



PUBLIC INVESTMENT
CORPORATION®
Est. 1911

CHARTING A COURSE
OF EXCELLENCE:

NAVIGATING TR²AIL²L VALUES

TRANSPARENCY

RESPECT | RESULTS-DRIVEN

ACCOUNTABILITY

INNOVATION | INTEGRITY

LEAD BY EXAMPLE

INTEGRATED ANNUAL REPORT
2024

The proficiency and success of any organisation depends on its ability to adapt to ever-changing operating environments. Now more than ever, the demand for change has accelerated at a speed never imagined before.

The Public Investment Corporation (PIC) has successfully managed transitions of its core business processes. It must continue to evolve and embrace change and innovation to remain a market leader in a globally competitive asset management industry.

Readiness to change and the agility to adapt to the dynamic needs of stakeholders are traditions at the PIC, honed over 113 years of investment management since inception in 1911, when it was known as Public Debt Commissioners. Its historic journey of delivering sustainable growth and development traversed successive government administrations and unpredictable political and socio-economic settings over the years.

As a responsible and accountable corporate citizen, the PIC regularly assesses itself against evolving global and domestic economic, social and environmental factors. In many instances, self-assessment has necessitated changes in its value system.

For this reason, the organisation initiated a process of self-reflection to identify and adopt new value systems. After wide consultation with both internal and external stakeholders, the organisation adopted a set of new core values in January 2024 to ensure that ethics and integrity become fundamental principles of its future path.

Carefully considered, the selected values bear the acronym "TR²AI²L" with the essence of each value set out as follows...



Transparency



Respect



Results-driven



Accountability



Integrity



Innovation



Lead by example

CHARTING A COURSE OF EXCELLENCE:

TR²AI²L

VALUES

These values set the tone for and reinforce the PIC's intention to continue its **TR²AI²L of influence** in the various sectors of the economy.

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* This Integrated Annual Report consists of two books:
The 2024 Integrated Annual Report and the 2024 Annual Financial Statements.

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PART ONE

Corporate Overview

TR²A I²L
VALUES

TRANSPARENCY

RESPECT | RESULTS-DRIVEN

ACCOUNTABILITY

INNOVATION | INTEGRITY

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MINISTER'S NOTE TO PARLIAMENT

Mr. E Godongwana, MP

MINISTER OF FINANCE, SEPTEMBER 2024

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 2023 to 31 March 2024.

CORPORATE PROFILE

With over a century of unwavering commitment of investing public funds, the Public Investment Corporation (PIC) has played a vital role in shaping South Africa's financial landscape. Established 113 years ago, the PIC remains a cornerstone of the nation's economy, driving growth, development and transformation through strategic investments that make a sustainable impact.



Almost 20 years since its corporatisation in 2005 with the promulgation of the Public Investment Corporation Act (23 of 2004), the assets under management (AuM) by the PIC have grown to R2.69 trillion. This growth reinforces its position as one of the largest and most influential asset managers in Africa and the biggest single investor on the Johannesburg Stock Exchange.

PIC investments are conducted across major sectors of the economy. Investment decisions are geared towards striking an optimum balance among the need to deliver solid financial returns for clients, economic development in the country and the African continent, and delivering social returns: job creation, transforming the economy towards broader participation and inclusivity, and promoting environmental sustainability for the country.

The PIC's largest clients are social security funds, namely the Government Employees Pension Fund (GEPF), the Unemployment Insurance Fund (UIF), the Compensation Commissioner Fund (CC), the Compensation Commissioner Pension Fund (CP) and the Associated Institutions Pension Fund (AIPF).

The PIC is a financial services provider registered with the Financial Sector Conduct Authority (FSCA) and its investment activities are subject to the Financial Advisory and Intermediary Services Act (37 of 2002). It subscribes to the United Nations Principles for Responsible Investing, the United Nations Global Compact and the Code for Responsible Investing in South Africa. It is further guided, in its treatment of public funds and corporate governance structures and standards, by the PIC Act, the Public Finance Management Act (PFMA) (1 of 1999), the Companies Act (71 of 2008) and the Financial Intelligence Centre Act (38 of 2001).

In advancing its commitment to gender diversity initiatives, the PIC has signed up to the 2X Challenge. Launched at the G7 Summit in 2018, the 2X Challenge aims to shift more capital towards investments that provide women with leadership opportunities, quality employment and support.

The PIC has received many awards for its responsible investing and environmental, social and governance (ESG) through the years. We continue to deepen the entrenchment of ESG in our investments.

PURPOSE



Responsible investing today, transforming, protecting and growing for our tomorrow.



