92 | 16.90 | -0.98 | 5.82 | 6.01 | -0.20 | 3.89 | 3.69 | 0.20 |
| Conventional | 16.43 | 16.96 | -0.53 | 6.86 | 6.51 | 0.36 | 5.92 | 5.48 | 0.44 |
| Inflation Linked | 15.98 | 16.68 | -0.71 | 5.12 | 5.46 | -0.34 | 2.19 | 2.50 | -0.32 |
| EQUITY | 54.99 | 55.22 | -0.23 | 9.30 | 9.58 | -0.28 | 5.77 | 6.04 | -0.27 |
| Internal Equity | 54.90 | 55.22 | -0.33 | 9.64 | 9.58 | 0.06 | 5.98 | 6.04 | -0.06 |
| External Equity | 54.00 | 55.22 | -1.22 | 6.78 | 9.58 | -2.80 | 4.19 | 6.04 | -1.85 |
| LISTED PROPERTIES | 35.44 | 34.44 | 1.00 | -16.77 | -16.30 | -0.48 | -13.40 | -12.90 | -0.50 |
| MONEY MARKET | 5.77 | 4.57 | 1.21 | 6.92 | 5.87 | 1.05 | 7.25 | 6.33 | 0.92 |
| TOTAL FUND | 27.42 | 28.62 | -1.20 | 8.11 | 7.06 | 1.05 | 5.51 | 4.61 | 0.90 |
| Global Equity | 28.57 | 25.90 | 2.66 | | | | | | |

COMPENSATION COMMISSIONER FUND (CC)

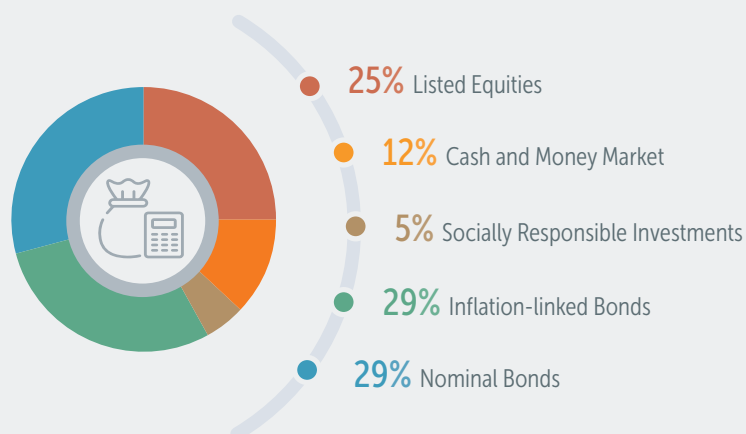
Asset Allocation

The CC is the PIC's third largest client, constituting 2.04% of AuM. Its asset allocation comprises inflation-linked bonds, nominal bonds, listed equities, cash and money market instruments, and social responsibility investments.

Performance

The Fund's AuM grew by 21%, from R39 billion to more than R47 billion. It returned 22.13% against the benchmark return of 24.86%, an underperformance of 2.73% due mainly to subdued performance of inflation-linked bonds and capital markets.

CC ASSET ALLOCATION



| | 12 MONTHS (1 APRIL 2020 TO 31 MARCH 2021) | | | 24 MONTHS | | | 36 MONTHS | | |
|--|---|------------------|-----------------|-------------|------------------|-----------------|-------------|------------------|-----------------|
| | FUND RETURN | BENCHMARK RETURN | RELATIVE RETURN | FUND RETURN | BENCHMARK RETURN | RELATIVE RETURN | FUND RETURN | BENCHMARK RETURN | RELATIVE RETURN |
| | % | % | % | % | % | % | % | % | % |
| DOMESTIC | | | | | | | | | |
| CAPITAL MARKET | 16.56 | 16.96 | -0.40 | 6.10 | 6.15 | -0.05 | 4.14 | 4.11 | 0.03 |
| Conventional | 17.10 | 16.96 | 0.15 | 7.24 | 6.51 | 0.73 | 6.04 | 5.48 | 0.55 |
| Inflation Linked | 16.20 | 16.68 | -0.48 | 5.06 | 5.46 | -0.40 | 2.10 | 2.50 | -0.40 |
| EQUITY | 51.53 | 51.51 | 0.03 | 9.60 | 9.47 | 0.13 | 6.58 | 6.37 | 0.21 |
| MONEY MARKET | 5.25 | 4.57 | 0.68 | 6.55 | 5.87 | 0.68 | 6.95 | 6.33 | 0.62 |
| TOTAL (excluding social responsibility investments) | 22.13 | 24.86 | -2.73 | 6.94 | 7.50 | -0.56 | 5.01 | 5.25 | -0.25 |

COMPENSATION COMMISSIONER PENSION FUND (CP)

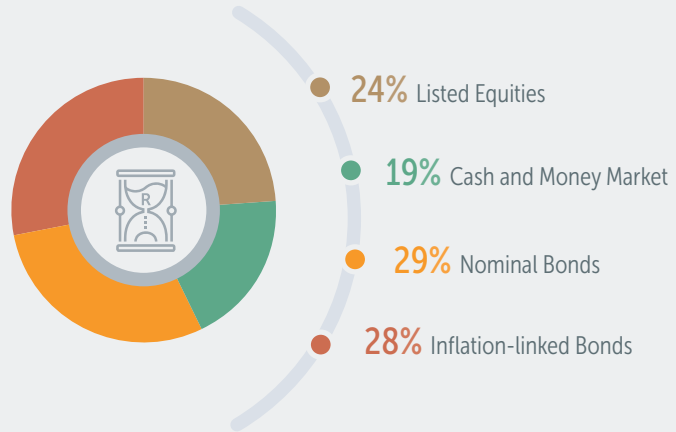
Asset Allocation

The CP is the fourth largest client, making up 1.48% of the PIC's AuM. The asset allocation comprises nominal bonds, inflation-linked bonds, listed equities and cash and money market instruments.

Performance

The Fund's AuM grew by 27%, from about R27 billion to more than R34 billion. It returned 21.46% against a benchmark of 24.73%, a 3.27% underperformance attributed largely to inflation-linked bonds.

CP ASSET ALLOCATION



| | 12 MONTHS (1 APRIL 2020 TO 31 MARCH 2021) | | | 24 MONTHS | | | 36 MONTHS | | |
|-------------------------|---|------------------|-----------------|-------------|------------------|-----------------|-------------|------------------|-----------------|
| | FUND RETURN | BENCHMARK RETURN | RELATIVE RETURN | FUND RETURN | BENCHMARK RETURN | RELATIVE RETURN | FUND RETURN | BENCHMARK RETURN | RELATIVE RETURN |
| | % | % | % | % | % | % | % | % | % |
| DOMESTIC | | | | | | | | | |
| TOTAL BONDS | 17.00 | 16.91 | 0.09 | 6.27 | 6.04 | 0.23 | 4.35 | 4.04 | 0.30 |
| Conventional | 17.33 | 16.96 | 0.37 | 7.15 | 6.51 | 0.64 | 6.14 | 5.48 | 0.66 |
| Inflation Linked | 16.30 | 16.68 | -0.39 | 5.12 | 5.46 | -0.34 | 2.29 | 2.50 | -0.21 |
| EQUITY | 51.67 | 51.51 | 0.17 | 9.67 | 9.47 | 0.20 | 6.58 | 6.37 | 0.20 |
| MONEY MARKET | 4.85 | 4.57 | 0.28 | 6.24 | 5.87 | 0.37 | 6.71 | 6.33 | 0.38 |
| TOTAL FUND | 21.46 | 24.73 | -3.27 | 7.08 | 7.21 | -0.13 | 5.35 | 5.02 | 0.33 |

ASSOCIATED INSTITUTIONS PENSION FUND (AIPF)

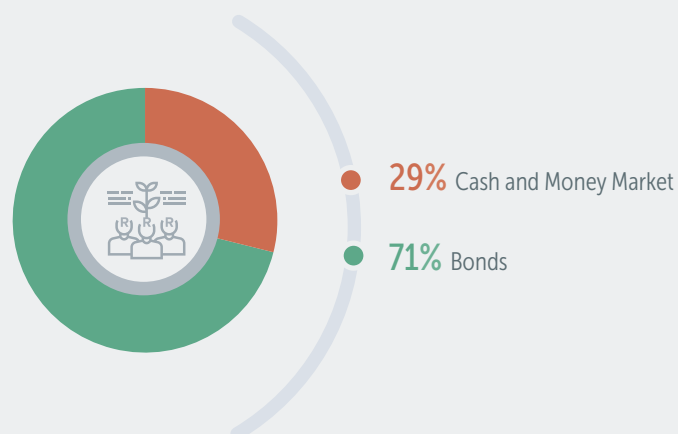
Asset Allocation

The AIPF is the fifth largest client, making up 0.72% of the PIC's AuM and comprising bonds, and cash and money market instruments.

Performance

The Fund's AuM grew by 8.63%, from around R15 billion to more than R16 billion. Despite this, it underperformed the mandated benchmark by -0.26%, returning 13.58% against 13.83%. This is attributable mainly to underweight in bonds and overweight in money market instruments.

AIPF ASSET ALLOCATION



| | 12 MONTHS (1 APRIL 2020 TO 31 MARCH 2021) | | | 24 MONTHS | | | 36 MONTHS | | |
|-----------------|---|------------------|-----------------|-------------|------------------|-----------------|-------------|------------------|-----------------|
| | FUND RETURN | BENCHMARK RETURN | RELATIVE RETURN | FUND RETURN | BENCHMARK RETURN | RELATIVE RETURN | FUND RETURN | BENCHMARK RETURN | RELATIVE RETURN |
| | % | % | % | % | % | % | % | % | % |
| DOMESTIC | | | | | | | | | |
| CAPITAL MARKET | 17.24 | 16.96 | 0.28 | 6.83 | 6.51 | 0.32 | 5.89 | 5.48 | 0.41 |
| MONEY MARKET | 4.88 | 4.57 | 0.31 | 6.31 | 5.87 | 0.44 | 6.83 | 6.33 | 0.50 |
| TOTAL FUND | 13.58 | 13.83 | -0.26 | 6.95 | 6.47 | 0.49 | 6.39 | 5.79 | 0.60 |

GENERATING SOCIAL RETURNS / SOCIAL IMPACT OF UNLISTED INVESTMENTS

The PIC and its clients seek total returns, which must include income and capital appreciation, through investments that support and fund socially beneficial activities and developments, primarily in South Africa and across the continent. The PIC's Isibaya and Properties divisions believe that all investments have consequences — not just for investee companies, but for communities and the economy. This is informed and driven largely by the just transition, which connects investment opportunities with a common belief in fair regional redevelopment. The Environmental, Social and Governance (ESG) approach looks for ways to create good-quality jobs and identify sustainable investments.

In addition to financial returns, investments must create jobs and expand infrastructure and social services. The PIC's ESG team constantly monitors the positive and negative effects of investments on society and the environment.

As a responsible investor and a global leader in impact investing, the PIC strives to avoid negative effects or, where unavoidable, to mitigate and monitor them. It follows and applies international norms and principles to address ESG risks. The PIC's Isibaya investments developmental indicators are aligned to the United Nations (UN) Sustainable Development Goals (SDGs) and South Africa's National Development Plan (NDP).

Impact investing is doing well by doing good. By adopting the SDGs, the PIC confirms its commitment to invest with impact, focusing especially on women and the youth who will control a greater portion of wealth in future.

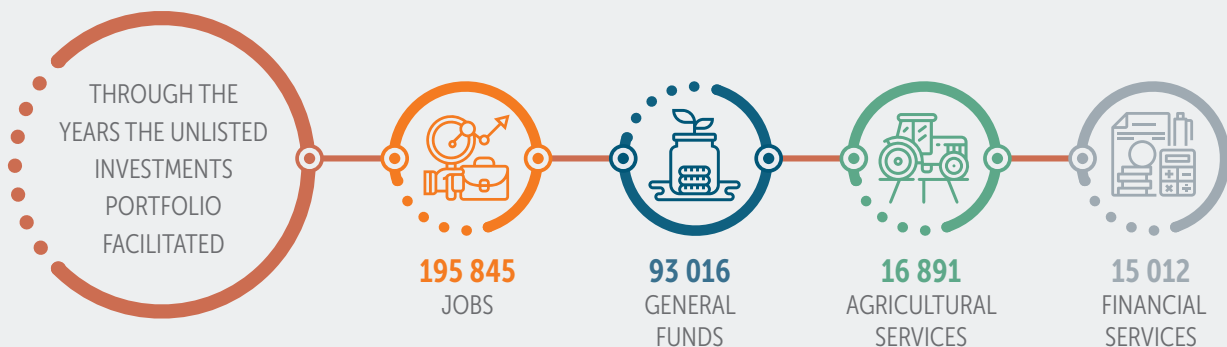
Creating Social Returns

The PIC ensures that ESG and transformation considerations permeate its investments and those of investee companies. It is a signatory to the Principles of Responsible Investing (PRI) and adheres to principles 2 and 6, which state: 'we will be active owners and incorporate ESG issues into our ownership policies and practices' and 'we will each report on our activities and progress towards implementing the principles'. It is a member of the UN Global Compact, aligns its work to the SDGs and subscribes to the Code for Responsible Investing. It monitors, measures and reports on the impact of ESG activities in line with best corporate practice.

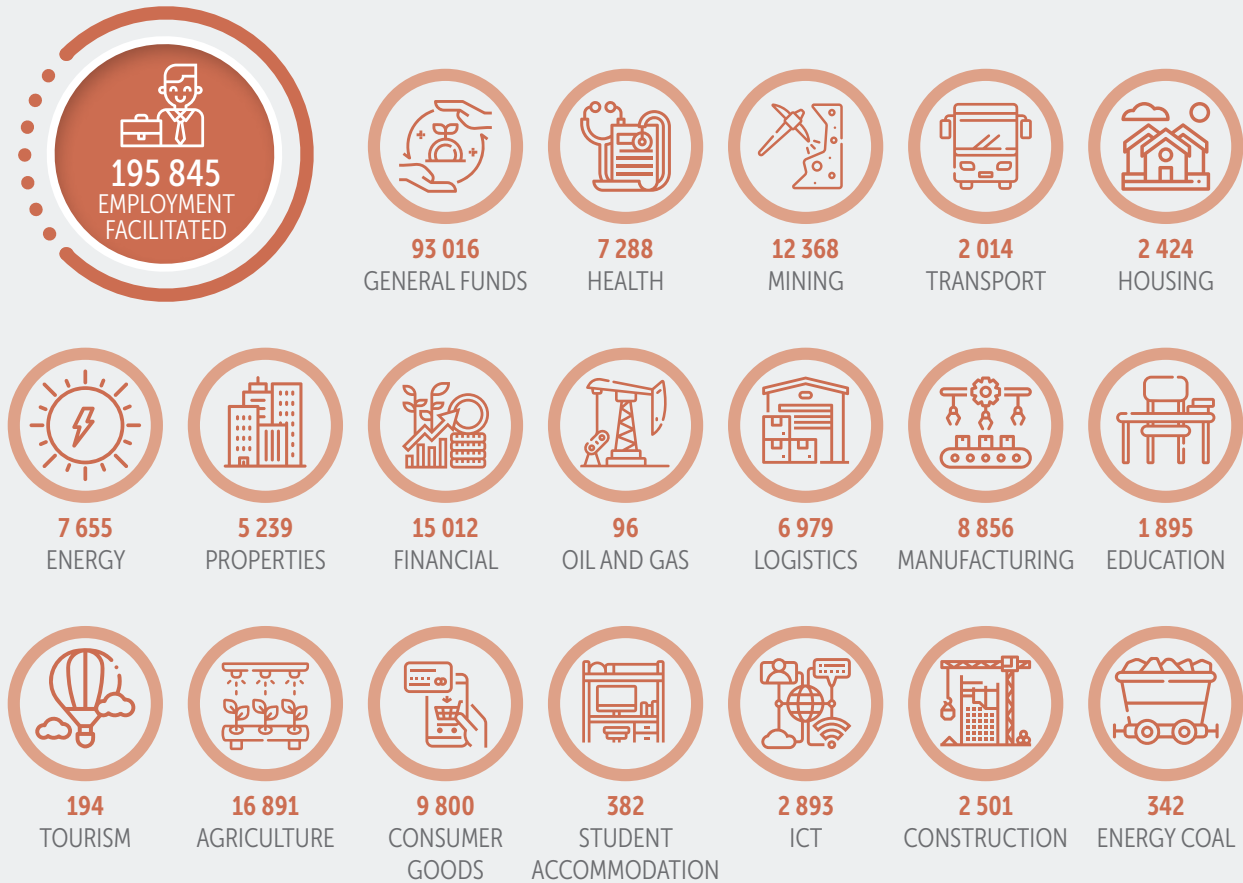
The PIC requires investee companies to advance the transformation strategy of the Broad-Based Black Economic Empowerment Amendment Act, No 46 of 2013. This report details the Corporation's active ownership activities through engagements with investee companies.

Employment Opportunities

The PIC's responsible investment philosophy requires that the Corporation should fund companies that intend to and can generate measurable, beneficial social and/or environmental impact alongside sustainable financial returns. The PIC has created and sustained jobs over many years, with spinoffs such as indirect job creation, supply chain transformation opportunities and community upliftment through skills enhancement and transfer.



EMPLOYMENT FACILITATED THROUGH UNLISTED INVESTMENT PORTFOLIO OVER TIME



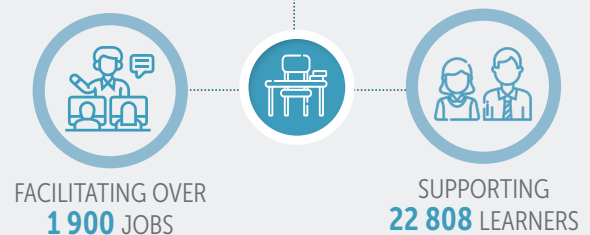
Basic Education

The PIC believes that education is key to escaping poverty. Over the past decade, major progress has been made to increase access to education and in school enrolment rates at all levels, particularly for girls.

The PIC has two investee companies in this sector and supports schools in particular to meet the requirements of the fourth industrial revolution. It also contributes to building schools.

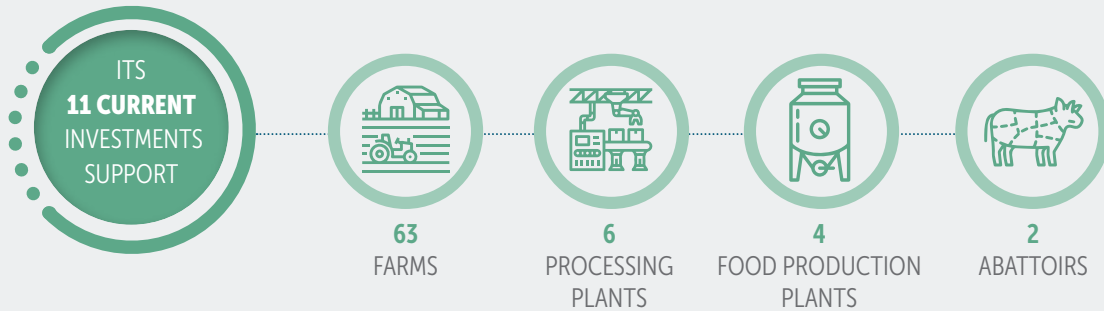
TO DATE, THE PIC HAS COMMITTED MORE THAN **R1.2 BILLION** TO EDUCATION:

THROUGH THE FUNDI INVESTMENT, **18 509** STUDENT LOANS WORTH **R293 629 118** WERE ISSUED FOR THE PERIOD UNDER REVIEW.



Agriculture

The PIC supports and promotes agricultural, forestry and fisheries resources management through policies, strategies and programmes that enhance sustainable use and stimulate economic growth, job creation, food security and rural development.