STRATEGIC INTENT:

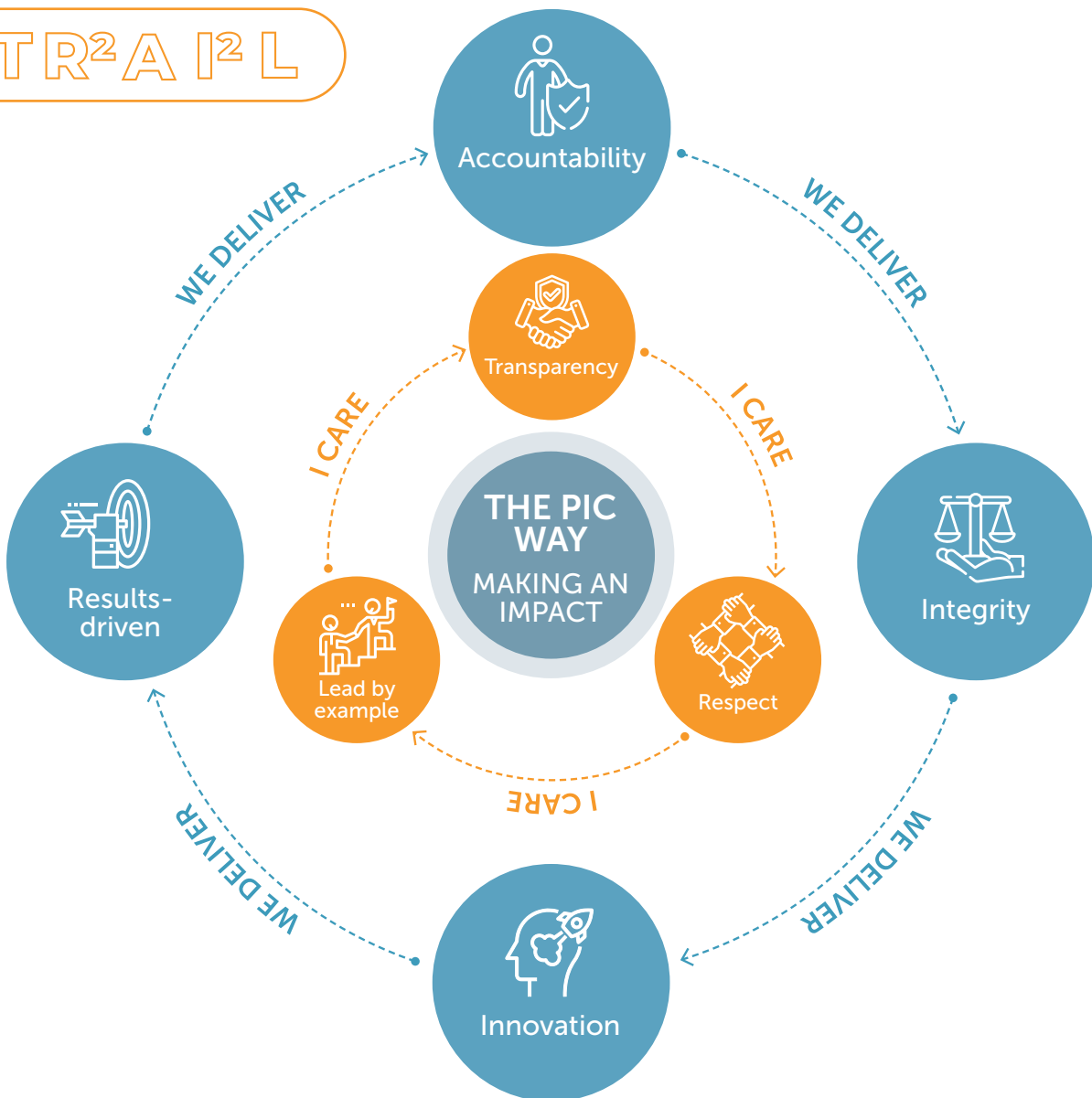
The preferred employer for top investment and support talent

Investment returns exceed industry benchmarks

Growing AuM consistently above inflation

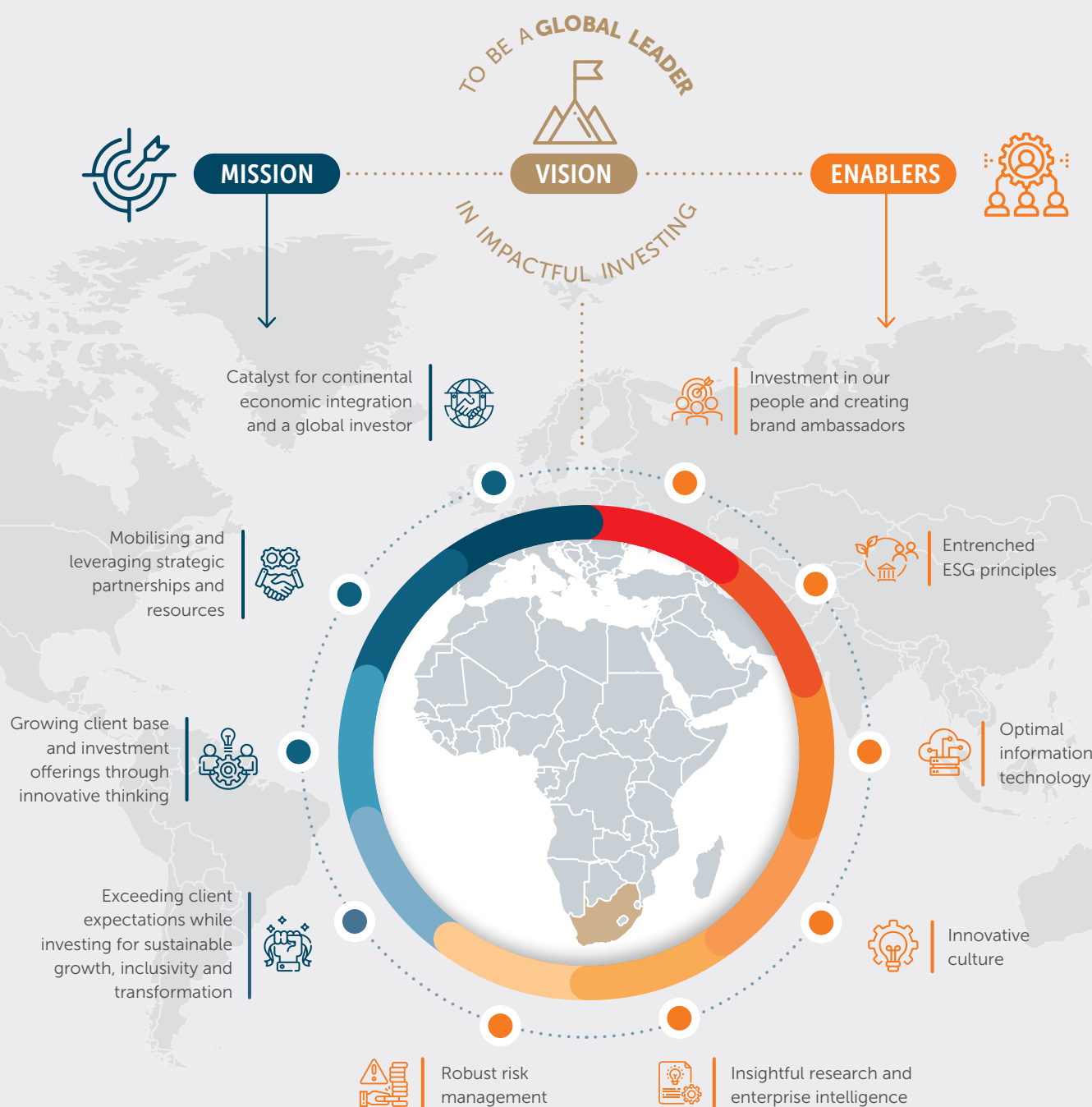
Double the economic and social impact by 2026