The investments revitalised the economies of remote rural villages and towns in the farming provinces of the Northern Cape, Limpopo, Mpumalanga, KwaZulu-Natal and the Western Cape. The agricultural strategy's pillars are:

- Ensuring bankability of farming businesses;
- Social impact through the creation of sustainable jobs and food security; and
- Improving the quality of life of farming communities.

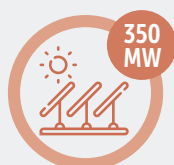
Transformation remains a challenge, as current ownership patterns are aligned with the racial and historical patterns of South Africa. To drive broad-based transformation, Southern Farms, one of the PIC's investments, initiated three trusts for farmworkers and employees and one for emerging farmers. Each trust has at least 10% equity stake.

SOCIAL IMPACT ACHIEVED OVER TIME



Energy

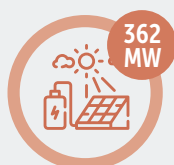
Over time the PIC has invested about R15 billion in the Renewable Energy Independent Power Producer Programme. Its energy split per technology, including renewables, is as follows:



CONCENTRATED
SOLAR POWER

R2 940 374 540

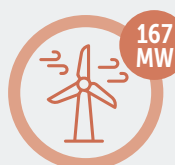
INVESTED IN
NORTHERN CAPE



PHOTOVOLTAIC
POWER

R1 541 749 171

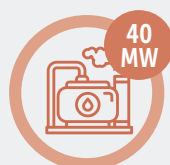
INVESTED IN
LIMPOPO, FREE STATE
NORTHERN CAPE



WIND
POWER

R444 000 000

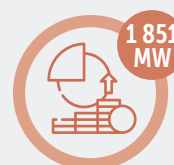
INVESTED IN
EASTERN CAPE



GAS
POWER

USD14 987 241,78

INVESTED IN
MOZAMBIQUE



INDIRECT ENERGY
INVESTMENTS

R5 110 000 000

INVESTED IN
SOUTH AFRICA



COAL-FIRED
PLANTS

R150 000 001

INVESTED IN
GAUTENG

The PIC remains a key player in the renewable energy programme and, as of 31 March 2021, had direct equity in seven projects in South Africa and one in Mozambique.

In the medium- to long term, communities are able to acquire equity in the project companies and jobs are facilitated in the short term to support households and improve their access to food, accommodation, education and healthcare.

Over time the PIC's direct investment has contributed more than R14 million to enterprise development, while its projects have spent more than R47 million on corporate social investment initiatives in the communities hosting renewable plants.

JOBS IN INVESTEE COMPANIES AS AT 31 MARCH 2021

| INVESTEE COMPANY | TOTAL JOB NUMBERS |
|----------------------------|-------------------|
| RENEWABLES | |
| Boshoff | 31 |
| Jasper | 83 |
| Kuvananga Energia SA | 51 |
| Touwsrivier | 98 |
| Spilled Water | 69 |
| Solar Capital De-Aar 3 | 88 |
| Kelvin | 316 |
| Solar Capital De-Aar | 88 |
| Sun Edison Soutpan (Trust) | 15 |
| Sun Edison Witkop (Trust) | 21 |
| Ilangaletu CSP | 171 |
| Xina CSP | 96 |
| Bokpoort CSP | 67 |
| Kathu Solar Park | 175 |
| TOTAL | 1 369 |

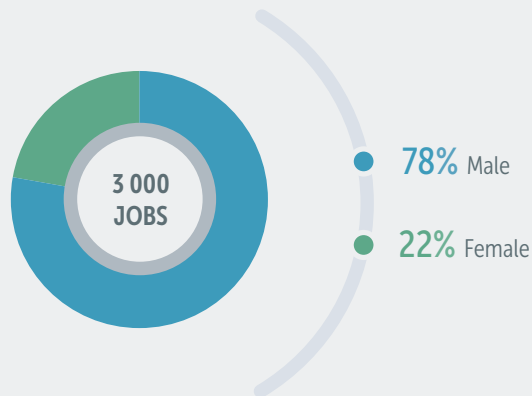
Housing

The NDP calls for a systematic response to South Africa's entrenched spatial patterns that exacerbate social inequality and economic inefficiency. Accordingly, the PIC facilitates the development of integrated human settlements, and provides affordable rental housing and affordable housing finance, partnering with entrepreneurs such as Urban Lifestyle Investment. The Corporation's investments offer alternatives for people who cannot access subsidised housing or wish to relocate closer to centres of economic activity than peripheral subsidised housing projects permit.

The PIC, with fellow asset managers and commercial banks, has also partnered with leading development finance organisations such as the National Housing Finance Corporation, the Johannesburg Housing Company and the Trust for Urban Housing Finance, to develop inner-city residential rental property, helping hundreds of property entrepreneurs with their developments over the past decade.

By recognising effective housing methods, promoting empowerment and mobilising existing resources to scale up successes, the PIC continues to advance South Africa's contribution to SDG 11 (*'Make cities and human settlements inclusive, safe, resilient and sustainable'*) and to achieve greater inclusive growth.

The PIC finds direction for its investments from the gap housing policy, which details houses available for rent or purchase, depending on developers' ability to facilitate finance. The PIC has nine investee companies in this sector. For the financial year under review they sustained more than 3 000 jobs, with 78% male and 22% female.

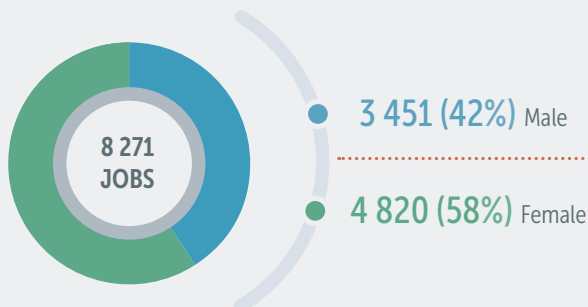


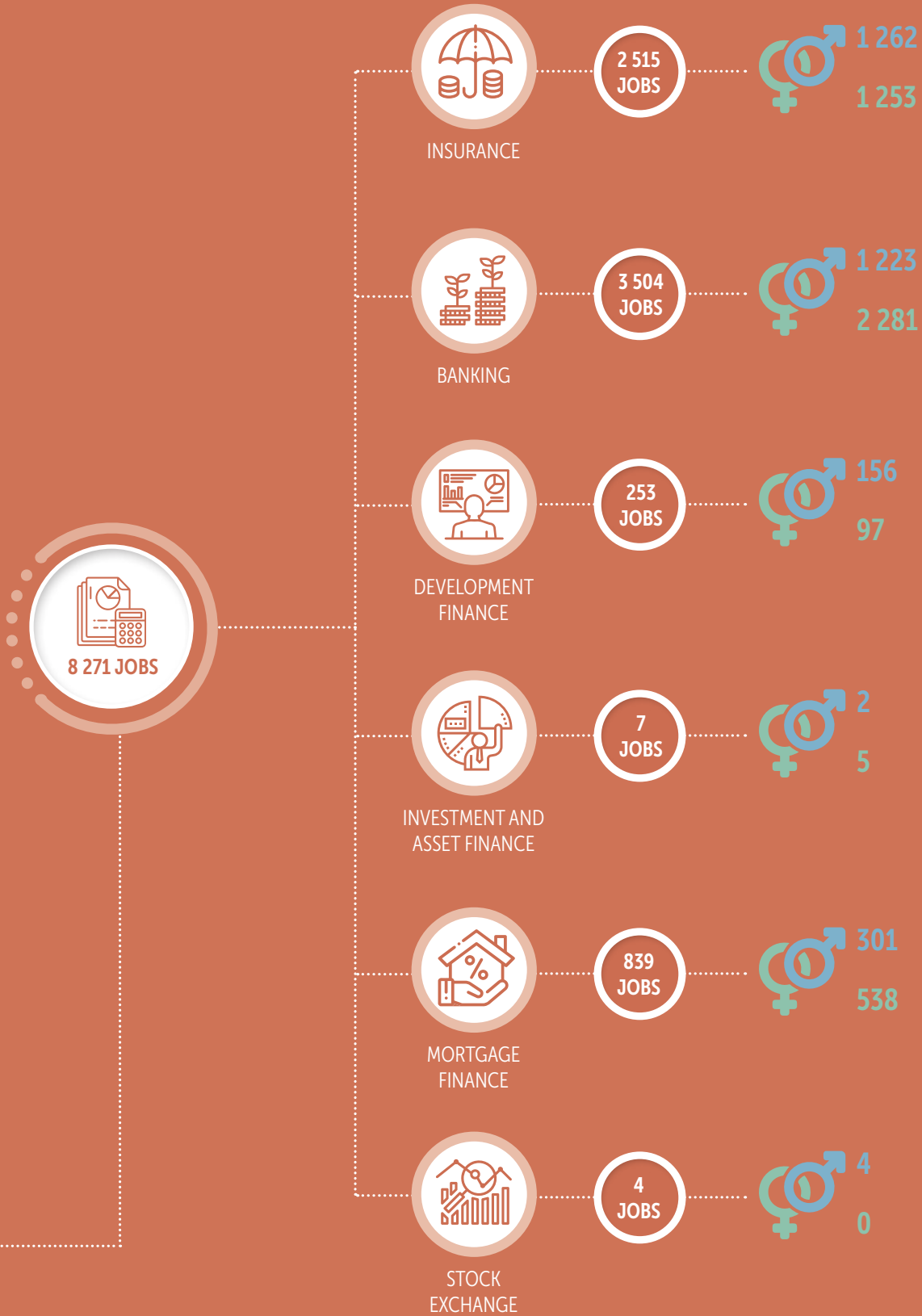
THE ROYAL BAFOKENG RESOURCE HOUSING PROJECT IS SUSPENDED DUE TO LOW UPTAKE OF THE HOUSING UNITS RESULTING IN THE LOSS OF **610 JOBS** (MOSTLY CONSTRUCTION JOBS).

Financial Services

A fully inclusive, transformed and ethically run financial services sector is important to enhance sustainable growth and reduce poverty in the country. The PIC's investment approach considers transformation, financial inclusion and fair competition equally important. While the sector ranks as one of the best regulated and -capitalised in the region, it faces challenges, such as liquidation.

The PIC invests in 12 companies involved in fintech, banking, developmental finance, investment services and asset finance, mortgage finance, small and medium enterprise finance and stock exchanges. For the financial year, these investee companies, sustained more than 8 000 jobs, with 58% female and the balance male.





Healthcare

Section 27 of the South African Constitution states:

'Everyone has the right to have access to healthcare services, including reproductive healthcare; sufficient food and water; and social security, including, if they are unable to support themselves and their dependents, appropriate social assistance.'

The NDP highlights as core elements of a decent living standard, the need to strengthen health systems, and provide quality healthcare and universal health coverage.

South Africa has a two-tiered healthcare system, comprising public and smaller, fast-paced, private sectors. The public system serves most of the population but is beset with challenges.

South Africa has a shortage of resources, including qualified medical staff and adequate infrastructure and equipment, while servicing a growing and ageing population and a high burden of disease¹.

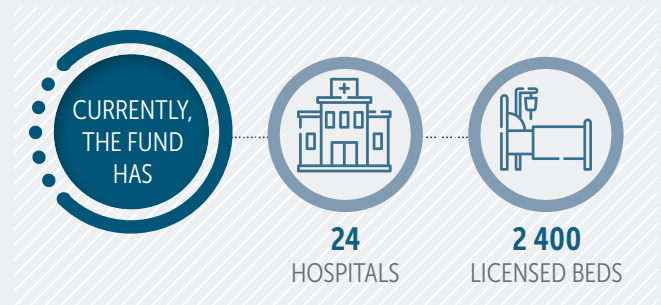
The COVID-19 pandemic has significantly impacted on the sector. Through our engagements with portfolio investee companies, we understand the sector was affected as follows:

- reduced occupancies (and therefore reduced revenue) as a result of the restrictions on elective surgeries;
- absenteeism as a result of infection and/or quarantine among healthcare workers;
- protection of healthcare workers through the unavailability of personal protective equipment (PPE); and
- mental health and psychosocial impacts: in addition to the heavy workload, healthcare workers have had to deal with the fear of contracting the disease and spreading the coronavirus to family and friends.

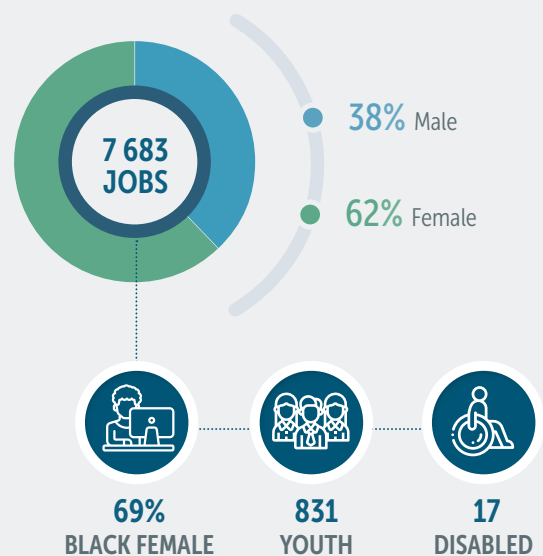
Current statistics indicate that 82.6% of the population relies on public healthcare and the private sector serves less than 20%. There are more than 400 public hospitals and more than 200 private hospitals, most of the latter in Gauteng and the Western Cape, which leaves the rural and peri-urban communities with limited or no access to healthcare services.

The PIC is directly and indirectly invested in 16 private hospitals, accounting for 3 896 hospital beds. During the financial year 2021, the PIC made the first disbursement to investee company Busamed (Pty) Ltd, a majority black-owned private group operating seven hospitals with more than 900 beds. Support goes also to Razorite Healthcare Fund Managers, a broad-based black economic empowerment fund advancing acute, sub-acute and primary healthcare.

Currently, the fund has 24 hospitals with 2 400 licensed beds in Gauteng, Western Cape, KwaZulu-Natal, Northern Cape, Mpumalanga and Limpopo. In addition, the PIC has investments in radiology and pharmaceutical businesses.



For the 2020/21 financial year, the PIC's investment in the healthcare sector facilitated 7 683 jobs. Of the total number of jobs, there is approximately 62% female representation (of which there is approximately 69% black female representation), 831 youth and 17 disabled persons. This reflects an overall majority of black employees, which aligns with PIC's transformation agenda.



¹ https://www.finddx.org/wp-content/uploads/2020/01/5A_South-Africa_Healthcare-profile.pdf

Information And Communications Technology

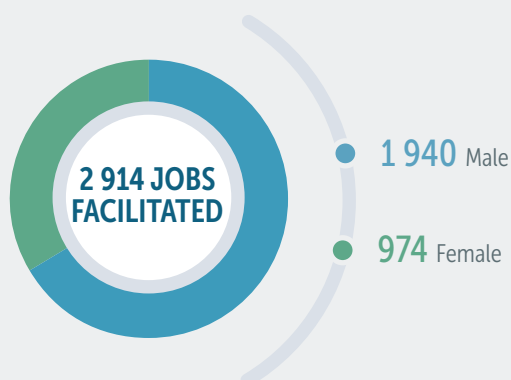
Output of the information and communications technology (ICT) sector grew, supported by very strong growth in data, driven by improved device capabilities, more affordable data plans and an increase in data-intensive content. The sector is expected to continue to grow in 2021/22 due to more people utilising data-consuming platforms such as Microsoft Teams and Zoom as they work remotely in response to COVID-19 pandemic restrictions.

Only 18% of Africa's 1.3 billion people have internet access at home, compared to the global average of 53.6% and 85% in developed countries.



The PIC's mandate and investment in ICT are based on the belief that ICT can improve lives through education (digital tools for teaching and learning), skills development, health, new service creation (the fourth industrial revolution – access, quality and affordability), broadband infrastructure, innovation and employment.

The PIC has committed more than R3 billion to ICT through both direct investments and funds-of-funds transactions, which have facilitated more than 2 900 employment opportunities. One investment beneficiary, Convergence, a specialised ICT fund, has created broad-based groups to invest alongside it, benefitting about 70 000 individuals from marginalised groups.



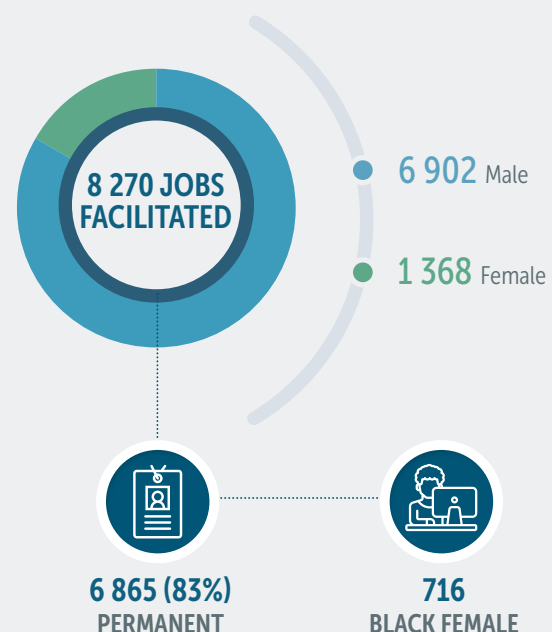
Transport and Logistics

The PIC is invested in six assets in the transport and logistics industry, including three private toll concessions: the N3, the Bakwena N1-N4 and the N4 TRAC, spanning more than 1 370km. Each concession designs, builds, finances, operates and maintains its section of routes and has long-term agreements (private-public partnerships) with the South African National Roads Agency Limited.

As the national lockdown was announced on 23 March 2020, the effect of the initial lockdown restrictions on the air transportation industry included that all domestic and international air travel was banned, only cargo, evacuation flights and medical emergency flights were allowed to operate, and Lanseria International Airport (LIA) was singularly cited by the President to suspend any form of international air services.

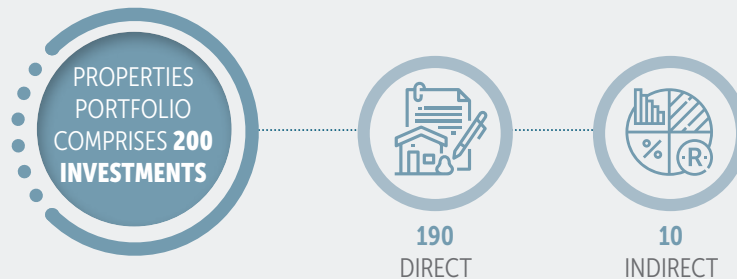


For the 2020/21 financial year, the PIC's investment in the sector facilitated approximately 8 270 jobs, of which 83% (6 865) are permanent. Of the total number of jobs, there are 1 368 women, 716 of whom are black females.



Properties

The Properties Portfolio comprises 200 investments, the majority of which (190) are held directly and the remaining indirectly (10).



Globally, real estate is considered to be a significant contributor to economic activity as it provides space for manufacturing, retail and financial services among others, which spur economic activity and create jobs.

As the South African property sector is largely untransformed, the PIC embeds transformation objectives in its investment processes and emphasises active ownership. The PIC real estate mandate allows for investment in metropolitan, township and rural retail, commercial and industrial properties, as well as mixed-use precincts and vacant land across South Africa and the rest of Africa.

The focus is on procuring employees from local communities to create local jobs. Investments in properties sustained more than 7 000 jobs at 31 March 2021, as shown below:

| TOTAL | MALE | FEMALE | NOT DISCLOSED | BLACK MALE* | WHITE MALE* | FOREIGN NATIONAL MALE* | BLACK FEMALE* | WHITE FEMALE* | FOREIGN NATIONAL FEMALE* | YOUTH |
|---|-------|--------|---------------|---------------|---------------|------------------------|---------------|---------------|--------------------------|---------------|
| Indirectly Held Properties Social Impact | | | | | | | | | | |
| 5 538 | 3 503 | 2 035 | 0 | 1 934 | 155 | 3 | 1 698 | 160 | 2 | 1 930 |
| Directly Held Properties Social Impact | | | | | | | | | | |
| 1 522 | 1 285 | 182 | 55 | Not Disclosed | Not Disclosed | Not Disclosed | Not Disclosed | Not Disclosed | Not Disclosed | Not Disclosed |

*Racial classification applicable only to South African investments

The COVID-19 pandemic and subsequent lockdowns have had a significant impact on South Africa's property sector. The sector has arguably been one of the worst hit sectors in the economy, with remote working and company downsizing affecting the demand for commercial space and industrial space. Job losses and reduced disposable income further impacted on consumer spending, which ultimately affected the demand for retail and industrial space.

With increasing focus on green development and sustainability, real estate industry leaders globally are committing to sustainability, which has been shown to result in long-term cost reductions, protected or even enhanced property values and improved risk-adjusted returns.

The COVID-19 pandemic further strengthened the sustainable and green building case. Opportunities exist for the PIC to apply new technology and innovation to meet environmental goals and enhance business performance, particularly in the directly held portfolio. Measures are being implemented to ensure investee companies comply with sustainability reporting, including carbon emissions, waste reduction and electrical efficiency.

Mining

The PIC’s mining portfolio is under the Economic Infrastructure Fund, which invests in large-scale and long-term infrastructure projects that will achieve good capital returns while unlocking South Africa’s economic potential and attracting foreign direct investment. The PIC Isibaya Fund, through its investments in seven mining initiatives, has created 12 000 jobs in South Africa and East Africa, and is a venture capital fund investing in pioneering technologies and businesses harnessing the unique high-performance characteristics of platinum group metals.

The fund invests in sectors that use these metals to address global challenges such as renewable energy integration and resource scarcity in a growing population. These sectors include hydrogen infrastructure, fuel-cell electric mobility, energy storage platforms, water purification, sensors, durable electronics and medical devices.




Student Accommodation

Education, training and innovation are central to South Africa’s long-term development, being core requirements to eliminate poverty and reduce inequality, and laying the foundations of an equal society. Universities are key institutions to develop a nation.

Since democracy, tertiary enrolment in South Africa has increased more than in any sub-Saharan country, but there is a critical shortage of student accommodation, which has been brought to the fore by student protests.

The Department of Higher Education and Training’s most recent indication was a shortfall of 300 000 student beds, while the International Finance Corporation estimated a supply-demand gap of 511 600 beds, increasing to 781 000 beds by 2025, as student enrolments increase to almost 1.6 million by 2025.



STUDENT ENROLMENTS ARE EXPECTED TO INCREASE TO ALMOST **1.6 million** BY 2025.

The PIC regards student accommodation as an enabler to learning and has, through four investments to date, created capacity for more than 6 000 beds in Pretoria, Johannesburg, Cape Town, Durban and Polokwane. Construction of 7 500 more beds is in the pipeline for the Pretoria, Johannesburg, Cape Town, Gqeberha, Vaal and Venda regions.

Through the PIC’s focus on employment from the local communities, these investments sustained more than 500 jobs at 31 March 2021, as follows:

| TOTAL | MALE | FEMALE | BLACK MALE | WHITE MALE | FOREIGN NATIONAL MALE | BLACK FEMALE | WHITE FEMALE | FOREIGN NATIONAL FEMALE | YOUTH |
|-------|------|--------|------------|------------|-----------------------|--------------|--------------|-------------------------|-------|
| 519 | 338 | 181 | 318 | 12 | 8 | 176 | 1 | 4 | 270 |

The COVID-19 pandemic affected the student accommodation sector, as student rooms were required to be reconfigured to meet the regulatory space requirements. The pandemic may force a change of direction in student housing, which traditionally, has concentrated on accommodating as many students as possible in dense, dormitory-style housing.

UNLISTED INVESTMENTS PROXY VOTING

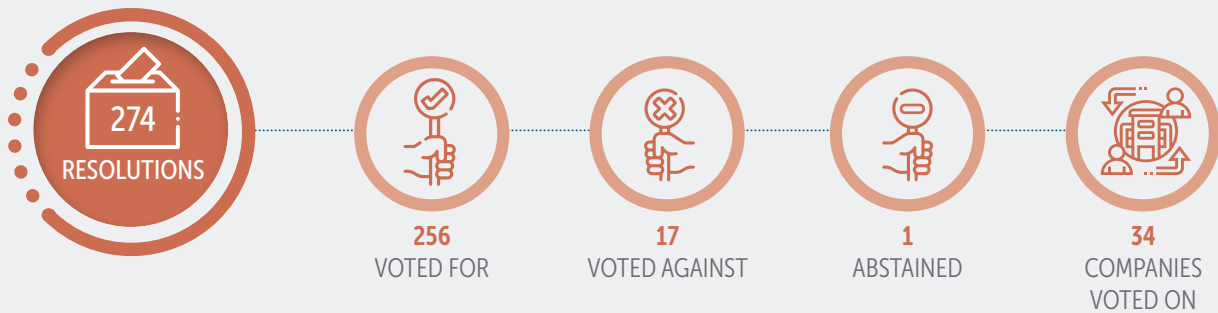
VOTING RECORD PERIOD: 1 APRIL 2020 – 31 MARCH 2021

The PIC has a well-established approach to responsible investing, which includes:

- ⦿ Exercising voting rights;
- ⦿ Engaging with investee companies;
- ⦿ Conducting ESG quality reviews, and
- ⦿ Influencing the ESG landscape through shareholder activism.

It votes at all company meetings. During 2020/21, it voted on 274 resolutions at 34 companies.

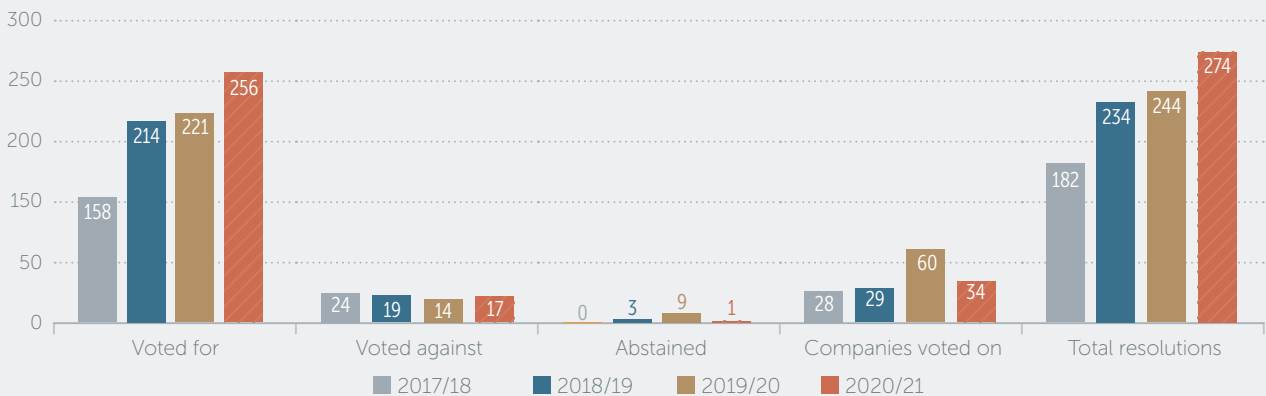
PROXY VOTING FOR THE PERIOD 2020/21



The PIC received and voted on a total of 274 resolutions in the financial year, which was 30 resolutions more in comparison to the prior year. A total of 256 resolutions was voted for, 17 voted against and one abstained. The reasons for abstaining are mainly because the investee company was experiencing governance challenges whilst also going through a governance review process, and proxy voting decisions remain highly dependent on the review and health of governance systems.

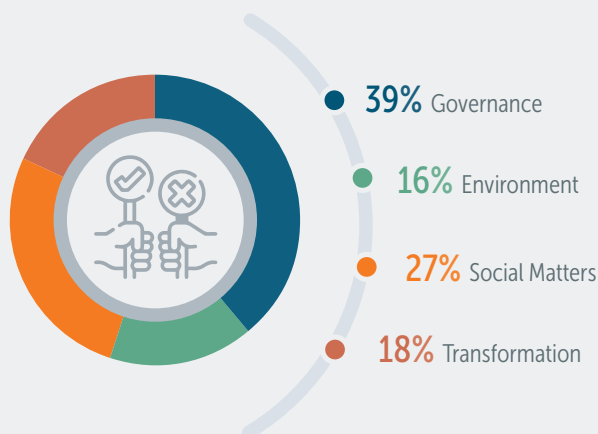
The voting considerations during the year related to director appointments and resignations, auditor and audit partner rotation, remuneration policies and the release of Annual Financial Statements.

RESOLUTIONS



ESG Engagement by Pillars

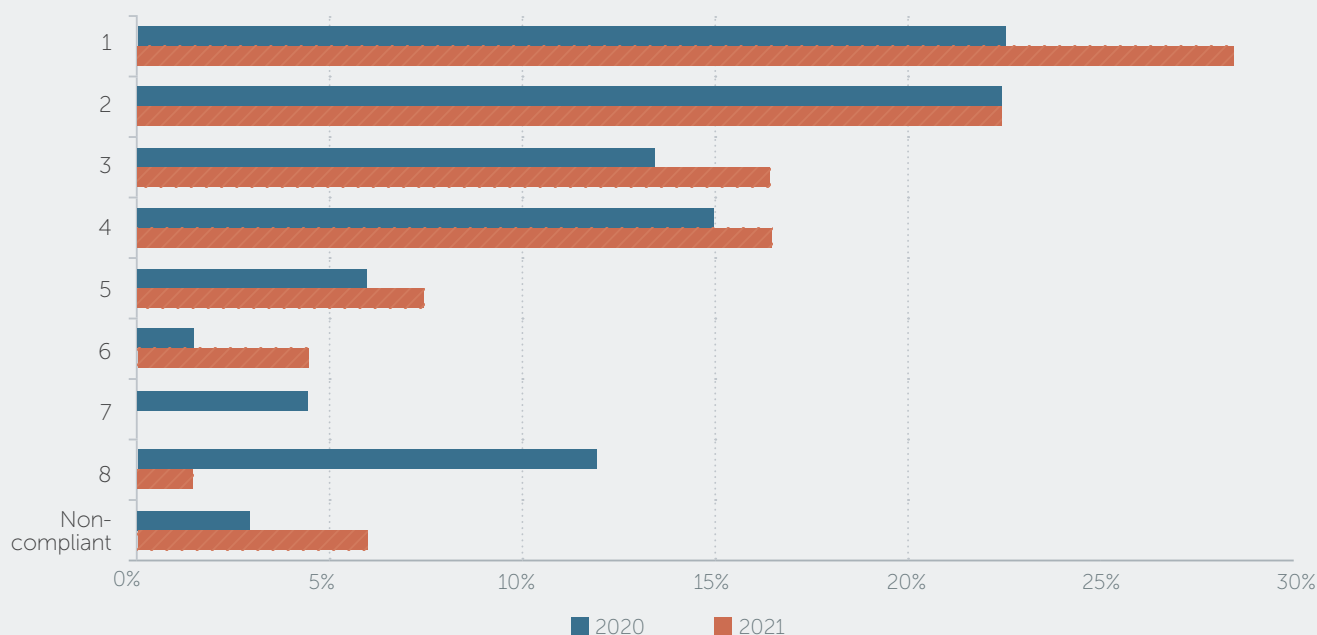
During the reporting year, the PIC discussed 197 ESG and transformation matters with investee companies during 62 engagements. Governance accounted for 39%, environment 16%, social matters 27%, and transformation 18%.



TRANSFORMATION PERFORMANCE UNLISTED INVESTMENTS

Transformation performance forms part of ESG requirements and is mostly contracted into legal agreements on certain investments. It remains a challenge to amend contractual obligations on legacy transactions. Investee companies that are contracted on transformation are required to compile a five-year transformation plan. The plan is utilised to monitor progress on allocated targets. B-BBEE performance rating also provides transformation results on how companies are progressing. This is measured through various levels, ranging from Level 8 to Level 1. Companies performing poorly are rated Level 8 whilst best-performing companies are rated Level 1. The PIC encourages poor-performing companies to strive for Level 3. The graph below shows that as at 31 March 2021, 28% of monitored companies are on Level 1; 22% Level 2; 16% Level 3; 16% Level 4; 7 % Level 5; 1% Level 6; 0% Level 7 and 1% Level 8.

B-BBEE LEVELS OF PORTFOLIO COMPANIES AS AT 31 MARCH 2021



The background features a solid blue color with a central vertical bar containing diagonal hatching. A large, semi-transparent circle is centered on the page, containing the number '04' and the title 'ENABLERS OF SUSTAINABLE RETURNS'.

04

**ENABLERS OF
SUSTAINABLE
RETURNS**



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HUMAN RESOURCES / AND REMUNERATION REPORT

OVERVIEW

COVID-19 disrupted business operations, but provided opportunities to find new ways to manage human resources. Employees remain a priority and are key to the PIC's performance and the achievement of client mandates. The PIC's vision is to become an employer of choice by creating a work environment centred on values and ethics, and encourages performance excellence, innovation and work-life balance.

The PIC is in transition and as such, a legitimate expectation is placed on human resources to exhibit values that foster ethics, empathy and trust to make it a great employer of choice. In 2020/21, human resources, through the office of the CEO, organised employee engagements during which challenges were identified and possible solutions provided for the future PIC.

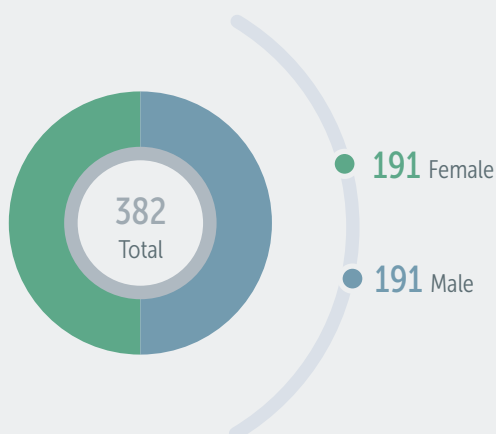
The sessions revealed a need to create an ethical-employer-of-choice environment, with improved management and leadership practices, operational efficiency and effectiveness. They also pointed to the need for agility in talent management. They culminated in the 'Charting the way forward' initiative, which will take the organisation from 110 years of resilience into a future of renewed commitment to exceed client and stakeholder expectations and attract and retain the best skills to do so.

In spite of COVID-19, the PIC implemented the new executive structure and filled crucial positions to strengthen organisational capacity and capability to achieve key business goals. The roles filled include Chief Executive Officer, acting Chief Investment Officer, Chief Operations Officer, Chief Risk Officer and Chief Technology Officer. The newly created position of Head of Ethics was also filled, bringing to 37 the number of positions filled, including internal movements. Turnover decreased from 5.5% in 2019/20 to 4.2% at the end of March 2021. Skills development and training have been accelerated, with more than 80% of the workforce enrolled in training interventions through various digital platforms. In addition, employee wellness programmes were rolled out to support employees' physical, mental and COVID-19-related health needs.

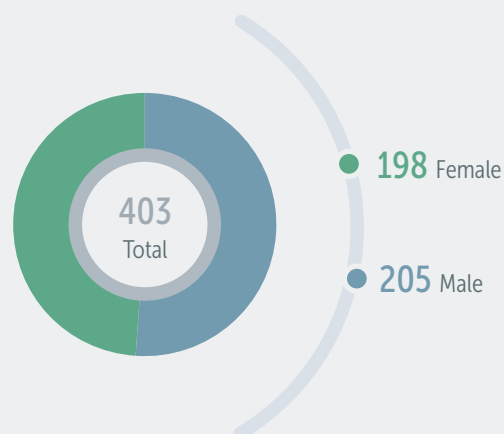
Workforce profile and employment equity

The PIC approved a three-year employment equity plan with timeframes, goals and measurable steps to create a diversified workforce and to comply with the Employment Equity Act (Act 55 of 1998).

2020/21



2019/20



The PIC management is committed to the spirit and principles of employment equity and embraces a diversified workforce by ensuring that the demographics of South African society are reflected in the workforce profile. Representation of females across all occupational levels, particularly senior management, remains a priority.

As at 31 March 2021, the PIC's workforce comprised 84.5% African, 4.2% Coloured, 6.8% Indian and 4.5% White employees. Of these, 1.6% are people with disabilities. Overall, females represent 50% of the workforce.

The table below shows PIC's workforce composition:

| OCCUPATIONAL LEVEL | FEMALE | | | | | TOTAL FEMALE | MALE | | | | TOTAL MALE | GRAND TOTAL |
|---|------------|-----------|----------|-----------|------------|--------------|----------|-----------|-----------|------------|------------|-------------|
| | AFRICAN | COLOURED | INDIAN | WHITE | AFRICAN | | COLOURED | INDIAN | WHITE | | | |
| Top management | 1 | 1 | - | - | 2 | 4 | - | 1 | 1 | 6 | 8 | |
| Senior management | 35 | 2 | 1 | 4 | 42 | 55 | 4 | 5 | 8 | 72 | 114 | |
| Professionally qualified and experienced specialists, middle management | 74 | 6 | 5 | 7 | 92 | 72 | 2 | 4 | 3 | 81 | 173 | |
| Skilled technical and academically qualified, junior management | 37 | 1 | 1 | 2 | 41 | 26 | - | - | 1 | 27 | 68 | |
| Semi-skilled | 14 | - | - | - | 14 | 5 | - | - | - | 5 | 19 | |
| Grand total | 161 | 10 | 7 | 13 | 191 | 162 | 6 | 10 | 13 | 191 | 382 | |

Employee skills development

Skills development is essential for employees' continued growth and progression. Despite the COVID-19 challenges, which affected development initiatives, PIC employees' great change agility and adaptability to virtual learning methods enabled the organisation to invest R16 million (3.7% of the total cost-to-company) in skills development initiatives, targeted at employees and unemployed youth in institutions of higher learning.



DESPITE THE COVID-19 CHALLENGES, PIC INVESTED **R16 MILLION** IN SKILLS DEVELOPMENT INITIATIVES

Youth skills development

The PIC adopted the 'new normal' and conducted a virtual vacation work programme to give unemployed graduates access to real work exposure and to conduct large-scale skills development. Seventy-two graduates – 47 females (65%) and 25 males (35%) – were hosted. Of these, 9.7% were graduates with disabilities.

In line with the PIC strategic objective to support youth development, the organisation awarded more than R8.1 million in bursaries in the review year, benefitting 135 unemployed youth at 25 institutions of higher learning – 85 (63%) females and 50 (37%) males. Africans constituted 84% (113), Coloureds 6% (10), with Indians and Whites 5% (six) each.

Employee health and wellness: Response to the COVID-19 pandemic

Employee wellbeing is at the core of PIC interventions, thus employees participated in various health checks. In response to COVID-19, proactive staff health initiatives were adopted, which also enhanced productivity and business performance.

The following measures were put in place to mitigate the effects of COVID-19 and lockdowns:



COVID-19 TASK TEAM:

Formulating roles and responsibilities and establishing a cross-functional core team to monitor trends, developments and government announcements and to propose responses to management.



COMMUNICATION:

Staff communication was disseminated constantly on working remotely, including collaboration, and managing deliverables and performance. Line managers were advised to evaluate and review the functions and roles required for crucial operations.



SAFETY PROTOCOLS AND EMPLOYEE SUPPORT:

The COVID-19 Task Team focused primarily on providing a safe working environment for employees and on supporting their mental health through employee assistance programme services provided by ICAS.



TECHNOLOGY:

The PIC's investment in modernising its technology platforms enabled online and remote working. Employees were connected timeously with minimal work disruption.