TR²A I²L





OUR MISSION AND VISION



OUR VALUES

TR²AI²L

TRANSPARENCY



- › We value creating a space for open communication, transparency and feedback above all else.
- › We convey all necessary information to all our stakeholders.

RESPECT



- › We respect human rights and the elimination of all forms of discrimination.
- › We treat each stakeholder with respect and listen to their different views.
- › We listen to the views of our stakeholders and never disregard their opinions, no matter how different they are from ours.

RESULTS-DRIVEN



- › We drive for results with passion, grit and determination.
- › Our passion drives us to work with great urgency and aspire for excellence in all we do.
- › We accelerate each other and are accountable to each other to deliver on our vision.
- › We will always go above and beyond to make our clients successful. We believe in value creation for our stakeholders. We enable our clients to realise their investment objectives and deliver beyond stakeholder expectations.

ACCOUNTABILITY



- › We are prepared to take accountability for our organisation and individual commitments and decisions.
- › We are accountable to our organisation for our individual commitments and decisions, and to our stakeholders for every decision we make.

INTEGRITY



- › At the PIC, we do the right things, at the right time and in the right way, in all that we do, taking responsibility for our actions.
- › We behave and conduct our business ethically, openly, with honesty, integrity, and diligence to meet the expectations of our colleagues, clients and all stakeholders.
- › The stakeholders we do business with are expected to share our commitment to integrity by doing business fairly, ethically and in compliance with all applicable laws and regulations.
- › Ethical leadership starts at the top. It is the responsibility of the Board and senior management to embed an ethical culture at the PIC.