PIC remuneration philosophy and practices

The PIC remuneration philosophy reinforces and rewards excellent performance that supports the values, vision, mission and strategic objectives of the organisation. The Remuneration Policy guides and provides the framework for reward practices that enhance the employee value proposition. As the asset management market is highly competitive, with great demand for qualified and experienced skills, the PIC is committed to attracting and retaining talented employees, rewarding performance and reinforcing strategy execution behaviours.

COVID-19 notwithstanding, the Corporation continued to pay full monthly remuneration and salary increases to vulnerable employees, despite the global trend to freeze or postpone increases, or pay percentages of salaries for the foreseeable future. Only managerial, senior and specialised roles were

excluded from annual consumer price index increases, while more vulnerable employees received inflation-linked adjustments. Furthermore, short- and long-term incentives were awarded to eligible employees.

Employee relations matters

The employee relations focus during the period under review was largely on the implementation of disciplinary actions relating to the findings and recommendations of the Judicial Commission of Inquiry into Allegations of Impropriety at the Public Investment Corporation (the Commission or Mpati Commission). Implicated employees were subjected to disciplinary processes. Labour relations capacity building was rolled out to managers to entrench a proactive approach in dealing with disputes. The strengthening of union-management relationships in the workplace was prioritised.

DISCLOSURE OF REMUNERATION AS AT 31 MARCH 2021

1. NON-EXECUTIVE DIRECTORS

| NAMES | MEETING ATTENDANCE | RETAINER | TOTAL |
|-----------------|--------------------|------------------|-------------------|
| Mtoba F | 224,136 | - | 224,136 |
| Charnley I | 830,625 | 134,253 | 964,878 |
| De Bruyn A | 922,915 | 134,253 | 1,057,168 |
| Dumisa B | 946,648 | 134,253 | 1,080,901 |
| Morule K | 350,708 | - | 350,708 |
| Gamedze T | 893,911 | 134,253 | 1,028,164 |
| Khoza R | 1,017,845 | 134,253 | 1,152,098 |
| Mabaso-Koyana S | 577,482 | - | 577,482 |
| Maluleke M | 685,593 | 134,253 | 819,846 |
| Moloto P | 556,384 | 134,253 | 690,637 |
| Ndaba M | 978,291 | 134,253 | 1,112,544 |
| Ramos M | 522,106 | 134,253 | 656,359 |
| Watson B | 996,749 | 134,253 | 1,131,002 |
| | 9,503,393 | 1,342,530 | 10,845,923 |

2. EXECUTIVE DIRECTORS

| | EMOLUMENTS | #SHORT-TERM INCENTIVE ALLOCATION | #LONG-TERM INCENTIVE ALLOCATION | OTHER | TOTAL |
|-----------|-------------------|----------------------------------|---------------------------------|---------------|-------------------|
| Sithole A | 6,387,979 | 3,193,990 | 3,193,990 | 8,199 | 12,784,158 |
| More M* | 6,969,909 | - | - | 12,299 | 6,982,208 |
| Mavuka B | 5,579,756 | 375,880 | 1,473,911 | 12,299 | 7,441,846 |
| | 18,937,644 | 3,569,870 | 4,667,901 | 32,797 | 27,208,212 |

* Currently under suspension

PIC Executive Directors incentives payable amounts are subject to the PIC Remuneration Policy

3. EXECUTIVE COMMITTEE

| | EMOLUMENTS | #SHORT-TERM INCENTIVE ALLOCATION | #LONG-TERM INCENTIVE ALLOCATION | OTHER | TOTAL |
|-------------------------------|-------------------|--|---------------------------------------|---------------|-------------------|
| Buthelezi N [^] | 3,240,802 | - | - | 12,299 | 3,253,101 |
| Dlamini L | 2,608,091 | 221,923 | 479,297 | 299 | 3,309,610 |
| Dolamo S | 5,893,924 | 1,178,785 | 1,768,177 | 12,299 | 8,853,185 |
| Hako V | 7,646,925 | 1,529,385 | 2,294,078 | 12,299 | 11,482,687 |
| Mabuza D | 2,732,283 | 177,115 | - | 12,299 | 2,921,697 |
| Maluleka H | 4,377,473 | 266,961 | 1,325,863 | 299 | 5,970,596 |
| Van Heerden A | 1,593,473 | 318,694 | 478,042 | 3,075 | 2,393,284 |
| Phahlamohlaka K ^{^^} | 3,141,007 | - | - | 4,839 | 3,145,846 |
| Pholwane C [*] | 3,759,275 | 751,855 | 1,127,783 | 12,299 | 5,651,212 |
| Rajdhar R ^{**} | 4,835,935 | 967,187 | 1,450,781 | 299 | 7,254,202 |
| Solomon R | 4,107,618 | 821,523 | 1,232,285 | 12,299 | 6,173,725 |
| | 43,936,806 | 6,233,428 | 10,156,306 | 82,605 | 60,409,145 |

[^] Fixed-term contract

^{^^} Resigned on 21 August 2020

^{*} Currently on special leave

^{**} Resigned on 08 June 2021

[#] PIC EXCO members incentives payable amounts are subject to PIC Remuneration Policy

INFORMATION / TECHNOLOGY REPORT

The Information Technology (IT) Division ensured that the PIC business operations continued to function remotely during COVID-19 pandemic and lockdowns.

With the first lockdown, the division rapidly deployed all work-from-home capabilities and secured Virtual Private Network (VPN) connectivity to enable business continuity and allow staff to work virtually.

The Board and CEO are committed to filling the IT leadership vacuum while the approved IT business modernisation strategy continues. A Chief Technology Officer has been appointed and assumed duties on 01 May 2021.

Progress on the implementation of the IT strategic plan, which incorporates the information security management system, is periodically monitored through the IT governance structures.

Strategic initiatives for 2020/21

The IT team continued the rollout of strategic initiatives approved in the previous financial year. Information security strategic initiatives were added after the approval and appointment of the Chief Technology Officer.



ADOPT CLOUD TECHNOLOGIES

- Operationalise cloud infrastructure
- Mature cloud governance practices
- Baseline cloud architecture



OPTIMISE BUSINESS SYSTEMS

- Rationalise business applications portfolio
- Implement collaborative platforms
- Implement unlisted investment systems



ENABLE DATA MANAGEMENT

- Support establishment of data management capability
- Implement the applicable technologies



SECURE PIC INFORMATION

- Enable business through secure project lifecycle
- Improve information security governance capabilities
- Promote a security conscious culture
- Implement Security Operations Centre



Adopting cloud technologies

- The use of cloud platforms enables the following:
 - Corporate governance structures to function without disruption;
 - Systematic trading and investment processes; and
 - Internal governance structures and processes.
- The migration to the cloud journey commenced with planning to mitigate the risk of ageing infrastructure and data centre.
- The accelerated adoption and use of cloud services (SaaS) continued to empower business.



Optimising business systems

- The application catalogue for the adoption and alignment of the cloud-first strategy was reviewed and implemented;
- The critical listed investment management system (Hi-Portfolio) was upgraded to a supported version;
- Access to the cloud-based trading system continued to enable work-from-home business; and
- The unlisted investments management system was 90% implemented as at 31 March 2021.



Data management capabilities

- The viability of the data management improvement programme is being reviewed, following challenges and delays;
- The data governance policy and guidelines were approved and implementation should start in the coming financial year; and
- Data feeds (e.g. Bloomberg) were optimised to enable trading and investment risk management according to the work-from-home model.



Enhancing the PIC security posture

The cyberthreat landscape evolved drastically and the PIC mandate, and its influence and interactions with investee companies and other stakeholders, make it a potential target for cybercriminals seeking sensitive information on investment funds.

To improve the PIC cybersecurity posture, the IT Division completed the following in light of the COVID-19 pandemic:

- Augmented information security governance capabilities through the development and review of information security policies, standards and processes;
- Established a Security Operations Centre (SOC) that raises the alarm when suspicious activity is detected on the information and communications technology network and systems 24/7;
- Promoted and enhanced an information security-conscious culture through innovative awareness initiatives throughout the organisation; and
- Enabled secure business by incorporating security requirements throughout project lifecycles, thus improving network security and preventing data leakage.

STAKEHOLDER / ENGAGEMENT REPORT

The Board of PIC approved the Stakeholder Engagement Framework during the year under review. The framework provides a guideline and principles for identifying, analysing, prioritising and engaging PIC stakeholders. The table below outlines engagements for the period under review:

| STAKEHOLDER CATEGORY | ENGAGEMENT CHANNELS | ENGAGEMENT ISSUES | NUMBER OF ENGAGEMENTS |
|---|---|---|-----------------------|
| Employees | Staff meetings, teleconferencing, virtual, formal | Organisational performance, operating environment – including update on Mpati Commission of Inquiry – feedback on ethics survey, incentive bonuses and general employee-related matters | 3 |
| | Formal/focus groups | Charting the way forward | 8 |
| Organised labour | Formal, virtual | Union management issues consultative meeting, dispute resolutions | 3 |
| ICAS | Formal, virtual | Employee wellness | 1 |
| Financial and Accounting Services Sector Education and Training Authority | Formal, virtual | Skills development | 1 |
| Financial Sector Conduct Authority | Formal meetings via Microsoft Teams | Ongoing compliance with the Financial Advisory and Intermediary Services (FAIS) Act and other legislation | 4 |
| South African Reserve Bank | Formal meetings via Microsoft Teams | PIC ownership in banks, including banking strategy | 4 |
| Parliamentary Oversight | Formal meetings via Zoom | Implementation of Mpati Commission recommendations. Investments in Sekunjalo Group and Magae Makhaya Housing | 2 |
| National Director of Public Prosecutions | Formal meeting via Microsoft Teams | Implementation of Mpati Commission recommendations, including actions on collapse of VBS Mutual Bank and Steinhoff | 1 |
| Directorate for Priority Crimes Investigations (Hawks) | In-person meetings | Investigations into VBS Mutual Bank and Steinhoff | 3 |
| National Treasury | Formal meetings via Microsoft Teams | Introductory meeting with the Chief Executive Officer of the PIC, covering PIC strategy and Dividend Policy | 2 |
| Minister and Department of Public Works and Infrastructure | Formal meetings via Microsoft Teams | Areas of mutual interest, particularly provision of office accommodation to government departments and public entities | 2 |
| Development Bank of Southern Africa | Formal meetings via Microsoft Teams | Approach to unlisted investments | 2 |
| Clients (Principal Executive Officer of the GEPP and Commissioners of UIF and CP) | Formal meetings via Microsoft Teams | Client portfolio performance and introduction of the PIC CEO | 3 |
| Tlhabane community | Formal meetings | Community representation on Tlhabane development project steerco, jobs for community members | 10 |
| Media | Formal meetings via Microsoft Teams | Presentation of the PIC Annual Report Response to several issues of public interest | 1 |

SOCIAL, ETHICS / AND TRANSFORMATION COMMITTEE REPORT

Introduction

We are pleased to present the SETCO report for the financial year ended 31 March 2021.

The Committee has ensured that to improve the image of the PIC brand following a very difficult 2019, all at the PIC are committed to maintaining the highest standards of ethical behaviour, upholding ethical standards in all activities, and to complying with prevailing laws applicable to the company and sector.

The SETCO is both a statutory committee and a committee of the Board. The Committee acts in terms of Section 72(4) of the Companies Act (Act 71 of 2008), Regulation 43(5) of the Companies Act, and Principle 8 of the King IV Report on Corporate Governance for South Africa 2016 (King IV), under the delegated authority of the Board.

Composition and Attendance

The Committee is chaired by an independent Non-Executive Director and comprises three additional Non-Executive Directors and two Executive Directors. The skill set of members is varied and appropriate, ensuring that deliberations are comprehensive and robust. Members' qualifications and experiences are detailed on pages 128 to 134 of the corporate governance report.

Standing invitees to the Committee include representatives from the Environmental, Social and Governance (ESG) department, Ethics Office, Risk Management, Legal Counsel, Human Resources, and Corporate Affairs.

There were five SETCO meetings held during the year under review and one PIC/Government Employees Pension Fund (GEPF) joint SETCO Working Group meeting. Meeting attendance, which was very good, is set out on page 135 of the corporate governance report.

Functions of SETCO

The Committee's role and responsibilities are governed by its terms of reference as reviewed and approved annually by the Board, and the requirements of the Companies Act and King IV.

The Board has allocated the oversight of and reporting on organisational ethics; ethical culture; transformation; responsible corporate citizenship; sustainable development; stakeholder relationships; safety; security; environmental; health; social; labour and employment practices to SETCO to ensure that the PIC upholds the principles of good corporate citizenship.

SETCO also facilitates and supports the development of transformation policies and objectives to ensure that the corporate and investment culture is supportive of the developmental approach to governance and investments, and monitors and reports performance against transformation objectives.

It also has oversight over ethics and reputational risks emanating from the PIC and its Investee Companies. To ensure that ethics are prioritised, SETCO was instrumental in establishing the Ethics Office. An Ethics Officer was appointed in December 2020 to spearhead the Ethics Programme and facilitate the institutionalisation of a mature and sustainable ethical culture within the PIC. The Ethics Officer has a dual reporting line to the Chief Executive Officer and SETCO to ensure greater independence.

KEY FOCUS AREAS FOR THE YEAR ENDED 31 MARCH 2021

Governance Matters

During the reporting period, SETCO reviewed its terms of reference in line with the PIC's Delegation of Authority Framework (DOA Framework) and approved the revised workplan.

Policies

The Committee is responsible for reviewing the PIC's governance documents relating to ethics; social and economic development; good corporate citizenship; sustainable development; stakeholder relationships and transformation. During the financial year under review, SETCO considered and recommended the following policies to Board Committees and/or the Board for approval: the Client Relations Management Policy, the Transformation Charter, the Framework for Investment Decisions Related to Individuals of Entities Cited in the Mpati and/or Other Investigation Reports, and the Broad-Based Black Economic Empowerment (B-BBEE) Facilitation Guidelines.

Social and Ethics Matters

The Committee has a responsibility to facilitate a sustainable ethical corporate culture within the PIC, promote and monitor ethical behaviour of employees, provide oversight on the implementation of the ethics programme, monitor ongoing investigations and promotion of equality, prevention of unfair discrimination and reduction of corruption.

In 2018, a forensic report was issued to the Minister of Finance by Advocate Geoff Budlender after being tasked with investigating allegations of improprieties against two PIC executives. In December 2020, the PIC Board received a directive from the Minister of Finance to proceed with the implementation of the recommendations from the report. The Board then mandated SETCO to consider ways to implement the recommendations of the report. An implementation plan, which outlines the issues identified in the report and proposed actions, was recommended by SETCO for approval by the Board. SETCO also monitors implementation of the actions as approved by the Board.

Following continued allegations of impropriety at the PIC in 2018, the President instituted the Justice Lex Mpati Commission of Inquiry (Mpati Commission). Upon receipt of the Mpati Report and adoption of same by the President and the Board, SETCO was mandated to assist with implementing the Mpati Recommendations relating to issues of ethics. For the year ended 31 March 2021, SETCO continued to focus on ethics through the review of the anti-bribery and anti-corruption and whistleblowing policies and implementing training and awareness initiatives.

One of the key responsibilities of SETCO following the Mpati Commission was to ensure that a culture of good governance and ethical behaviour is inculcated into the company processes and staff behaviour. The Committee exercised close oversight over the following activities:

1. The comprehensive and systematic implementation of the Ethics Risk Assessment outcomes that had been conducted during 2019 and adopted by the Board on the recommendation of SETCO during the first quarter of the reporting period. The assessment was presented to employees in May 2020. Some of the recommendations were similar to the ones articulated in the Budlender and Mpati reports and implemented by the respective business units and the Board with a more structured implementation happening from December 2020 after the establishment of the Ethics Office.
2. The implementation is structured as follows:
 - a) An external third party facilitated a workshop with the Executive Committee (EXCO) to develop an Ethics Strategy and Management Plan to address the results of the Ethics Risk Assessment.
 - b) Compulsory ethics awareness training workshops were rolled out between 23 January 2021 and 23 February 2021. The group of employees that have been trained included the EXCO, Senior Management and employees. Awareness on whistleblowing procedures was incorporated in the ethics training.

During the reporting period, the Committee also monitored the following aspects on the social and ethics pillars:

1. Summary of allegations from the whistleblowing line, directly reported to Internal Audit, the Ethics Office or Management, providing a view on whistleblowing activities and other cases reported internally as well as actions taken once a matter was reported. The report also provided a view to the Committee on the themes of unethical conduct being reported, the number of cases that are confirmed after investigations and the status of investigations.

2. The PIC's regulatory universe and developments in legislation with an impact to the functions of SETCO.
3. Ethics risks included in the corporate risk register, with a particular focus on the following:
 - a) The risk that PIC employees engage in unethical behaviour or conduct.
 - b) The risk that Investee Companies, stakeholders and third parties engage in unethical behaviour or conduct.
 - c) Inadequate human resources to manage ethics risks.
4. The Committee engaged on reputational risks and/or ethical risks identified in Investee Companies and potential Investee Companies and provided ways in which the PIC should approach such risks. Our Investee Companies are expected to share our commitment to integrity by doing business fairly, ethically and in compliance with all applicable laws and regulations.

Labour and Employment Practices

To ensure, monitor and report on workplace equity, the Broad-Based Black Economic Empowerment Act, (Act 53 of 2003, the "B-BBEE Act"), employment practices and the protection of employees' rights, and to ensure that ethical practices are embedded in human resources processes, SETCO received and discussed the following reports: Human Resources Annual Report, Employment Equity Committee Chairperson's Report and the Employment Equity Report.

The Committee also reviewed labour and employment matters, including employment relationships and contributions towards the education and development of employees, compliance with International Labour Organisation Protocol on decent work and working conditions and noted the following reports in that regard: Learning and Development Report, and Safety Health and Environment Performance Report.

COVID-19 Pandemic

The PIC is committed to taking reasonable precautions to ensure safety, health and security in the work environment for all employees and third parties. The Committee was tasked with the responsibility to monitor the PIC's response to COVID-19 in terms of ensuring the health and safety of employees and customers. In this regard, strict protocols have been implemented in terms of social distancing and remote working. The Committee reviewed PIC's COVID-19 strategy and obtained a quarterly report on PIC COVID-19 reported cases. SETCO considered the wellness of employees and recommended that measures should be in place to support employees', inter alia, mental health, during and after the national lockdown restrictions.

Stakeholder Engagement

SETCO monitored PIC's media stakeholder engagement by reviewing and noting quarterly stakeholder and media coverage reports. As part of active stakeholder management, the SETCO held joint meetings with the GEPP to engage on ethical matters relating to both entities. A joint effort to address, inter alia, reputational and labour matters will continue to be discussed in those engagements.

Transformation Responsibilities

Over and above facilitating the development and recommending the Transformation Charter to the Board for approval, SETCO monitored the PIC's transformation internally from a supplier perspective by requesting and reviewing the Procurement Division's Gender Disaggregated Spend Report, as part of oversight over the economic empowerment of women through our procurement power.

It also monitored transformation in relation to investee companies through the quarterly listed and unlisted ESG reports. The Committee ensured integration of the Charter



The Committee ensured integration of the Charter in investment processes and required reporting on issues of demographic and racial diversity of Investee Company boards.

in investment processes and required reporting on issues of demographic and racial diversity of Investee Company boards. The same was encouraged at the PIC's Directors' Affairs Committee (DAC) level in the selection and placement of PIC nominee directors in Investee Companies.

Key Focus Areas for the Year Ahead

1. Continue to cultivate a culture of ethics through the implementation of the Ethics Strategy and Management Plan.
2. Capacitate the Ethics Office by ensuring that the remaining roles in the Ethics Office structure are filled to ensure effective implementation of the Ethics Strategy.
3. Extend ethics training to the Board in line with the Ethics Risk Assessment.
4. Ongoing awareness and training interventions on ethics.
5. Monitoring the implementation of the Budlender and Mpati recommendations.
6. Incorporating the identification and consequence management on ethics breaches in PIC disciplinary/human resources policies.
7. Approval and implementation of a framework for assessing investments with ethics and reputational risk referred to SETCO.
8. Review and approval of the PIC Code of Ethics, Anti-fraud and Anti-Corruption and Whistleblowing policies.
9. Implementation of the Transformation Charter.
10. Continue monitoring compliance with the provisions of the B-BBEE Act at the PIC and its Investee Companies, transformation in PIC's procurement and investment activities.
11. Continue to monitor labour and employment practices at the PIC and its Investee Companies.

Conclusion

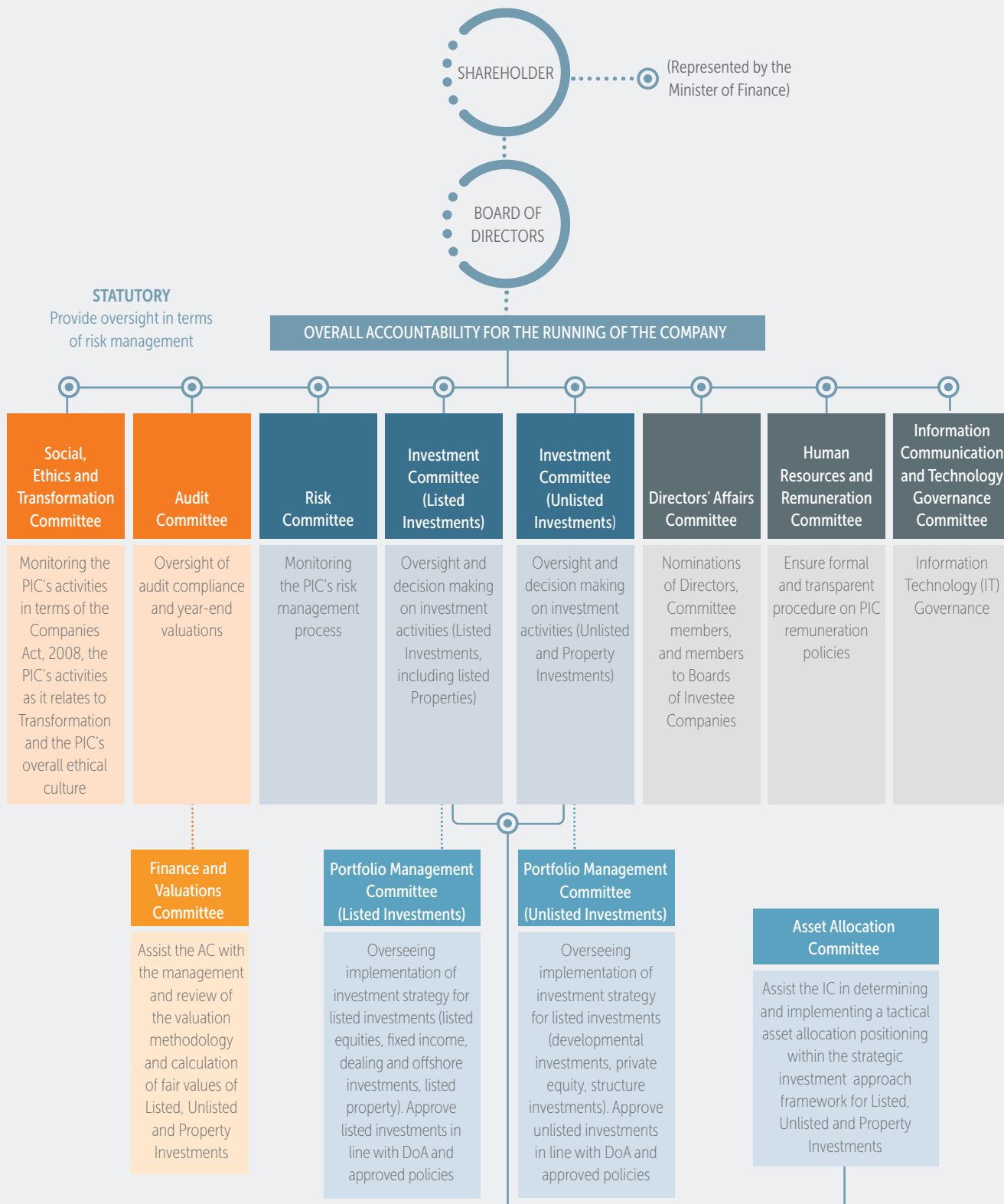
SETCO made a concerted effort to ensure that the necessary structures, policies and oversight are in place to encourage ethical behaviour, inculcate ethical culture, advance social and economic development, fair labour practices, ethical investments, transformation and good stakeholder relations. The PIC is still on a journey and continues to work very hard to implement the Mpati Report recommendations and ensure that any wrongdoing by any of its employees is addressed. During the next reporting period, the Committee will continue to focus on transformation, to enhance its ethical culture through various interventions and to monitor adherence to policies. The Committee is satisfied that it discharged its responsibilities set out in its terms of reference during the year and it thanks employees and management for their support in helping achieve this.



Ms Barbara Watson
CHAIRPERSON: SETCO

GOVERNANCE / AT THE PIC

Governance Structure



As a responsible corporate citizen, the PIC aims to earn the trust of all stakeholders through transparent and efficient corporate activities and to continue to grow and maintain a sustainable entity. To achieve these goals, the entity recognises that continuous improvement of its governance is essential.

The PIC is a Schedule 3B public entity in terms of the Public Finance Management Act (PFMA), as amended. The entity is led by a Board of Directors whose duties and responsibilities – as individuals and as a collective – are determined by Sections 72 to 78 of the Companies Act (Act 71 of 2008), the PIC Memorandum of Incorporation (Mol), Chapter 6 of the PFMA, the Public Investment Corporation Act (Act 23 of 2004, the "PIC Act"), as amended and common law.

As a Financial Services Provider and custodian of considerable assets on behalf of its clients, the PIC has a responsibility to conduct its affairs with prudence, diligence, integrity, transparency and attendant ethical conduct, i.e. conforming to a standard of what is right and good. The PIC's investment activities and achievements contribute to the wellbeing of workers, present and future generations of pensioners, and their beneficiaries.

The Board considers good corporate governance fundamental to the achievement of the PIC's mission, mandate, financial objectives and corporate responsibilities. The Board is committed to applying the governance principles of fairness, accountability, responsibility, transparency, integrity and competency in all dealings with stakeholders. All members of the Board and management are responsible for ensuring that the PIC achieves and maintains the highest levels of ethical conduct through developing and overseeing an implementable strategy.

Executive Authority

The Executive Authority of the PIC is the Minister of Finance, who, in terms of Section 6(1) of the PIC Act, determines and appoints Board members in consultation with Cabinet.

The Public Investment Corporation Amendment Act (Act 14 of 2019), was signed into law by the President of South Africa on 15 February 2021. The Amendment Act mainly focuses on the constitution of the PIC Board and certain aspects relating to the PIC's investment management business.

Parliamentary Oversight

The Standing Committee on Public Accounts (SCOPA) considers financial statements, business performance and ethical conduct of all executive organs of state, constitutional institutions and other public bodies. SCOPA fulfils the responsibility of reviewing the PIC's Annual Financial Statements and audit reports submitted by the Auditor-General.

Portfolio Committees, such as the Standing Committee on Finance (SCOF), fulfil the responsibility of reviewing non-financial information contained in the Integrated Annual Reports of State-Owned Entities (SOEs). These Committees exercise oversight over SOEs' service delivery and consider SOE performance in terms of the key performance indicators included in their corporate plans. During the year under review, the PIC was called to account for its Integrated Annual Report for the financial year 2019/2020 to the SCOF. The PIC also presented to SCOF the progress it has made with implementing the recommendations of the Mpati Commission of Inquiry. SCOF also afforded the PIC an opportunity to respond to voluntary presentations made by the Sekunjalo Group and Magae Makhaya Housing.

Purpose and Role of the Board

The Board must effectively represent and promote the interests of the PIC and its shareholder by leading ethically and taking account of the Corporation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development – inseparable elements of the value creation process. The Board operates independently of PIC management, free of organisational impairment, and is accountable to the shareholder.

Conflict of Interest Management and Ethics

The PIC Board is committed to executing its mandate ethically and to establishing and inculcating a culture of ethical behaviour among all employees and stakeholders. It embraces the principles of the King IV Report on Corporate Governance for South Africa 2016 (King IV) and has developed a Compliance Framework and Manual, a Code of Conduct and a Code of Ethics. These obligate the Board and employees to adhere to legislation, best practice principles and high standards of integrity. The Board and employees are further obliged to treat clients' assets with prudence and communicate with stakeholders fairly and honestly.

Conflict of interest is managed through the Code of Conduct and Conflict of Interest Management Policy. The PIC also monitors compliance with the Code of Conduct for Administrative and Discretionary Financial Services Providers, which allows clients of Financial Services Providers to make informed decisions, knowing that their financial products are suitable for purpose, as well as the General Code of Conduct for Authorised Financial Services Providers and Representatives, developed in terms of the Financial Advisory and Intermediary Services Act (Act 37 of 2002, the "FAIS Act").

Conflict of interest is a matter of concern to external stakeholders given situations or relationships that may appear to influence the decisions of the Board and management. Conflicts of interest or personal relationships with external entities – actual or perceived – caused considerable reputational and ethical damage to the PIC and the erosion of stakeholder trust. Realising that failure to disclose potential conflict may lead to ethics failures, the Board addressed these concerns and perceptions through transparent and proactive communication.

Ethical business conduct preserves trust between the PIC and its key stakeholders (clients, employees, the shareholder and communities). The PIC invited an external independent party, The Ethics Institute, to conduct an ethics risk assessment, whose recommendations were adopted by the Board. The Board mandated the Social, Ethics and Transformation Committee (SETCO) to develop an ethics strategy to ensure effective implementation of the recommendations. The Board also established the Ethics Office reporting directly to the Chief Executive Officer. The Head of the Ethics Office assumed duties on 1 December 2020.

The Mpati Commission of Inquiry

On 4 October 2018, President Cyril Ramaphosa, established a Judicial Commission of Inquiry under Judge Lex Mpati into allegations of impropriety at the PIC and published the Commission's terms of reference. The Board received the Mpati Report in March 2020 and is addressing its findings and recommendations with the help of an Advisory Panel (AP) led by retired Justice Yvonne Mokgoro. The AP started its work in November 2020.

Stakeholder Management

The PIC recognises that to be trusted by society and stakeholders, timely disclosure of information in a fair and accurate manner is paramount. During the reporting period, the Board continued to strengthen the PIC's stakeholder engagements by including biannual Board-to-Board and Committee working group meetings with clients as part of the Board and Committee annual calendars. The Board further entrenched informal and formal engagements with the shareholder representative and held employee engagements to address expectations and deliverables and to restore confidence and trust.

Active stakeholder engagement and relationship management are critical components of the PIC's efforts to discharge its investment mandate. The Board acknowledges that its role is crucial in defining stakeholder management, understanding their expectations and defining the characteristics of the corporate culture. To this end, the Board approved a Stakeholder Management Framework for the PIC, which provides guidelines and principles that must be considered when identifying, analysing, prioritising and engaging the PIC's various stakeholders.

External Audit and Assurance

The Auditor-General South Africa (AGSA) provides external audit assurance for the PIC. The shareholder, at the Annual General Meeting (AGM) held on 16 November 2020, confirmed the reappointment of the AGSA as external auditor of the PIC for the financial year ended 31 March 2021, in accordance with the PIC MoI. The Audit Committee was authorised during the AGM to determine the terms of engagement and fees of the AGSA. The work of the AGSA complements the work of the PIC's internal assurance providers.

Board's Commitment to Executing its Strategy

The Board determines the strategic direction of the PIC and oversees the monitoring, implementation and execution of the strategy by management. The Board remains accountable for organisational performance through reporting and disclosure.

The Board's annual strategy session could not happen in 2020 due to the COVID-19 pandemic. Despite the difficulties posed by the pandemic, the Board reviewed and approved the PIC's Corporate Plan for financial years 2021/22 to 2023/24 and the Shareholder's Compact for 2021/22, in December 2020. The PIC's Corporate Plan and Shareholder's Compact were duly submitted in accordance with the PFMA and approved by the Minister of Finance.

The PIC Board strategy session subsequently happened on 24-25 May 2021 and work is underway to implement the strategy.

Board Composition

The Board is mindful that its composition, who takes into account different and unique circumstances applicable to the PIC, is a significant contributing factor to its performance.

The PIC Amendment Act, signed into law on 15 February 2021, decrees that the PIC Board be constituted as follows:

- Ten Non-Executive Directors, who shall include:
 - The Chairperson of the Board, who shall either be the Deputy Minister of Finance or any other Deputy Minister in the economic cluster;
 - Two representatives from the largest depositor (i.e. the Government Employees Pension Fund);
 - One representative from any other depositor whose assets are 10% or more of the PIC's AuM (i.e. the Unemployment Insurance Fund or the Compensation Commissioner Fund);
 - Three representatives from labour. Two from the trade union with the majority of the members of the GEPPF, and one from any other trade union; and
 - Two other Non-Executive Directors.
- Three Executive Directors, including the Chief Executive Officer.

The Board was appointed on 11 July 2019 for an interim period. Its tenure was extended for 15 months from 1 August 2020 or until a new Board is in place. The Ministerial appointment of a permanent PIC Board is underway.

The term of office of Ms Sindi Mabaso-Koyana (Deputy Chairperson and Chairperson of the Audit Committee) ended on 30 September 2020. The term of office of Mr Bhekithemba Gamedze, Chairperson of the Investment Committee, Ms Maria Ramos, Chairperson of the Risk Committee, and Ms Irene Charnley, Chairperson of the

Information Communication and Technology Governance Committee, ended on 31 December 2020.

Ms Futhi Mtoba was appointed Deputy Chairperson of the Board effective 1 October 2020. In accordance with Sections 94(2) and 94(4) of the Companies Act, and paragraph 14.4 of the Mol, the shareholder, at the AGM of 16 November 2020, appointed Ms Mtoba as Chairperson of the Audit Committee effective from 16 November 2020 until the next AGM or the expiry of her term of office.

Ms Karabo Morule was appointed Non-Executive Director of the PIC effective 22 October 2020, and Chairperson of the Investment Committee effective from 1 January 2021.

Mr Vuyani Hako served as Acting Chief Executive Officer and ex-officio Executive Director from 21 March 2019 until 31 July 2020. Mr Abel Sithole assumed duties as Chief Executive Officer and ex-officio Executive Director on 1 August 2020.

Mr Brian Mavuka, appointed Acting Chief Financial Officer effective 26 November 2018, continues serving on the Board as an ex-officio Executive Director.

Mr Sholto Dolamo was appointed Acting Chief Investment Officer on 6 August 2020 and, in line with the Mol, was also appointed ex-officio Executive Director pending ratification by the shareholder. The shareholder, at the AGM of 16 November 2020, resolved to ratify Mr Dolamo's appointment only as Acting Chief Investment Officer, and not as ex-officio Executive Director. Mr Dolamo resigned as ex-officio Executive Director of the Board following the resolution of the shareholder.

The Board established seven Board Committees in accordance with Section 72 of the Companies Act, whose activities for the reporting period are detailed in this report.

To ensure good governance and appropriate oversight over the valuation processes for investments, the Board approved that the Valuations Committee, chaired by the Chief Financial Officer, becomes a subcommittee of the Audit Committee.

Delegation of Authority

The Delegation of Authority (DoA) Framework was reviewed and approved by the Board during 2019 before the approval of the current operational structure, comprising the Chief Executive Officer, Chief Financial Officer, Chief Investment

Officer, Chief Operations Officer, Chief Technology Officer and Chief Risk Officer. The DoA is being reviewed to ensure alignment with the revised organisational structure, the revised governance structures and changing business environment.

Following the recommendations contained in the Mpati Commission Report, and being mindful of the potential reputational risk associated with transactions, the Board took a decision on 27 July 2020 and deemed it prudent to temporarily reduce the limits of the Portfolio Management Committees (PMCs) until a permanent Chief Investment Officer has been appointed. The process to appoint the Chief Investment Officer is at an advanced stage.

The decision of the Board was particularly important since neither the Investment Committee nor the Board could confirm whether the investment process supporting the decisions made by the PMCs was sufficiently robust or ethically sound, as expressed in the Mpati Commission Report.

During the year under review, the Board approved the reviewed terms of references for all its committees and subcommittees, to ensure focused oversight. The DoA for investments was also reviewed in line with the temporary suspension of the authorities of the PMCs.

Risk Management

The Board reviewed and adopted the PIC's Enterprise-wide Risk Management Framework, which identifies, assesses and measures PIC risks. It also approved the inclusion of enterprise risk management as a performance indicator in the Corporate Risk Register to ensure a structured monitoring approach. An external service provider was appointed at the behest of the Risk Committee to conduct an end-to-end gap analysis of the risk function and practices within the PIC. The external service provider's recommendations are being implemented. The Chief Risk Officer assumed duties on 1 January 2021.

Remuneration Governance

The Board, upon the recommendation of the Human Resources and Remuneration Committee (HRRC), resolved not to amend the Remuneration Policy applicable to the financial year 2019/20, and recommended to the shareholder that this Remuneration Policy should also be applicable to the financial year 2020/21. The shareholder approved the

recommendation of the Board at the AGM of 16 November 2020.

The shareholder considered the proposed changes to the Non-Executive Directors' Fee Policy at the AGM, but deferred approval pending further discussions with National Treasury.

Compliance Governance

The Board, through the Audit Committee, the Risk Committee and the Investment Committee, considers compliance reports quarterly.

Corporate Performance and Reporting

Corporate performance and reporting assists to improve the PIC's performance. During the year under review, the Board approved and rated the 2019/20 corporate balanced scorecard in line with achieved performance targets, based on the audit outcome. The Board also approved the 2020/21 scorecard, which will be rated upon the finalisation of the 2020/21 audit by the AGSA in 2021/22. The scorecard included information on PIC performance objectives for financial sustainability; how the organisation met the financial expectations of clients; improvement on ethical behaviour and leadership; transformation; environmental, social and governance (ESG) integration; staff turnover and the retention of critical skills; and skills development impact. Quarterly reports were presented to the Board in order to monitor the progress of the PIC in attaining set goals, objectives and targets of the scorecard.

The Board also received and approved for submission to the shareholder, the annual budget and the shareholder's compact for 2021/22, and the Corporate Plan for 2021/22 to 2023/24.

The Board is satisfied that it complied with its duties and responsibilities during the reporting period, which are in line with the Board annual workplan.

COVID-19 Pandemic

The COVID-19 pandemic started as a public health crisis, but quickly evolved into a financial and economic crisis of extraordinary proportions. Despite the impact of COVID-19 and the prospect that it may destabilise the entity, the PIC was able to continue to function, and the Board was able to continue to fully exercise its fiduciary responsibilities.

COMPANY / SECRETARY



MS BONGANI MATHEBULA

POSITION

Company Secretary

QUALIFICATIONS

- Admitted as Attorney and Conveyancer of the High Court of South Africa
- LL.M: Commercial Law
- B Proc
- Certificate in Advanced Corporate Law
- Certificate in Board Leadership

DATE APPOINTED

1 August 2015

THE BOARD

Board members

The Board comprises the required technical, financial, investment, commercial, legal and social expertise to fulfil its fiduciary duties. During the reporting period, there were 14 Non-Executive Directors appointed by the Minister of Finance in consultation with Cabinet, and two Executive Directors. The Board is considered independent and diversified in gender, race and age.