INNOVATION



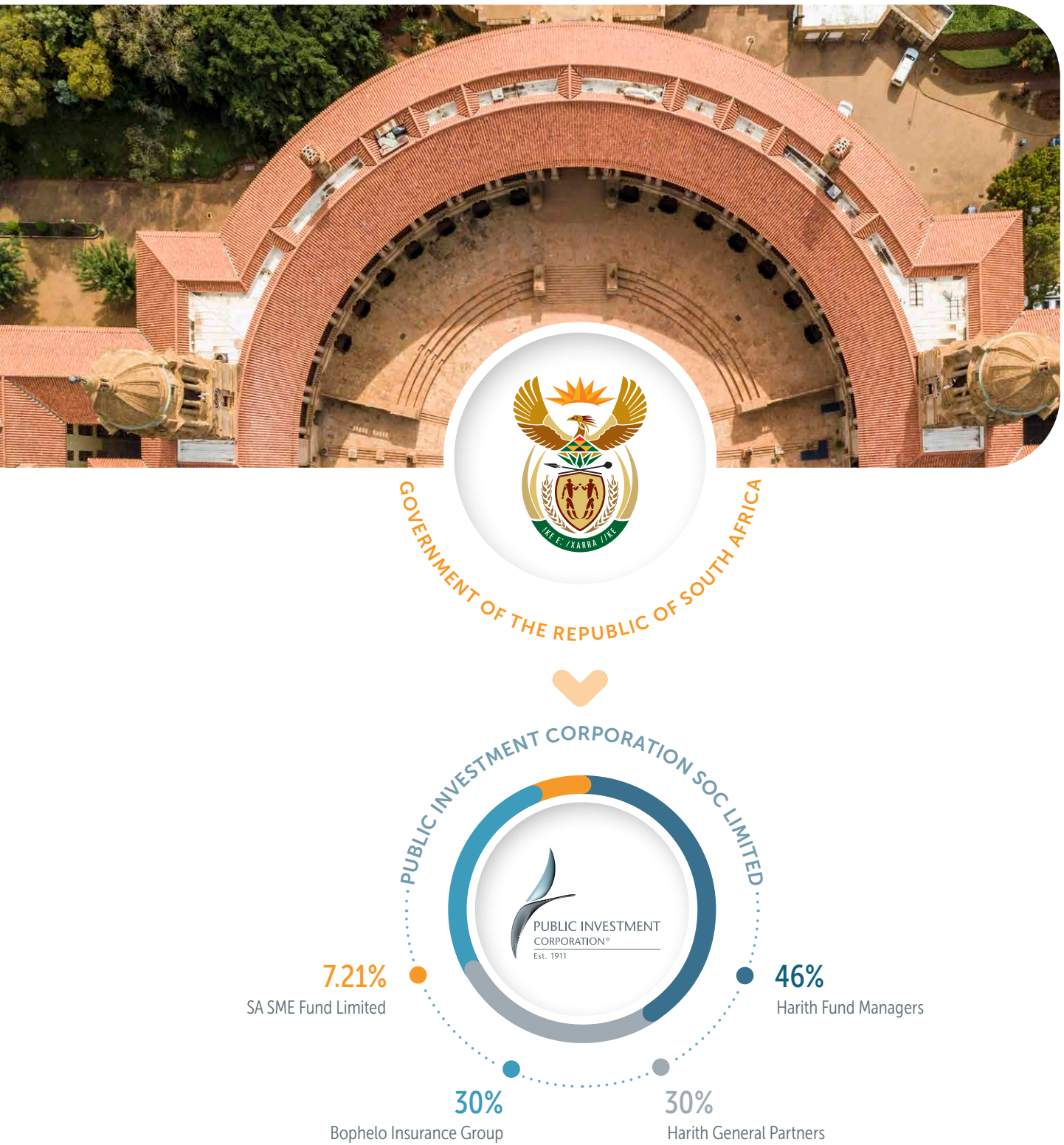
- › We encourage and appreciate innovation and creativity.
- › We consistently look for new ways of improving what we do, with emphasis on research and development.