1. Dr Reuel J Khoza, Chairperson
2. Ms Sindi Mabaso-Koyana, Deputy Chairperson
3. Ms Irene Charnley, Non-Executive Director
4. Ms Barbara Watson, Non-Executive Director
5. Dr Angelo David Sabelo de Bruyn, Non-Executive Director

6. Prof Bonke Dumisa, Non-Executive Director
7. Adv Makhubalo Ndaba, Non-Executive Director
8. Mr Pitsi Moloto, Non-Executive Director
9. Mr Bhekithemba Gamedze, Non-Executive Director
10. Ms Tshepiso Moahloli, Non-Executive Director
11. Ms Maria Ramos, Non-Executive Director
12. Mr Mugwena Maluleke, Non-Executive Director
13. Mr Ivan Fredericks, Non-Executive Director
14. Ms Futhi Mtoba, Non-Executive Director
15. Ms Karabo Morule, Non-Executive Director
16. *Mr Vuyani Hako, Acting Chief Executive Officer
17. **Ms Matshepo More, Chief Financial Officer
18. Mr Brian Mavuka, Acting Chief Financial Officer
19. Mr Abel Sithole, Chief Executive Officer
20. ***Mr Sholto Dolamo, Acting Chief Investment Officer

* Member resigned as ex-officio Executive Director on 31 July 2020

** Member on precautionary suspension since 20 March 2019

*** Member resigned as ex-officio Executive Director on 16 November 2020

| NON-EXECUTIVE DIRECTORS | Meetings attended | Meetings held |
|---------------------------------|-------------------|---------------|
| Dr Reuel J Khoza (Chairperson) | 19 | 19 |
| Ms Sindi Mabaso-Koyana | 11 | 11 |
| Ms Irene Charnley | 16 | 16 |
| Ms Barbara Watson | 18 | 19 |
| Dr Angelo David Sabelo de Bruyn | 19 | 19 |
| Prof Bonke Dumisa | 18 | 19 |
| Adv Makhubalo Ndaba | 19 | 19 |
| Mr Pitsi Moloto | 19 | 19 |
| Mr Bhekithemba Gamedze | 14 | 16 |
| Ms Tshepiso Moahloli | 14 | 19 |
| Ms Maria Ramos | 14 | 16 |
| Mr Mugwena Maluleke | 17 | 19 |
| Mr Ivan Fredericks* | 0/0 | |
| Ms Futhi Mtoba | 7 | 8 |
| Ms Karabo Morule | 7 | 8 |
| Mr Vuyani Hako | 8 | 8 |
| Mr Brian Mavuka | 19 | 19 |
| Mr Abel Sithole | 11 | 11 |
| Mr Sholto Dolamo | 6 | 6 |

*Term of office ended on 31 July 2020.

INTERIM BOARD / OF DIRECTORS



DR REUEL KHOZA

CHAIRPERSON

POSITIONS

- Chairperson of the Board
- Independent Non-Executive Director
- Chairperson of the Directors' Affairs Committee

QUALIFICATIONS

- Chartered Director (CD) SA
- Engineering Doctorate in Business Leadership
- Doctorate of Economics (honoris causa)
- Doctorate of Laws (honoris causa)
- Master of Arts in Marketing
- Bachelor of Arts in Psychology (Honours)



***MS FUTHI MTOBA**

DEPUTY CHAIRPERSON

POSITIONS

- Deputy Chairperson of the Board
- Independent Non-Executive Director
- Chairperson of the Audit Committee
- Member of the Directors' Affairs Committee
- Member of the Risk Committee

QUALIFICATIONS

- Doctor of Commerce (honoris causa)
- Chartered Accountant (SA)
- Bachelor of Accounting Science (Honours)
- Bachelor of Arts (Honours)
- Higher Diploma in Banking Law

**Appointed on 01 October 2020*



***MS SINDI MABASO-KOYANA**

DEPUTY CHAIRPERSON

POSITIONS

- Deputy Chairperson of the Board
- Independent Non-Executive Director
- Chairperson of the Audit Committee
- Member of the Directors' Affairs Committee
- Member of the Risk Committee

QUALIFICATIONS

- Chartered Accountant (SA)
- Postgraduate Diploma in Accounting
- Bachelor of Commerce
- Diploma in Introduction to Mining

**Term of office ended on 30 September 2020*

INTERIM BOARD / OF DIRECTORS



***MS IRENE CHARNLEY**

POSITIONS

- Independent Non-Executive Director
- Chairperson of the Information, Communication and Technology Governance Committee
- Member of the Directors' Affairs Committee
- Member of the Investment Committees

QUALIFICATION

- Management Advance Programme

**Term of office ended on 31 December 2020*



**DR ANGELO DAVID SABELO
DE BRUYN**

POSITIONS

- Independent Non-Executive Director
- Member of the Human Resources and Remuneration Committee
- Member of the Information, Communication and Technology Governance Committee
- Member of the Investment Committees

QUALIFICATIONS

- Bachelor of Medicine and Bachelor of Surgery (cum laude)
- Diploma in Advanced Health Services Management



PROF BONKE DUMISA

POSITIONS

- Independent Non-Executive Director
- Member of the Audit Committee
- Member of the Investment Committees
- Member of the Human Resources and Remuneration Committee

QUALIFICATIONS

- Doctor of Business Administration
- Master of Business Administration
- Master of Science in Industrial Relations and Personnel Management
- Master of Laws
- Bachelor of Commerce (Honours)
- Bachelor of Commerce in Accounting
- Bachelor of Laws

INTERIM BOARD / OF DIRECTORS



***MR IVAN FREDERICKS**

POSITIONS

- Independent Non-Executive Director
- Member of the Human Resources and Remuneration Committee
- Member of the Risk Committee

QUALIFICATIONS

- Master of Science (Mathematics)
- Bachelor of Arts (Honours)

**Term of office ended on 31 July 2020*



***MR BHEKITHEMBA GAMEDZE**

POSITIONS

- Independent Non-Executive Director
- Chairperson of the Investment Committees
- Member of the Directors' Affairs Committee
- Member of the Risk Committee

QUALIFICATIONS

- Master of Science (Mathematics)
- Bachelor of Arts (Honours)
- Fellow of the Actuarial Society of South Africa (FASSA)

**Term of office ended on 31 December 2020*



MR MUGWENA MALULEKE

POSITIONS

- Independent Non-Executive Director
- Member of the Social, Ethics and Transformation Committee
- Member of the Investment Committees

QUALIFICATIONS

- Master in Business Management
- Master in Labour Law
- Bachelor of Arts
- Primary Teachers Diploma
- Project Management Programme
- Personal Finance Management
- Diploma in Negotiations

INTERIM BOARD / OF DIRECTORS



MS TSHEPISO MOAHLOLI

POSITIONS

- Non-Executive Director
- Member of the Audit Committee
- Member of the Risk Committee
- Member of the Social, Ethics and Transformation Committee

QUALIFICATIONS

- Executive Master in Business Administration
- Master of Economics Science (cum laude)
- Bachelor of Economics (Honours)
- Bachelor of Science (Maths and Economics) (cum laude)



MR PITSI MOLOTO

POSITIONS

- Independent Non-Executive Director
- Chairperson of the Risk Committee
- Member of the Human Resources and Remuneration Committee
- Member of the Information, Communication and Technology Governance Committee

QUALIFICATIONS

- Master in Business Administration
- Master in City Planning



MS KARABO MORULE

POSITIONS

- Independent Non-Executive Director
- Member of the Investment Committees
- Member of the Risk Committee

QUALIFICATIONS

- Postgraduate Diploma in Actuarial Science
- Bachelor of Business Science in Actuarial Science (Honours)
- Advanced Management Programme

**Appointed on 22 October 2020*

INTERIM BOARD / OF DIRECTORS



ADV MAKHUBALO NDABA

POSITIONS

- Independent Non-Executive Director
- Chairperson of the Human Resources and Remuneration Committee
- Member of the Directors' Affairs Committee
- Member of the Social, Ethics and Transformation Committee

QUALIFICATIONS

- Admitted Advocate
- Master of Laws in Employment Law
- Bachelor of Laws
- B Juris



***MS MARIA RAMOS**

POSITIONS

- Independent Non-Executive Director
- Chairperson of the Risk Committee
- Member of the Directors' Affairs Committee
- Member of the Audit Committee

QUALIFICATIONS

- Master of Science (Economics)
- Bachelor of Commerce (Honours)
- Bachelor of Commerce
- Institute of Bankers Diploma

**Term of office ended on 31 December 2020*



MS BARBARA WATSON

POSITIONS

- Independent Non-Executive Director
- Chairperson of the Social, Ethics and Transformation Committee
- Member of the Directors' Affairs Committee
- Member of the Investment Committees

QUALIFICATION

- Bachelor of Social Science

INTERIM BOARD / OF DIRECTORS



***MR ABEL SITHOLE**



***MR SHOLTO DOLAMO**



***MR VUYANI HAKO**

POSITIONS

- Executive Director of the Board (Ex-officio Executive) (Chief Executive Officer)
- Member of the Directors' Affairs Committee
- Member of the Asset Allocation Committee
- Member of the Social, Ethics and Transformation Committee
- Member of the Information, Communication and Technology Governance Committee

QUALIFICATIONS

- Master of Arts (International Relations)
- Master of Philosophy (Futures Studies)
- Master of Business Administration
- Bachelor of Arts

**Appointed on 1 August 2020*

POSITIONS

- Executive Director of the Board (Ex-officio Executive) (Acting Chief Investment Officer)
- Executive Head: Research and Projects Development
- Chairperson of the Portfolio Management Committees
- Chairperson of the Asset Allocation Committee
- Member of the Investment Committees
- Member of the Valuations Committee

QUALIFICATIONS

- Master of Business Administration
- Master of Science (Engineering)
- Bachelor of Science (Chemistry)

**Resigned as ex-officio Executive Director on 16 November 2020*

POSITIONS

- Executive Director of the Board (Ex-officio Executive) (Acting Chief Executive Officer from 23 March 2019 to 31 July 2020)
- Chief Operations Officer
- Acting Executive Head: Properties
- Member of the Directors' Affairs Committee
- Member of the Investment Committees
- Member of the Social, Ethics and Transformation Committee
- Member of the Information, Communication and Technology Governance Committee
- Member of the Valuations Committee
- Member of the Portfolio Management Committees

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

**Resigned as ex-officio Executive Director on 31 July 2020*

INTERIM BOARD / OF DIRECTORS



MR BRIAN MAVUKA

POSITIONS

- Executive Director of the Board (Ex-officio Executive) (Acting Chief Financial Officer)
- General Manager: Finance
- Chairperson of the Valuations Committee
- Member of the Investment Committees
- Member of the Social, Ethics and Transformation Committee
- Member of the Information, Communication and Technology Governance Committee

QUALIFICATIONS

- Chartered Accountant (SA)
- Bachelor of Commerce Accounting (Honours)
- Bachelor of Commerce Accounting
- Accredited SAICA Assessor



***MS MATSHEPO MORE**

POSITION

- Executive Director of the Board (Ex-officio Executive) (Chief Financial Officer)

QUALIFICATIONS

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

**Precautionary suspension from 20 March 2019*

BOARD COMMITTEES

The Board has adopted a Board Charter and terms of reference for its committees and subcommittees. These are reviewed annually.

Audit Committee (AC)

The AC is a Committee of the Board, in terms of Section 72 of the Companies Act, and a statutory committee in terms of Section 94(7) of the Companies Act. The AC assists the Board with its oversight responsibilities of the PIC's financial position and to ensure that the PIC's financial reporting contains proper disclosures. To fulfil its dual mandate, AC reports quarterly (or when required) to the Board and annually to the shareholder at the AGM.

The purpose and role of the AC, with key activities during the reporting period, are detailed on page 152 of this report.

COMPOSITION AND MEETING ATTENDANCE SUMMARY

| MEMBER | MEETINGS ATTENDED | MEETINGS HELD |
|--|-------------------|---------------|
| Ms Sindi Mabaso-Koyana (term of office ended on 30 September 2020) | 10 | 10 |
| Ms Futhi Mtoba (Chairperson – from October 2020) | 2 | 2 |
| Ms Tshepiso Moahloli | 12 | 12 |
| Prof Bonke Dumisa | 12 | 12 |
| Ms Maria Ramos (term of office ended on 31 December 2020) | 9 | 11 |

Social, Ethics and Transformation Committee (SETCO)

SETCO is a Committee of the Board and a statutory committee in terms of Section 72(4) of the Companies Act, read with Regulation 43 of the Companies Act. To fulfil its dual mandate, SETCO reports quarterly (or when required) to the Board and annually to the shareholder at the AGM.

SETCO's purpose, role and key activities during the reporting period are detailed on page 118 of this report.

COMPOSITION AND MEETING ATTENDANCE SUMMARY

| MEMBER | MEETINGS ATTENDED | MEETINGS HELD |
|--|-------------------|---------------|
| Ms Barbara Watson (Chairperson) | 6 | 6 |
| Mr Mugwena Maluleke | 4 | 6 |
| Adv Makhubalo Ndaba | 6 | 6 |
| Ms Tshepiso Moahloli | 6 | 6 |
| Mr Abel Sithole (member from 1 August 2020) | 4 | 4 |
| Mr Vuyani Hako (resigned as ex-officio Executive Director on 31 July 2020) | 2 | 2 |
| Mr Brian Mavuka | 6 | 6 |

Directors' Affairs Committee (DAC)

The DAC is a Committee of the Board in terms of Section 72 of the Companies Act that assists in the execution of its oversight responsibilities for corporate governance, director evaluation and remuneration, and the nomination of PIC directors on boards of Investee Companies.

Purpose and Role of DAC

The DAC assists the Board to execute its duties and identify qualified individuals to be nominated for appointment to the PIC Board and the boards of Investee Companies, and to ensure that the nomination process is transparent.

COMPOSITION AND MEETING ATTENDANCE SUMMARY

| MEMBER | MEETINGS ATTENDED | MEETINGS HELD |
|--|-------------------|---------------|
| Dr Reuel J Khoza (Chairperson) | 7 | 7 |
| Adv Makhubalo Ndaba | 6 | 7 |
| Ms Sindi Mabaso-Koyana (term of office ended on 30 September 2020) | 5 | 5 |
| Mr Bhekithemba Gamedze (term of office ended on 31 December 2020) | 6 | 6 |
| Ms Barbara Watson | 7 | 7 |
| Ms Irene Charnley (term of office ended on 31 December 2020) | 6 | 6 |
| Ms Maria Ramos (term of office ended on 31 December 2020) | 5 | 6 |
| Ms Futhi Mtoba (member from 1 October 2020) | 1 | 2 |
| Ms Karabo Morule (member from 1 January 2020) | 1 | 1 |
| Mr Abel Sithole (member from 1 August 2020) | 3 | 3 |
| Mr Vuyani Hako (resigned as ex-officio Executive Director on 31 July 2020) | 4 | 4 |

Investment Committee – Unlisted And Listed Investments (IC-UI and IC-LI)

The Investment Committee (IC) is a Committee of the Board in terms of Section 72 of the Companies Act. To ensure integrity and efficiency in the PIC's investment processes and appropriate oversight, the IC-UI and IC-LI were established.

Purpose and Role of the IC-UI

The IC-UI assists the Board to execute its statutory duties and its oversight responsibilities for unlisted investment activities based on investment mandates and strategy adopted by the Board.

COMPOSITION AND MEETING ATTENDANCE SUMMARY

| MEMBER | MEETINGS ATTENDED | MEETINGS HELD |
|--|-------------------|---------------|
| Mr Bhekithemba Gamedze (term of office ended on 31 December 2020) | 16 | 16 |
| Ms Karabo Morule (member from 1 November 2020) | 8 | 8 |
| Dr Angelo David Sabelo de Bruyn | 21 | 21 |
| Ms Barbara Watson | 20 | 21 |
| Ms Irene Charnley (term of office ended on 31 December 2020) | 13 | 16 |
| Prof Bonke Dumisa | 19 | 21 |
| Mr Mugwena Maluleke | 15 | 21 |
| Mr Vuyani Hako (resigned as ex-officio Executive Director on 31 July 2020) | 16 | 16 |
| Mr Sholto Dolamo (resigned as ex-officio Executive Director on 16 November 2020) | 14 | 15 |
| Mr Brian Mavuka (member until 8 June 2020) | 2 | 2 |

Purpose and Role of the IC-LI

The IC-LI assists the Board to execute its statutory duties and its oversight responsibilities for listed investment activities based on investment mandates and strategy adopted by the Board.

COMPOSITION AND MEETING ATTENDANCE SUMMARY

| MEMBER | MEETINGS ATTENDED | MEETINGS HELD |
|--|-------------------|---------------|
| Mr Bhekithemba Gamedze (Chairperson – term of office ended on 31 December 2020) | 11 | 11 |
| Ms Karabo Morule (Chairperson at 1 January 2021) | 4 | 4 |
| Dr Angelo David Sabelo de Bruyn | 13 | 13 |
| Ms Barbara Watson | 12 | 13 |
| Ms Irene Charnley (term of office ended on 31 December 2020) | 10 | 11 |
| Prof Bonke Dumisa | 11 | 13 |
| Mr Mugwena Maluleke | 9 | 13 |
| Mr Vuyani Hako (resigned as ex-officio Executive Director on 31 July 2020) | 9 | 9 |
| Mr Brian Mavuka | 1 | 2 |
| Mr Sholto Dolamo (resigned as ex-officio Executive Director on 16 November 2020) | 7 | 8 |

Information, Communication and Technology Governance Committee (ICTGC)

The ICTGC is a Committee of the Board in terms of Section 72 of the Companies Act that oversees technology and information governance. It also ensures that PIC technology and systems support the setting and achievement of strategic objectives to operate competitively.

Purpose and Role of the ICTGC

The ICTGC assists the Board to oversee the development and implementation of an Information Technology (IT) Governance Charter, and policies and processes to enhance the PIC's performance and sustainability.

COMPOSITION AND MEETING ATTENDANCE SUMMARY

| MEMBER | MEETINGS ATTENDED | MEETINGS HELD |
|---|-------------------|---------------|
| Ms Irene Charnley (Chairperson – term of office ended on 31 December 2020)* | 4 | 4 |
| Dr Angelo David Sabelo de Bruyn | 5 | 5 |
| Mr Pitsi Moloto | 5 | 5 |
| Mr Vuyani Hako (resigned as ex-officio Executive Director on 31 July 2020) | 2 | 2 |
| Mr Brian Mavuka | 4 | 5 |
| Mr Abel Sithole (member from 1 August 2020) | 3 | 3 |

**The terms of reference state that 'The Board shall appoint a Non-Executive Director as Chairperson of the ICTGC', and that 'In the event that the position of the Chairperson becomes vacant and the next ICTGC meeting is scheduled on a date prior to the Board appointing a Chairperson of the ICTGC, the ICTGC members present at the meeting must elect one of them to act as Chairperson of that meeting, provided that the quorum is met'. The ICTGC accordingly, at its February 2021 meeting, elected Dr Angelo David Sabelo de Bruyn Chairperson for that meeting. The Board, at its meeting in April 2021, appointed Mr Mugwena Maluleke a member and Chairperson of the ICTGC.*

Human Resources and Remuneration Committee (HRRC)

The HRRC is a Committee of the Board in terms of Section 72 of the Companies Act.

Purpose and Role of the HRRC

The HRRC assists the Board to oversee the development and implementation of the Human Resources Strategy adopted by the Board and the governance of remuneration, including setting remuneration principles and parameters.

COMPOSITION AND MEETING ATTENDANCE SUMMARY

| MEMBER | MEETINGS ATTENDED | MEETINGS HELD |
|---|-------------------|---------------|
| Adv Makhubalo Ndaba (Chairperson) | 8 | 8 |
| Dr Angelo David Sabelo de Bruyn | 8 | 8 |
| Mr Pitsi Moloto | 6 | 8 |
| Prof Bonke Dumisa | 8 | 8 |
| Mr Ivan Fredericks (term of office ended on 31 July 2020) | | 0/0 |

Risk Committee (RC)

The RC is a Committee of the Board in terms of Section 72 of the Companies Act, to assist with oversight of current risk exposures and future risk strategy.

Purpose and Role of the RC

The RC assists the Board to oversee and approve the PIC's enterprise-wide risk management practices and related matters.

COMPOSITION AND MEETING ATTENDANCE SUMMARY

| MEMBER | MEETINGS ATTENDED | MEETINGS HELD |
|--|-------------------|---------------|
| Ms Maria Ramos (Chairperson – term of office ended on 31 December 2020)* | 3 | 3 |
| Mr Pitsi Moloto | 4 | 4 |
| Ms Tshepiso Moahloli | 4 | 4 |
| Mr Bhekithemba Gamedze (term of office ended on 31 December 2020) | 3 | 3 |
| Ms Sindi Mabaso-Koyana (term of office ended on 30 September 2020) | 2 | 2 |
| Ms Karabo Morule (member from 22 October 2020) | 2 | 2 |
| Ms Futhi Mtoba (member from 1 October 2020) | 2 | 2 |

*The terms of reference state that 'The Board shall appoint a Non-Executive Director as Chairperson of the RC', and that 'In the event that the position of the Chairperson becomes vacant and the next RC meeting is scheduled on a date prior to the Board appointing a Chairperson of the RC, the RC members present at the meeting must elect one of them to act as Chairperson of that meeting, provided that the quorum is met'. The RC accordingly, at its February 2021 meeting, elected Ms Karabo Morule Chairperson for that meeting. The Board, at its April 2021 meeting, appointed Mr Pitsi Moloto Chairperson of the RC.

SUBCOMMITTEES

Valuations Committee (VC)

The VC is a subcommittee of the AC.

Purpose and Role of the VC

The VC reviews external inputs, assumptions and valuation methodology, and calculates the fair value of listed and unlisted investments in line with clients' valuation policies for approval and reporting to clients quarterly.

COMPOSITION AND MEETING ATTENDANCE SUMMARY

| MEMBER | MEETINGS ATTENDED | MEETINGS HELD |
|---|-------------------|---------------|
| Mr Brian Mavuka (Chairperson) | 7 | 7 |
| Mr Kapei wa Phahlamohlaka (resigned 21 August 2021) | 3 | 3 |
| Ms Thuli Mpuntshe | 1 | 1 |
| Mr Vuyani Hako | 3 | 3 |
| Mr Sholto Dolamo | 2 | 3 |
| Ms Heidi Sternberg | 4 | 4 |
| Mr Nkosinathi Buthelezi (resigned 31 December 2020) | 6 | 6 |
| Mr August van Heerden (member from 1 January 2021) | 1 | 1 |
| Ms Lusanda Kali | 5 | 6 |
| Mr Ottis Nyalunga | 6 | 6 |
| Mr Sibusiso Nsuntsha | 1 | 1 |
| Ms Rubeena Solomon | 6 | 7 |

Portfolio Management Committee – Listed Investments (PMC-LI)

The PMC-LI is a subcommittee of the IC-LI.

Purpose and Role of the PMC-LI

The PMC-LI assists the IC-LI to effectively oversee the implementation of clients' investment mandates and the Board strategy for listed investments. The Committee develops, reviews and recommends policies for listed investments to the IC-LI for consideration and approval.

COMPOSITION AND MEETING ATTENDANCE SUMMARY

| MEMBER | MEETINGS ATTENDED | MEETINGS HELD |
|---|-------------------|---------------|
| Mr Sholto Dolamo (Chairperson from 6 August 2020) | 21 | 22 |
| Mr Vuyani Hako (Chairperson until 31 July 2020) | 7 | 13 |
| Mr Horatius Maluleka | 22 | 22 |
| Ms Melissa Breda | 21 | 22 |
| Ms Rubeena Solomon | 14 | 22 |
| Mr Lebogang Molebatsi | 22 | 22 |
| Ms Lindiwe Dlamini | 20 | 22 |
| Mr Leon Smit | 17 | 22 |
| Ms Heidi Sternberg (member from 7 August 2020) | 9 | 12 |
| Mr Nkosinathi Buthelezi (member until 31 December 2020) | 18 | 19 |
| Mr August van Heerden (member from 1 January 2021) | 3 | 3 |

Portfolio Management Committee – Unlisted Investments (PMC-UI)

The PMC-UI is a subcommittee of the IC-UI.

Purpose and Role of the PMC-UI

The PMC-UI assists the IC-UI to effectively oversee the implementation of clients' investment mandates and the Board strategy for unlisted investments. The Committee develops, reviews and recommends policies for unlisted investments to the IC-UI, for consideration and approval.

COMPOSITION AND MEETING ATTENDANCE SUMMARY

| MEMBER | MEETINGS ATTENDED | MEETINGS HELD |
|---|-------------------|---------------|
| Mr Sholto Dolamo (Chairperson) | 47 | 52 |
| Mr Nkosinathi Buthelezi (member until 31 December 2020) | 35 | 41 |
| Mr Kapei wa Phahlamohlaka (member until 31 July 2020) | 21 | 22 |
| Ms Lindiwe Dlamini | 47 | 52 |
| Mr Vuyani Hako | 44 | 52 |
| Ms Lusanda Kali | 49 | 52 |
| Ms Rubeena Solomon | 39 | 52 |
| Ms Heidi Sternberg (from August 2020) | 26 | 30 |
| Mr August van Heerden (member from January 2021) | 7 | 11 |
| Mr Roy Rajdhar (was on suspension) | - | 52 |

Asset Allocation Committee (AAC)

The AAC is a subcommittee of the IC.

Purpose and Role of the AAC

The AAC assists the IC in determining and implementing a tactical asset allocation/positioning within the strategic investment approach/framework for Listed, Unlisted and Property Investments adopted by the IC. It further assists the IC to effectively execute its duties in overseeing the implementation of the investment mandate/s and strategy to ensure that appropriate asset allocation frameworks are established and implemented in investment divisions.

COMPOSITION AND MEETING ATTENDANCE SUMMARY

| MEMBER | MEETINGS ATTENDED | MEETINGS HELD |
|---|-------------------|---------------|
| Mr Sholto Dolamo (Chairperson) | 3 | 3 |
| Mr Abel Sithole | 2 | 2 |
| Mr Nkosinathi Buthelezi (member until 31 December 2020) | 2 | 2 |
| Mr Horatius Maluleka | 2 | 3 |
| Ms Vuyani Hako | 2 | 3 |
| Ms Heidi Sternberg (from August 2020) | 2 | 2 |
| Ms Lusanda Kali | 1 | 3 |
| Ms Rubeena Solomon | 2 | 3 |
| Mr August van Heerden (member from January 2021) | 1 | 1 |
| Mr Roy Rajdhar (was on suspension) | - | 3 |

PREVIOUS / EXECUTIVE COMMITTEE



MR ABEL SITHOLE



***MR NKOSINATHI BUTHELEZI**



MS LINDIWE DLAMINI

POSITIONS

- Chief Executive Officer from 1 August 2020
- Ex-officio Executive Director

QUALIFICATIONS

- Master of Arts (International Relations)
- Master of Philosophy (Futures Studies)
- Master of Business Administration
- Bachelor of Arts

DIRECTORSHIP

- UN Investment Committee

POSITION

- Executive Head: Risk until 31 December 2020

QUALIFICATIONS

- Master of Business Administration
- Bachelor of Commerce (Honours)
- Bachelor of Commerce
- Postgraduate Certificate – Doctoral Business Research Methods
- Executive Leadership Programme

**Fixed-term contract*

POSITION

- Acting Executive Head: Legal Counsel, Governance and Compliance from 23 January 2019 until 30 June 2021

QUALIFICATIONS

- LL.M – Masters in Corporate Law
- LL.B Degree
- Certificate in Advanced Company Law 2
- Certificate in Advanced Company Law 1
- Certificate in Law of Banking and Financial Markets
- Certificate in Financial Markets and Securities Lending

PREVIOUS / EXECUTIVE COMMITTEE



***MR SHOLTO DOLAMO**

POSITIONS

- Acting Chief Investment Officer from 6 August 2020
- Ex-officio Executive Director
- Executive Head: Research and Project Development

QUALIFICATIONS

- Master of Business Administration
- Master of Science (Engineering)
- Bachelor of Science (Chemistry)

DIRECTORSHIP

- Non-Executive Director on the Board of Webster United Investments One

**Resigned as ex-officio Executive Director on 16 November 2020*



***MR VUYANI HAKO**

POSITIONS

- Executive Director of the Board (ex-officio Executive) (Acting Chief Executive Officer from 23 March 2019 to 31 July 2020)
- Chief Operations Officer from 1 November 2020
- Acting 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

**Resigned as ex-officio Executive Director on 31 July 2020*



MS LUSANDA KALI

POSITIONS

- Acting Executive Head: Impact Investments from 26 March 2020
- Acting Executive Head: Private Equity and SIPs from 26 March 2020

QUALIFICATIONS

- CFA® charter holder
- Chartered Accountant (SA)
- Bachelor of Accounting (Honours)
- Bachelor of Accounting (cum laude)

DIRECTORSHIPS

- Non-Executive Director on the Board of Adowa Property Developers (Pty) Ltd
- Advisory Board member on Razorite Healthcare and Rehabilitation Fund 1
- Advisory Board member of Razorite Healthcare and Rehabilitation Fund 2

PREVIOUS / EXECUTIVE COMMITTEE



DAN MABUZA

POSITION

- Acting Executive Head: Information Technology from 14 October 2019 until 30 April 2021

QUALIFICATIONS

- Bachelor of Computer Science
- PRINCE 2 Project Management Certified
- ITIL version 4 Certified
- COBIT5 Certified
- The Open Group Architecture Framework (TOGAF 9) Certified



MR HORATIUS MALULEKA

POSITION

- Acting Executive Head: Listed Investments from 23 January 2019

QUALIFICATIONS

- Chartered Accountant (SA)
- Bachelor of Accounting (Honours)
- Certificate in Theory of Accounting



MR BRIAN MAVUKA

POSITIONS

- Acting Chief Financial Officer from 26 November 2018
- Ex-officio Executive Director
- General Manager: Finance

QUALIFICATIONS

- Chartered Accountant (SA)
- Bachelor of Commerce Accounting (Honours)
- Bachelor of Commerce Accounting
- Accredited SAICA Assessor

PREVIOUS / EXECUTIVE COMMITTEE



***MS MATSHEPO MORE**

POSITIONS

- Chief Financial Officer
- Ex-officio Executive Director

QUALIFICATIONS

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

DIRECTORSHIPS

- Non-Executive Director on the Board of Association of Black Accountants
- Non-Executive Director on the Board of Industrial Development Corporation South Africa
- Non-Executive Director on the Board of Jordiflo

**Precautionary suspension from 20 March 2019*



***MR KAPEI WA PHAHLAMOHLAKA**

POSITION

- Acting Executive Head: Properties from 1 April 2019 to 21 August 2020

QUALIFICATIONS

- BA Law
- BA (Honours)
- Master of Business Administration (MBA)
- Bachelor of Laws (LLB)
- Certificate in Shopping Centre Management
- Certificate in Commercial Property Practice
- Property Development Programme
- Certificate in Practical Legal Training

**Resigned on 21 August 2020*



***MR CHRIS PHOLWANE**

POSITION

- Executive Head: Human Resources

QUALIFICATIONS

- Bachelor of Administration
- Secondary Teachers Diploma
- International Executive Development Programme
- Certified Talent Economist

**On special leave from 09 April 2021*

PREVIOUS / EXECUTIVE COMMITTEE



MR ROY RAJDHAR

POSITIONS

- Executive Head: Impact Investments until 8 June 2021
- Acting Executive Head: Private Equity and SIPs from 23 April 2019

QUALIFICATIONS

- Chartered Accountant (SA)
- Bachelor of Accounting Sciences
- Postgraduate Diploma in Accounting
- Higher Diploma in Tax Law
- Certificate in Advanced Company Law

DIRECTORSHIPS

- Non-Executive Director on the Board of SA Homeloans (Pty) Ltd
- Non-Executive Director on the Board of SAHL Investment Holdings (Pty) Ltd
- Non-Executive Director on the Board of S&S Refineries De Oloeos LDA (Mozambique)
- Non-Executive Director on the Board of Daybreak Farms (Pty) Ltd
- Non-Executive Director on the Board of South African Housing Development Fund (Pty) Ltd

**Resigned on 08 June 2021*



MS RUBEENA SOLOMON

POSITION

- Executive Head: Investment Management – ESG and PMV

QUALIFICATIONS

- Master of Business Administration
- Bachelor of Commerce (Honours)
- Bachelor of Commerce
- Certificate in Corporate Governance
- Higher Certificate in Islamic Banking and Finance Law



MS HEIDI STERNBERG

POSITION

- Acting Executive Head: Research and Projects Development from August 2020

QUALIFICATIONS

- Graduate Diploma in Engineering (GDE) (Mining Engineering)
- Bachelor of Science (Honours) Geology

NEW / EXECUTIVE COMMITTEE

The new executive layer of the structure has been introduced to support the execution of PIC strategic imperatives within its mandate in line with the Memorandum of Incorporation to enhance organisational efficiency, effectiveness and good governance.



MR ABEL SITHOLE



***MR SHOLTO DOLAMO**

POSITIONS

- Chief Executive Officer from 1 August 2020
- Ex-officio Executive Director

QUALIFICATIONS

- Master of Arts (International Relations)
- Master of Philosophy (Futures Studies)
- Master of Business Administration
- Bachelor of Arts

DIRECTORSHIP

- UN Investment Committee

POSITIONS

- Acting Chief Investment Officer from 6 August 2020
- Ex-officio Executive Director
- Executive Head: Research and Project Development

QUALIFICATIONS

- Master of Business Administration
- Master of Science (Engineering)
- Bachelor of Science (Chemistry)

DIRECTORSHIP

- Non-Executive Director on the Board of Webster United Investments One

**Resigned as ex-officio Executive Director on 16 November 2020*

NEW / EXECUTIVE COMMITTEE



***MR VUYANI HAKO**



MR BRIAN MAVUKA



***MS MATSHEPO MORE**

POSITIONS

- Executive Director of the Board (ex-officio Executive) (Acting Chief Executive Officer from 23 March 2019 to 31 July 2020)
- Chief Operations Officer from 1 November 2020
- Acting 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

**Resigned as ex-officio Executive Director on 31 July 2020*

POSITIONS

- Acting Chief Financial Officer from 26 November 2018
- Ex-officio Executive Director
- General Manager: Finance

QUALIFICATIONS

- Chartered Accountant (SA)
- Bachelor of Commerce Accounting (Honours)
- Bachelor of Commerce Accounting
- Accredited SAICA Assessor

POSITIONS

- Chief Financial Officer
- Ex-officio Executive Director

QUALIFICATIONS

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

DIRECTORSHIPS

- Non-Executive Director on the Board of Association of Black Accountants
- Non-Executive Director on the Board of Industrial Development Corporation South Africa
- Non-Executive Director on the Board of Jordiflo

**Precautionary suspension from 20 March 2019*

NEW / EXECUTIVE COMMITTEE



MS MAKANO MOSIDI

POSITION

- Chief Technology Officer

QUALIFICATIONS

- Bachelor of Commerce (Financial Accounting and Computer Science)
- University Education Diploma (Accounting and Economics)

DIRECTORSHIP

- Non-Executive Director of Bitanium Consulting (Pty) Ltd

Date appointed: 01 May 2021



MR AUGUST VAN HEERDEN

POSITION

- Chief Risk Officer

QUALIFICATIONS

- Public Accountants and Auditors Board Final Qualifying Exam
- Bachelor of Accounting Science (Honours)
- Bachelor of Commerce
- Advanced Diploma in Banking Law
- Diploma in Financial Markets and Instruments
- International Executive Programme

DIRECTORSHIP

- Non-Executive Director Finsbury Estate Shareblock (Pty) Ltd

Date appointed: 01 January 2021

AUDIT / COMMITTEE REPORT

Introduction

The PIC Audit Committee is constituted as a statutory committee of the PIC in terms of Section 94(7) of the Companies Act; and as a Committee of the Board in terms of Section 72 of the Companies Act, Section 7 of the PIC Act, Section 76 of the PFMA, Regulation 27 of the PFMA, application Treasury Regulations, Principle 8 of the King Report.

The Committee is governed by a formal written terms of reference approved by the Board. The terms of reference guide the Committee in terms of its objectives, authority and responsibilities, both statutory and those assigned by the Board.

Composition and Independence

The Audit Committee comprises three Non-Executive Directors. The members of the Committee meet the independence requirements of the Companies Act and King Report. The Audit Committee has an appropriate mix of relevant knowledge and experience. Each member's qualifications and experience are set out in their profiles on pages 128 to 134.

Frequency and Attendance of Committee Meetings

The terms of reference provide for the Committee to meet at least four times per year. Meetings are scheduled to align with PIC's financial reporting and audit cycle as outlined in the PFMA. Further meetings are held as required. Meeting attendance for the Committee is set out in the Corporate Governance Report on page 135. Details of fees paid to Committee members are disclosed on page 113 of this report.

The internal and external auditors both have unrestricted access to the Committee and the Committee's Chairperson, and regularly have confidential meetings with the Committee without members of Executive Management being present, thereby ensuring that the auditors can maintain their independence.

Responsibilities

The Audit Committee derives its functions and authority from the Companies Act and the PFMA, its delegated authority assigned to it by the Board, and approved policies. The Audit Committee has, among others, the following responsibilities:

- Promote and report on the overall effectiveness of the company's internal controls;
- Oversee the mandates of, and ensure coordination between the activities of the internal and external auditors;
- Satisfy the Board that material financial risks have been identified and are being effectively managed and monitored;
- Assess the impact of the general control environment on the statutory audit, and report any perceived control weaknesses;
- Review legal and regulatory matters that could have a significant impact on the PIC's financial statements;
- Monitor the PIC's procedures for quarterly reporting to the Executive Authority;
- Monitor the integrity of the PIC's integrated reporting processes;
- Annually review the expertise, appropriateness and experience of the finance function and the Chief Financial Officer;
- Consider presentations by management on new International Financial Reporting Standards (IFRS) applicable to the PIC in future financial periods, including implementation plans for their adoption and proposed accounting policy disclosure;
- Approve the external auditor's fees and terms of engagement that had been negotiated by Management;
- Consider progress made in the implementation of the PIC's internal audit plan, the key findings from such audits and special investigations conducted;
- Annually review the Committee's terms of reference and make recommendations to the Board to ensure its continued effectiveness;
- Monitor compliance with the PIC's Code of Conduct, consider significant breaches of the Code; review the Code from time to time and advise on any amendments;
- Oversee the independent year-end valuations of unlisted investments; and

- Review systems, including the whistleblower programme that enables employees and other stakeholders to raise concerns about possible improprieties, including fraud.

Quarterly Reporting to the Shareholder

As per the requirements of Treasury Regulations 29.3 and 30, the PIC concluded a Shareholder's Compact with the Minister of Finance, as the Executive Authority, and submitted its Corporate Plan and quarterly reports to the National Treasury.

Accounting Practices, Going-Concern Assessment and Annual Financial Statements

The Committee received reports on the amendments and changes to International Financial Reporting Standards (IFRS) and considered the implications thereof for the PIC, prior to evaluating and recommending the Annual Financial Statements to the Board.

The Committee was presented with new standards, amendments and interpretation notes issued during the financial year and assessment of impact on the PIC's Annual Financial Statements. The PIC was not impacted by the new IFRS 17 Insurance Contracts Standard as the PIC is not an insurer.

Amendments and interpretations pronouncements issued during the financial year did not have any impact on the PIC's Annual Financial Statements.