LEAD BY EXAMPLE

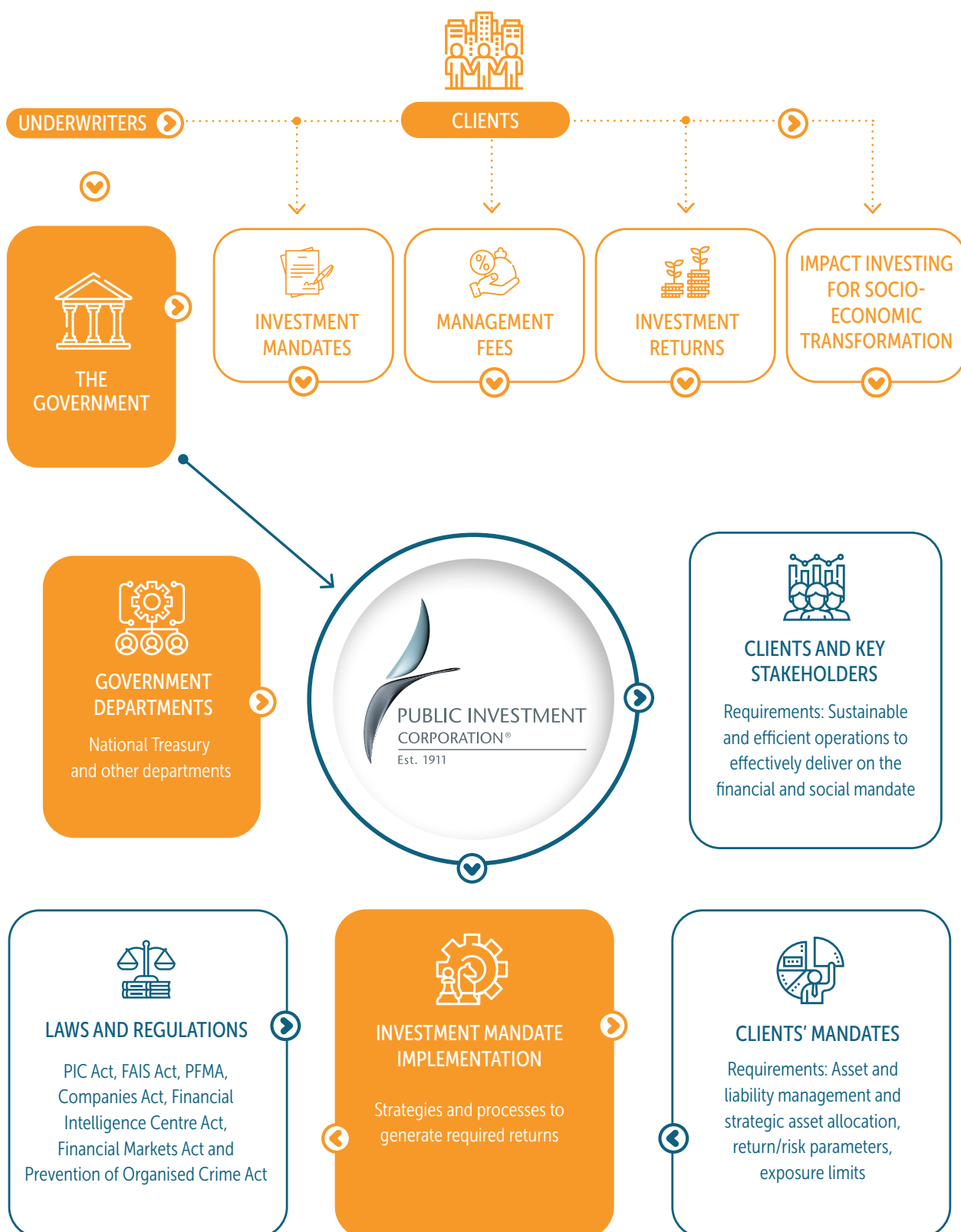


- › We live the PIC values and model behaviour that we are proud of in all we do.
- › We aim to outperform our benchmarks and play a leading role in developmental investments and operational excellence.

GROUP STRUCTURE



OUR BUSINESS MODEL



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PART TWO

Our Leadership

TR²A I²L VALUES

TRANSPARENCY

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REPORT BY THE CHAIRPERSON

This report provides an opportunity to reflect and report on the activities undertaken by the PIC to improve and strengthen its governance, the effectiveness and efficiency of the board, its subcommittees, management and operations.



Dr David Masondo
Chairperson

*It is my privilege to present
the Integrated Annual
Report of the Public
Investment Corporation
(PIC) for the financial year
ended 31 March 2024.*

The PIC strives for sustained investment performance underpinned by robust risk management and compliance to generate social impact alongside financial returns as mandated by clients and the PIC Act, 2004 as amended. In addition, there is a growing focus on sustainable investing, with Environmental, Social, and Governance (ESG) considerations.

Sustainable investing aligns with South Africa's development goals of job creation, social equity, environmental protection and the mitigation of climate change. The PIC systematically integrates ESG factors into its investment analysis and decision-making, across all asset classes.

The PIC allocates funds to impact investments that intentionally target transformation, social and environmental outcomes alongside financial return. These include investments in investee companies of black people and women, and infrastructure such as renewable energy projects to support South Africa's energy transition and expand access to electricity and logistics.

By embracing sustainable investing, the PIC contributes to a more just and sustainable future for South Africa and the African continent, achieving long-term investment performance and fulfilling its fiduciary duty to its clients, their beneficiaries and society.

Operating environment

The operating environment during the year under review was volatile, driven largely by global events. Domestically, businesses of all sizes continued to face numerous headwinds, including structural challenges such as disruptions in electricity supply as well as disruptions in supply chain; unemployment remained persistently high; and social service delivery experienced challenges, accompanied by worsening crime levels. Persistent inflation spikes resulting from geopolitical tensions led central banks worldwide to raise interest rates, directly affecting already-constrained consumers.

Other factors contributing to the challenging economic landscape include South Africa's greylisting by the Financial Action Task Force and political uncertainty as 70 countries around the world, including South Africa, conduct pivotal elections in 2024.

These are the turbulent conditions under which businesses, including the PIC, operated during the year under review. The long-term success of any business, including the PIC, lies in its ability to adapt and seize opportunities in an ever-changing environment.

While uncertainty persists, we are confident in our ability to navigate market volatility and deliver long-term value to our clients.

Report overview

During the year under review, we demonstrated our commitment to managing assets. The PIC Board declared and paid a dividend of R141 million to the government, its sole shareholder.

Key achievements and strategic focus

- › **Strategic alignment:** We have strengthened the alignment between our asset management strategy and corporate objectives, ensuring that assets are deployed to maximise value creation and engender transformation. Best-in-class asset management practices were effectively executed, resulting in improved management of core areas, including investment performance and client engagements.
- › **Risk management:** We have enhanced our risk management framework, adopting a proactive approach to identify, assess and mitigate potential threats to our assets.
- › **Performance optimisation:** We excel across asset classes by leveraging advanced technologies, innovative strategies, and continuous improvement to meet evolving client needs and integrate ESG factors. Our approach ensures consistent high performance and adaptability in a dynamic market.
- › **Sustainability integration:** This report highlights our progress in embedding ESG principles into our investment processes. By integrating ESG factors, we aim to create sustainable value, manage risks and identify opportunities, ensuring our investments align with responsible and ethical practices. This focus supports long-term financial returns while promoting positive environmental and social impact.

Appreciation

The governance of the PIC is the collective responsibility of all Board members. With immense pride, I extend my gratitude to my fellow Board members for their strategic guidance, steadfast commitment and willingness to challenge, support and maintain sound governance and oversight of PIC affairs. I also thank the Executive Committee for implementing PIC corporate and investment strategies. Their dedication is evident in the performance of assets under management (AuM).

The PIC's resilient performance in difficult conditions is a testament to the concerted effort by the executive team led by the Chief Executive Officer (CEO), Abel Sithole, steering the PIC through both opportunities and challenges with unwavering focus and determination, setting a high bar for the entire corporation.

We are confident that our disciplined and forward-looking approach to asset management, coupled with our diversification strategy, will continue to drive sustainable growth and enhance long-term stakeholder value. This report reflects our continued commitment to transparency, accountability and excellence in all our asset management endeavours.

Our stakeholders are integral to our success and sustainability. We appreciate all our various stakeholders, including the shareholder, clients, employees, suppliers, business partners and regulators, for their partnership, trust, and ongoing support and engagement.



Dr David Masondo
Chairperson

REPORT BY THE CHIEF EXECUTIVE OFFICER

The PIC's Integrated Annual Report provides an assessment of how the organisation executed its mandate as an asset manager during 2023/24. This includes its performance against the requirements of client investment mandates and how it complied with the regulatory environment in which it operates. The PIC continues on its TR²AI²L of excellence.



Abel Sithole
Chief Executive Officer

The PIC's Integrated Annual Report provides an assessment of how the organisation executed its mandate as an asset manager during 2023/24.

The PIC's investment performance is presented in the context of a global economy showing signs of stabilisation despite persistently high inflation in major economies and continued geopolitical tensions that have spread to the Middle East.

While global growth is expected to remain below trend for the next three years, emerging markets have been more resilient than expected. Global growth is expected to hold steady at 2.6% this year (2023: 2.6%) and increase to 2.7% in 2025/26, while the domestic economy is projected to grow at 1.2% this year (2023: 0.7%).

The unprecedented levels of electricity supply disruptions during 2023 adversely affected domestic growth. The local economy is likely to continue underperforming in 2024. Nevertheless, the operating environment is improving, with a better electricity supply outlook and government and private sector interventions to reverse the decline in performance of ports and rail infrastructure.

Emerging market monetary policy for the review period was more conducive to greater demand and household consumption, supporting emerging market economies. Still, global inflation is expected to ease more slowly than previously thought. Major central banks are likely to remain cautious and maintain higher interest rates for longer than expected.

Investment performance

Higher inflation challenges asset managers to deliver better returns to sustain client investment portfolios. The PIC delivered commendable returns to all client portfolios in 2023/24. Total AuM grew by 3.6% to R2.69 trillion as of 31 March 2024, from R2.599 trillion at the close of the previous financial year.

As a result, PIC revenue increased by 3%, from R1.22 billion in the previous year to R1.26 billion. The PIC Board declared and paid a dividend of R141 million to the government, its shareholder.

The Government Employees Pension Fund (GEPF's) highly diversified portfolio constitutes 87.97% of AuM and grew by close to R70 billion, reaching R2.369 trillion by 31 March 2024 despite withdrawals of R117 billion for benefit payments. The Unemployment Insurance Fund (UIF) portfolio, the second largest client with 5.55% of AuM, grew by R16 billion to R149.55 billion, reversing R64 billion in outflows for the COVID-19 Temporary Employee/Employer Relief Scheme that supported businesses in distress during the pandemic. The Compensation Commissioner Fund (CC) at 2.19% of AuM, grew by R4.62 billion to R59.02 billion.

The year's performance can be attributed to a disciplined investment approach that has proven resilient, with its focus on delivering to clients positive, risk-adjusted returns and sustainable growth. Listed equities, our major asset class, again delivered positive returns, growing by 1.4% to R900 billion.

Building institutional integrity

The PIC manages public funds and must maintain the highest standards of ethics, integrity, competence and rigour. In January 2024, the PIC adopted new core values to reinforce ethics and integrity as fundamental principles. Summarised as TR²AI²L, the values commit the organisation – as one of the largest asset managers locally, continentally and globally – to transparency, respect (embracing diversity and dignity in the workplace), being results-driven, accountability, integrity, embracing innovation and lead by example. The PIC embeds these core values across all business processes and relationships, expecting our clients, investee companies and stakeholders to align with these principles.

By the close of the financial year, the PIC had implemented 242 of the 243 recommendations of the Mpati Commission of Inquiry that are within its control – a process diligently monitored by the PIC Board. The Board relied on the assistance of assurance providers and the Advisory Panel (led by the late Justice Mokgoro). The Board reported to the Minister of Finance, who as the shareholder representative

on behalf of government, was tasked by the President who appointed the commission and is the owner of the report, to oversee its implementation. Considering the progress that has been achieved in implementing the commission's recommendations, the PIC is preparing a close-out report to be submitted to the Minister of Finance.

I am pleased to report that sufficient internal controls and compliance in the operating environment resulted in the Auditor-General of South Africa, the PIC's external auditor, issuing an unqualified opinion on the PIC's annual financial statements for the sixth consecutive year.

I thank Brian Mavuka, who acted as Chief Financial Officer (CFO) for the past five years until 31 March 2024, for his sterling work of ensuring that the integrity of our financial statements were maintained through a challenging period at the PIC.

The PIC welcomed Batandwa Damoyi as its new CFO at the beginning of April 2024. Her appointment concluded the process of filling all C-suite positions. She has been fully integrated with our executive management team to continue the PIC's commitment towards prudent financial management, maintenance of internal controls and achieving unqualified audit reports.

Conclusion

The year under review again presented formidable challenges to our operating environment. The PIC is led by a capable management team and I am confident that it will continue to attain success in executing its core mandate for the benefit of clients, their beneficiaries and the shareholder.

I am grateful to the Chairperson of the PIC, Dr David Masedo, and the Board for their guidance as we continue to restore ethical leadership, integrity and sound corporate governance as fundamentals across our organisation.