In addition, the Committee reviewed and concurred with Management's assessment of going concern; and adopted the going-concern basis to prepare the Annual Financial Statements.

The Committee, at the meeting held on 12 August 2021, recommended the adoption of the audited Annual Financial Statements, read together with the External Auditors' Report, to the Board, in terms of Section 30(3) of the Companies Act and Section 55 of the PFMA.

External Auditors

The PIC is classified as a Schedule 3B PFMA entity, and is audited by the Auditor-General of South Africa (Auditor-General) in terms of the Public Audit Act, No 25 of 2004. The Audit Committee is not involved in the process of appointing external auditors.

In terms of Section 94(7)(b) of the Companies Act, the Committee approved the audit fees pertaining to the audit for the financial year ended 31 March 2021. The Committee further approved the engagement letter and External Audit Plan, setting out the terms of the audit, the resources allocated and the timelines within which the audit process should be completed.

The external audit performed by the Auditor-General entailed:

- An audit of PIC's Annual Financial Statements;
- An audit of PIC's Performance Against Key Strategic Objectives;
- An audit of compliance with laws and regulations;
- An audit of assets under management; and
- A limited assurance engagement, which tested, and provided limited assurance on the PIC's compliance with the Financial Advisory and Intermediary Services Act, No 37 of 2002.

Internal Audit

Section 51(1)(a)(ii) of the PFMA provides that the Accounting Authority shall ensure that the company has a system of internal audit under the control and direction of the Audit Committee. The PIC's Head of Internal Audit reports functionally to the Audit Committee and administratively to the Chief Executive Officer. Internal Audit is a key internal assurance provider and forms an integral part of the PIC's risk management process. Internal Audit, in collaboration with the Risk Department, leads the combined assurance coordination within the PIC. The reports on the activities of Internal Audit, along with those from other assurance providers, are used by the Committee to assess the adequacy and effectiveness of the PIC's system of internal control and risk management.

During the period under review, the Committee:

- Considered the performance of the Head of Internal Audit, Mr Lufuno Nemagovhani, and was satisfied that he possesses the necessary expertise to meet his responsibilities in that position;
- Monitored and supervised the functioning, effectiveness and performance of the Internal Audit function;
- Approved the Internal Audit Charter and Internal Audit Plan and monitored the implementation of the Charter and the Plan;
- Received and reviewed reports from Internal Audit concerning the effectiveness of internal controls, systems and processes as well as the adequacy and appropriateness of Management's corrective action plans; and
- Considered all investigative and forensic reports and established whether appropriate action has been taken by Management.

In terms of the risk-based Internal Audit Plan, the Internal Audit function performed all the planned engagements for the 2020/21 financial year as per the audit plan approved by the Audit Committee.

Fraud and Irregular Activities

The Committee received and considered the reports from the Internal Audit Department on investigations conducted, the nature of the incidents and the outcomes of the investigations. In the 2020/21 financial year, there were nine cases/allegations that were received by Internal Audit for investigation, either from internally within the PIC or through the whistleblowers hotline. Of the nine cases, three have been completed, one has been partially completed, while the investigation process is in progress for the remaining five. 'Whistleblowers' is the PIC's outsourced, anonymous fraud hotline, and enables employees and other stakeholders to raise concerns about possible improprieties, including fraud by employees. The Committee evaluates and monitors fraud risk responses and initiatives to ensure that they are effective and adequate.

Internal Control

The Committee received reports from the internal and external auditors, as well as regulatory compliance on audits conducted on the PIC's internal control environment.

The Committee further identified specific internal control weaknesses during the year and made recommendations for improvement.

The Committee considered the concerns based on the assessment of the PIC's system of internal controls and reporting procedures conducted by Internal Audit and Regulatory Compliance, as well as the information and explanations provided by Executives and Senior Management to address these concerns. Furthermore, the Committee held discussions with the External Auditors on the results of their audit.

Although nothing has come to the attention of the Committee that caused it to believe that the PIC's system of internal controls and reporting procedures is not effective, and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements, for the year under review the Committee acknowledges the opportunities identified for continuous improvements in controls to respond to any potential elements of fraud, wastage and abuse.

International Standard on Assurance Engagement and External Audit Reporting to FSCA

The PIC, as a Financial Services Provider (FSP), is required to undergo an International Standard on Assurance Engagement (ISAE 3402) audit on its internal control environment. Deloitte has been appointed to perform the ISAE 3402 audit for all the PIC's clients.

Section 19(3) of the FAIS Act requires the PIC to maintain full and proper accounting records of money and assets held on behalf of clients, and must, in addition to and simultaneously with the financial statements of the FSP, submit to the Financial Sector Conduct Authority (FSCA) a report by the External Auditors who performed the audit, which confirms, in the form and manner determined by the FSCA:

- a) The amount of money and financial products at year end held by the FSP on behalf of clients;
- b) That such money and financial products were, throughout the financial year, kept separate from those of the business of the FSP, and report any instance of non-compliance identified during the audit and the extent thereof; and
- c) Any other information required by the FSCA.

The Committee considered these reports and Management's responses to address any risks identified during the ISAE 3402 audit.

Combined Assurance

The PIC's control environment incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are assessed and controlled. The PIC follows a combined assurance model that aims to optimise the assurance coverage obtained from risk, internal assurance providers and external assurance providers on the risks to which the PIC is exposed.

The Combined Assurance Framework has been developed, recommended by the Risk Committee and Audit Committee and approved by the Board. This paves the way for the formalisation of the combined assurance model within the PIC.

The Chairperson of the Audit Committee is also a member of the Risk Committee to ensure that relevant information is regularly shared between these two Committees. The Audit Committee fulfils an oversight role on financial reporting risks, internal financial reporting controls, fraud risk as it relates to financial reporting, and technology and information management risks as they relate to financial reporting.

Integrated Annual Report

The Committee reviewed the Integrated Annual Report for the year under review, substantially considered the information disclosed in it, and assessed its consistency with the Annual Financial Statements and other information known to the Committee.

Evaluation of the Chief Financial Officer and Finance Function

Mr Brian Mavuka was appointed acting Chief Financial Officer for the PIC on 26 November 2018 to replace Ms Matshepo More, who was appointed acting Chief Executive Officer on 23 November 2018. Ms More was placed on precautionary suspension on 20 March 2019.

The Committee considered the performance of Mr Mavuka and was satisfied that he possesses the necessary expertise

to meet his responsibilities in that position. The Committee was also satisfied with the appropriateness of the expertise and experience of the Finance function and the adequacy of resources employed in this function.

Legal and Regulatory Compliance Matters

The Committee received quarterly updates on legal matters, all outstanding litigation, contingencies and other claims against the PIC, and how these matters are reflected in the financial statements. The Committee also considered the risks associated with these matters, and their implications on the fair presentation of the PIC's financial statements.

Section 4 of the PIC Act provides that the main object of the PIC is to be an FSP in terms of the FAIS Act. In terms of Section 17(2)(a) of the FAIS Act, the FSP must appoint one or more Compliance Officers to oversee the FSP's Compliance function and to monitor compliance with the FAIS Act by the FSP and its representatives and to take responsibility for liaison with the FSCA. In addition, Compliance Officers must comply with the fit-and-proper requirements prescribed in the FAIS Act and be approved by the FSCA. Similarly, Section 42A (2)(b) of FICA provides that the PIC, as an accountable institution, must have a Compliance function to assist the Board and/or Senior Management in discharging their obligations, and appoint a Compliance Officer with sufficient competence and seniority to ensure the effectiveness of the Compliance function.

Accordingly, in line with the FAIS Act, FICA and the Generally Accepted Compliance Practice from the Compliance Institute of Southern Africa, the Compliance function must be sufficiently independent, impartial, objective and adequately resourced, in the course of discharging its responsibilities, to provide the necessary assurance to Management, the Board and Regulators regarding the PIC's compliance with legislation and regulations.

The PIC's Head of Regulatory Compliance, Mr Devilliers Makonko, reported functionally to the Audit Committee and administratively to the Chief Executive Officer, to emphasise the importance and ensure the independence of the Compliance function. The Head of Regulatory Compliance is registered with the FSCA and FIC as required. The Compliance function forms an integral part of the PIC's compliance risk management process and system of internal control and is part of the combined assurance within the PIC.

The Committee monitored and supervised the functioning, effectiveness and performance of the Regulatory Compliance function. It also approved the Compliance Charter and risk-based Compliance Annual Plan and monitored the implementation thereof. The Compliance function performed all planned compliance audits and activities for the 2020/21 financial year. The Committee considered the reports on compliance reviews conducted by Regulatory Compliance and Management's remedial actions on any compliance risks identified during the reviews.

Business Integrity and Ethics

The Committee exercised its oversight of the Policy on Fraud Prevention, Detection and Investigation and ensured that all fraud incidents reported through an independently managed hotline and brought to the Committee's attention, were appropriately addressed in terms of policy and prevailing legislation.

Year-end Valuations

As required by PIC's client mandates, external valuations of PIC's Listed Investments, Unlisted Investments, Property Investments and Derivatives are performed by external service providers appointed through an open tender process. The client mandates further require that year-end valuations should be performed and presented by external valuation experts and be recommended to the client by the PIC's governance structures.

To enhance the independence of the valuation process at year-end, the external valuation experts present the year-end valuations directly to the Audit Committee, who then recommends the external valuations to the client.

Conclusion

The Committee is pleased with the improvement in the PIC's internal control systems.

After reviewing the Accounting Policies and the Annual Financial Statements of the PIC for the financial year ended 31 March 2021, the Committee is satisfied that these are compliant with the provisions of the PFMA, the Companies Act and IFRS.

The Committee is satisfied that the audit function and the audit team, as provided by the Auditor-General, are independent of the PIC; and that the audit team is able to express an independent opinion on the PIC's Annual Financial Statements.

Although some of the Key Performance Objectives included in the Corporate Plan for financial year 2020/21 were not met, the Committee is comfortable with the plans put in place by Management to address the achievement of these objectives, going forward.

The Committee is of the opinion that it has fulfilled its responsibilities in terms of the statutory obligations prescribed by legislation, as well as the functions set out in its Terms of Reference, and that it has therefore complied with its legal, regulatory, oversight and other responsibilities.

The Audit Committee further confirms its active involvement throughout the audit process and that it was thoroughly appraised of the issues giving rise to the audit opinion. It concurs with and accepts the conclusion and audit opinion of the external auditors on the Annual Financial Statements.

The Committee wishes to thank Management and the Board for their support, and the external auditors for their services, dedication, diligence and cooperation.



Ms Futhi Mtoba
CHAIRPERSON: AUDIT COMMITTEE

GENERAL / INFORMATION

| | |
|---|---|
| COUNTRY OF INCORPORATION AND DOMICILE | South Africa |
| NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES | Asset Management |
| DIRECTORS | <p>Dr Reuel Khoza (Chairperson) (Non-Executive Director)</p> <p>Ms Futhi Mtoba (Deputy Chairperson) (Non-Executive Director)</p> <p>Dr Angelo David Sabelo de Bruyn (Non-Executive Director)</p> <p>Prof Bonke Dumisa (Non-Executive Director)</p> <p>Mr Mugwena Maluleke (Non-Executive Director)</p> <p>Ms Tshepiso Moahloli (Non-Executive Director)</p> <p>Mr Pitsi Moloto (Non-Executive Director)</p> <p>Ms Karabo Morule (Non-Executive Director)</p> <p>Adv Makhubalo Ndaba (Non-Executive Director)</p> <p>Ms Barbara Watson (Non-Executive Director)</p> <p>Mr Abel Sithole (Chief Executive Officer) (Executive Director)</p> <p>Mr Brian Mavuka (Acting Chief Financial Officer) (Executive Director)</p> |
| REGISTERED OFFICE AND BUSINESS ADDRESS | <p>Menlyn Maine Central Square</p> <p>Corner Aramist Avenue and Corobay Avenue</p> <p>Waterkloof Glen Extension 2</p> <p>Pretoria</p> <p>0181</p> |
| POSTAL ADDRESS | <p>Private Bag X187</p> <p>Pretoria</p> <p>South Africa</p> <p>0001</p> |
| HOLDING AND ULTIMATE HOLDING COMPANY | Public Investment Corporation SOC Limited incorporated in the Republic of South Africa |
| AUDITORS | Office of the Auditor-General of South Africa Registered Auditors |
| COMPANY SECRETARY | Ms Bongani Mathebula |
| COMPANY REGISTRATION NUMBER | 2005/009094/30 |
| COMPANY ANNUAL FINANCIAL STATEMENTS | The Company's Annual Financial Statements were prepared under the supervision of the Company Acting CFO, Mr Brian Mavuka |
| ADDRESS OF SECRETARY | <p>Menlyn Maine Central Square</p> <p>Corner Aramist Avenue and Corobay Avenue</p> <p>Waterkloof Glen Extension 2</p> <p>Pretoria</p> <p>0181</p> |

PUBLIC INVESTMENT CORPORATION SOC LIMITED DISCLAIMER

The Public Investment Corporation SOC Limited (PIC), Registration number 2005/009094/30, is a licensed financial services provider, FSP 19777, approved by the Financial Sector Conduct Authority (FSCA) (www.fsc.co.za) to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002).

The PIC is wholly owned by the South African Government, with the Minister of Finance as the Shareholder representative.

Products offered by the PIC do not provide any guarantees against capital losses. Market fluctuations and changes in rates of exchange or taxation may have an effect on the value, price or income of investments. Since the performance of financial markets fluctuates, an investor may not get back the full invested amount. Past performance is not necessarily a guide to future investment performance.

Personal trading by staff is regulated to ensure that there is no conflict of interest. All Directors and employees who are likely to have access to price-sensitive and unpublished information in relation to the Public Investment Corporation are further regulated in their dealings. All employees are remunerated with salaries and standard short-term and long-term incentives. No commission or incentive is paid by the PIC to any persons and all inter-group transactions are done on an arm's length basis. The PIC has comprehensive crime and professional indemnity insurance.

Directors: Dr Reuel Khoza (Chairperson), Ms Futhi Mtoba (Deputy Chairperson) | Dr Angelo David Sabelo de Bruyn, Prof Bonke Dumisa, Mr Mugwena Maluleke, Ms Tshepiso Moahloli, Mr Pitsi Moloto, Ms Karabo Morule, Adv Makhubalo Ndaba, Ms Barbara Watson, Mr Abel Sithole (Chief Executive Officer), Mr Brian Mavuka (Acting Chief Financial Officer) | Company Secretary: Ms Bongani Mathebula

For more details as well as for information on how to contact the PIC and how to access information, please visit www.pic.gov.za.

ACRONYMS

| | | | |
|-------------------|--|-----------------|---|
| ABET | Adult Basic Education Training | EAP | Economically Active Population |
| Abraaj | Abraaj Investment Management Limited | EBIDTA | Earnings before interest, tax, depreciation and amortisation |
| AC | Audit Committee | ECB | European Central Bank |
| ACSA | Airports Company South Africa | ECL | Expected Credit Loss |
| ADRIASA | ADR International Airports South Africa | ED | Enterprise Development |
| AEs | Advanced Economies | EEA | Employment Equity Act |
| AFS | Annual Financial Statements | EDD | Enhanced Due Diligence |
| AGM | Annual General Meeting | EIHL | ETG Input Holdings |
| Agrigroupe | Agrigroupe Holdings (Pty) Ltd. | EMs | Emerging Markets |
| Ai | Africa investors | ERMF | Enterprise Risk Management Framework |
| AIPF | Associated Institutions Pension Fund | ESG | Environmental, Social and Governance |
| AuM | Assets under Management | ETG | Export Trading Group |
| ARC | Audit and Risk Committee | EXCO | Executive Committee |
| Bafepi | Bafepi Agri (Pty) Ltd | FAIS Act | Financial Advisory and Intermediary Services Act, 2002 |
| B-BBEE | Broad-Based Black Economic Empowerment | FDI | Foreign Direct Investment |
| BCM | Business Continuity Management | Fed | Federal Reserve |
| BEE | Black Economic Empowerment | FIPs | Fund Investment Panels |
| BIP | Black Industrialist Programme | FMCG | Fast Moving Consumer Goods |
| BOE | Bank of England | FSCA | Financial Sector Conduct Authority |
| BVI | Business Ventures Investments (Pty) Ltd | GEHS | Government Employees Housing Scheme |
| CBOs | Community-based Organisations | GEPF | Government Employees Pension Fund |
| CC | Compensation Commissioner Fund | GDE | Gross Domestic Expenditure |
| C2C | Coast to Coast Proprietary Limited | GDP | Gross Domestic Product |
| CD | Childhood Development | HEIs | Higher Education Institutions |
| CEO | Chief Executive Officer | HDIs | Historically Disadvantaged Individuals |
| CIPC | Companies and Intellectual Properties Commission | HRRC | Human Resources and Remuneration Committee |
| CP | Compensation Commissioner Pension Fund | I&B | Infrastructure and Building |
| CSR | Corporate Social Responsibility | IC | Investment Committee |
| CTC | Community Training Centre | IC-LI | Investment Committee - Listed Investments |
| DAC | Directors' Affairs Committee | ICTGC | Information Communication and Technology Governance Committee |
| DBE | Department of Basic Education | IC-UI | Investment Committee - Unlisted Investments |
| Dti | Department of Trade and Industry | IMF | International Monetary Fund |
| DOA | Delegation of Authority | IMSS | International Maths and Science Study |
| DOI | Declaration of Interest | | |
| DPSA | Department of Public Service and Administration | | |

| | |
|------------------|---|
| IoDSA | Institute of Directors of Southern Africa |
| IRR | Internal Rate of Return |
| 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 |
| M&A | Merger and Acquisition |
| MMIH | Menlyn Maine Investment Holdings (Pty) Ltd |
| MPRDA | Mineral and Petroleum Resources Development Act |
| 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 |
| NT | National Treasury |
| OECD | Organisation for Economic Cooperation and Development |
| OLG | Open Learning Group |
| ORMF | Operational Risk Management Framework |
| PAA | Public Audit Act of South Africa |
| PAIDF | Pan Africa Infrastructure Development Fund |
| 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 |
| PL | Private Label |
| PMC | Portfolio Management Committee |

| | |
|------------------|---|
| PMC-LI | Portfolio Management Committee - Listed Investments |
| PMC-UI | Portfolio Management Committee - Unlisted Investments |
| POPI | Protection of Personal Information Act, 2013 |
| PPAs | Power Purchase Agreements |
| PPMs | Private Placement Memorandums |
| QSRs | Quick Service Restaurants |
| QAR | Quality Assessment Review |
| RC | Risk Committee |
| Resultant | Resultant Finance (Pty) Limited |
| RFPs | Request for Proposals |
| SAA | Strategic Asset Allocation |
| SAICA | South African Institute of Chartered Accountants |
| SCM | Supply Chain Management |
| SDGs | Sustainable Development Goals |
| SEC | Social and Ethics Committee |
| SED | Socio-economic Development |
| SETCO | Social, Ethics and Transformation Committee |
| SIPs | Structured Investment Products |
| SOEs | State-Owned Entities |
| SMEs | Small and Medium Enterprises |
| SNG | Sizwe Ntsaluba Gobodo |
| SPAC | Special Purpose Acquisition Company |
| Sphere | Sphere Holdings (Pty) Limited |
| SPMS | South Point Management Services |
| SRI | Socially Responsible Investment |
| S&P | Standard and Poor's |
| ToR | Terms of Reference |
| UIF | Unemployment Insurance Fund |
| US | United States |
| VC | Valuations Committee |
| WHO | World Health Organisation |

The image features a central dark gray circle containing the text 'FORGING AHEAD'. This circle is surrounded by a larger, lighter gray circle with two thin white arcs and small dots on the left and right sides. A vertical band with diagonal hatching runs through the center, passing behind the circles. The background is a solid dark gray.

FORGING
AHEAD



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Est. 1911

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