Abel Sithole
Chief Executive Officer

REPORT BY THE CHIEF INVESTMENT OFFICER

To fulfil client mandates during 2023/24, the PIC had to adapt to a challenging operating environment of sustained low growth and high inflation, both globally and domestically. Global supply-chain disruptions from escalating geopolitical conflicts, national elections in major economies and elevated interest rates presented further risks to the investment outlook.



Kabelo Rikhotso
Chief Investment Officer

The PIC believes the rand is undervalued and that domestic assets, nominal bonds, listed equities and property still offer very good long-term returns for clients.

In the domestic economy, severe electricity supply disruptions for most of 2023, deteriorating logistics infrastructure, high government debt and interest payments, an elevated unemployment rate and above-target inflation undermined growth. These factors affected the PIC's operations, including the cost of doing business, valuations, the entry price of acquiring new businesses, exiting investments, the profitability and sustainability of businesses, and new listings and delistings on the Johannesburg Stock Exchange. Major private equity funds have exited South Africa, fewer deals are being closed in private markets and fundraising has been difficult in both listed and unlisted markets.

The domestic regulatory environment presented more constraints. Since the Financial Action Task Force greylisted the country in February 2023, concluding transactions outside the country has proved challenging. The PIC is now subject to greater scrutiny and enhanced monitoring by its international counterparts. Local regulators see greater risk in the PIC conducting transactions in low-tax jurisdictions and in foreign entities, enhancing client due diligence of the PIC and its beneficial owners and co-investments.

These developments delayed the conclusion of transactions outside the country and hindered doing business on the rest of the African continent. Regulators are also cautious about approving capital flows to other jurisdictions, requiring time to undertake their own due diligence on transactions. Since the PIC is regarded as a systemically important financial institution, there are limitations on the size of equity interests of PIC clients in South African financial institutions. This has led to a structural underweight position in the financial sector over the past few years. However, we are at the advanced stage of creating a long-term solution with our clients.

The rise in value and demand for artificial intelligence has resulted in an enormous technology boom in stock markets in the United States of America. The PIC believes technology stock may be overvalued and that any disruption in earnings may cause aggressive sell-offs among investors. This will have a major impact on global equities.

The PIC believes the rand is undervalued and that domestic assets, nominal bonds, listed equities and property still offer very good long-term returns for clients. Globally, there is expected to be a tilt to emerging markets rather than developed markets.

Despite adverse market conditions, the PIC's total AuM increased by 3.6% to R2.69 trillion as of 31 March 2024, from R2.599 trillion in the previous financial year. Growth was driven by the portfolios of the UIF, Compensation Commissioner Pension Fund (CP), CC and other clients, which grew by 12%, 9.8%, 8.4% and 6.1% respectively. The GEPPF portfolio grew by 2.9% to R2.4 trillion. GEPPF assets account for approximately 88% of the PIC's AuM, followed by the UIF and CC at 5.6% and 2.2%. CP accounts for 1.9%. The combined AuM of other clients totals R64.3 billion (2.4% of AuM) and grew by 4.8% year-on-year.

Investment performance

CLIENTS	MARCH 2023	MARCH 2024	PERCENTAGE CHANGE
Government Employee Pension Fund	R2 303 313 300 958	R2 369 826 301 996	2.89%
Unemployment Insurance Fund	R133 503 317 948	R149 551 230 208	12.02%
Compensation Commissioner Fund	R54 444 037 837	R59 023 430 757	8.41%
Compensation Commissioner Pension Fund	R46 726 421 966	R51 326 141 446	9.84%
Associated Institutions Pension Fund	R17 885 795 201	R18 152 532 540	1.49%
All other clients	R43 449 713 289	R46 105 741 361	6.11%
TOTAL	R2 599 322 587 199	R2 693 985 378 309	3.64%

The GEPPF portfolio delivered a return of 5.3% in 2023/24, 0.3 percentage points lower than the benchmark. While listed equities, listed properties and money markets posted positive returns, they underperformed their benchmarks. Nominal and inflation-linked bonds outperformed their benchmarks. The global portfolio delivered a stellar performance, with global equities and bonds returning over 20%, ahead of benchmarks. The Africa portfolio also had positive excess returns. However, Africa-listed bonds contributed negatively to excess returns.

The UIF portfolio recorded returns of 7.2% during the year, 0.3 percentage points below the benchmark. The biggest contributors to the UIF portfolio were global listed equities and locally listed inflation-linked bonds. Other assets contributed marginally to the overall portfolio excess return. The UIF's listed equities portfolio was the only one with negative excess return against its benchmark, even though it had positive returns. The CC and CP portfolios returned 4.9% and 5.2%, outperforming their benchmarks by 0.5 and 0.3 percentage points respectively. This can be attributed to high exposure to money markets, which recorded high single-digit returns.

While there may be short-term underperformance against benchmarks for some clients, the PIC's goal remains to deliver sustainable equity returns over the medium- to long-term. Events beyond the PIC's control occur periodically, which affect short-term performance. Measurement is taken across a three- to five-year rolling period and the PIC composite delivered positive alpha over this period.

Investing in economic infrastructure

The PIC is a significant investor in major state-owned companies through various instruments, chiefly bonds. The PIC had exposure of R4.7 billion in Transnet short-term paper, the outstanding amount on which the latter settled by 31 March 2024. The PIC remains one of the biggest investors in Eskom, contributing significantly to the utility's financial sustainability. Exposure to Eskom bonds was approximately R83 billion by the close of 2023/24.

The PIC also supported the proposal for Landbank's Liability Solution 5, which sought to cure the bank's default position, restructure the repayment of debts and allow the entity to resume normal business operations.

Advancing transformation in asset management

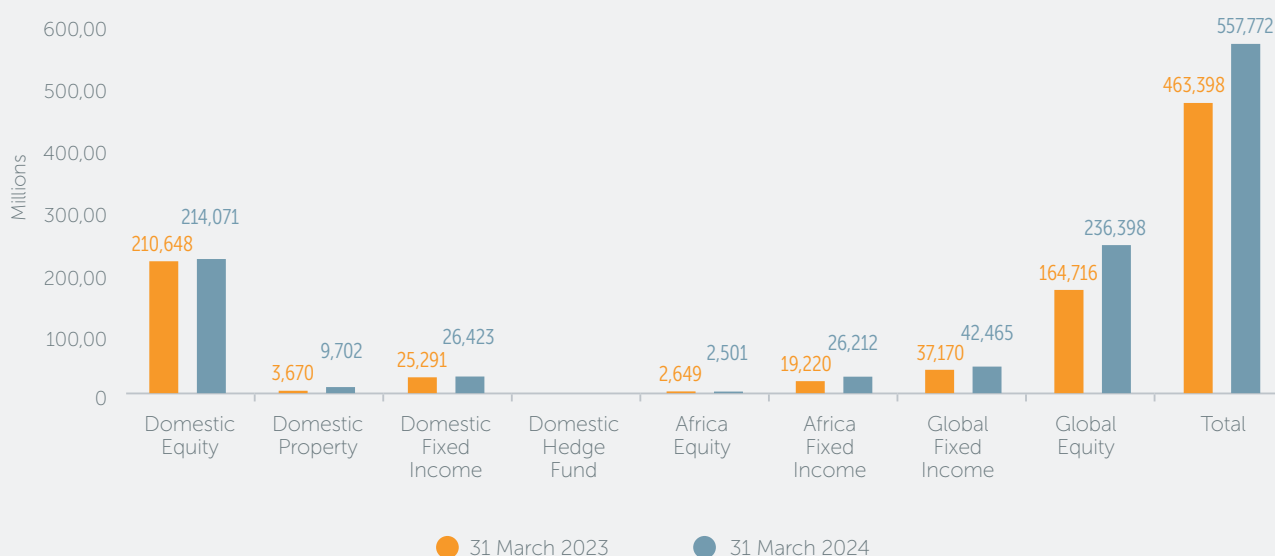
To facilitate broad-based black economic empowerment (B-BBEE) and skills development in the asset management industry, the listed investments team over the past year allocated a minimum of 98% of total brokerage fees to firms with B-BBEE rating of levels one to three. Firms that are 51% black-owned or have 30% management control by historically disadvantaged individuals received a minimum allocation for 70% of brokerage fees.

The listed investments team drives racial and gender transformation in investee companies through proxy voting,

the nomination of board members and liaison with boards on the appointment of competent executive teams that are racially and gender diverse. Over the past year, the PIC advocated a 50:50 gender split between women and men when proposing board nominations.

Through the multi-management public markets, the PIC allocated capital to 13 global and 25 domestic asset managers, with the asset split of R305 billion and R253 billion respectively. For the year under review, the PIC launched the Women Empowerment Fund and the Global Developmental Programme to address the notable underrepresentation of black women as shareholders, in governance and in the roles of investment professionals.

EXTERNALISED ASSETS PER ASSET CLASS R'MILLION



During 2023/24, externalised assets, comprising various domestic and non-domestic assets, grew from R463 billion to R558 billion (see above). The most significant increase was in global equity assets, with absolute returns in this asset class exceeding 20% in US dollar terms with further rand depreciation increasing asset sizes. New allocations of about R18 billion were made during the financial year to two developed markets multifactor managers and an emerging markets manager.

A R5.2 billion investment was made to two new and two existing domestic property managers, as the team continues to optimise client solutions by rebalancing actions and effecting necessary changes in client portfolios. The next table shows the three-year performance of the multi-management public markets team.

Performance by multi-management public markets

	THREE-YEAR IR %	THREE-YEAR EXCESS RETURN %	EXCESS RISK %
GEPF Domestic Debt	1.48	0.53	0.38
UIF Global Equity	1.39	1.20	0.86
GEPF Africa ex-SA Debt	1.12	8.60	7.68
GEPF Global Debt	0.91	3.00	3.30
GEPF Global Equity	0.53	0.40	0.75
GEPF Sector Equity	0.42	0.64	1.61
GEPF Africa ex-SA Equity	0.18	4.70	17.41
GEPF Domestic Property	(0.10)	(0.07)	0.78
GEPF Domestic Equity General	(0.13)	(0.23)	1.76
UIF Domestic Equity General	(0.65)	(1.04)	1.71

As an anchor investor in many black-owned firms, the PIC has enabled experienced black professionals to build credible track records. At the start of the Developmental Manager Programme in 2009, black-owned firms managed only 17% of the R65 billion in externalised assets. By the end of 2023/24, R167 billion (66%) of the R253 billion allocated to domestic firms was managed by black-owned entities with more than 51% black ownership and 30% black management control. Financial statements of incumbent black managers reveal that the PIC contributes between 15% and 75% of the revenue of these firms. This emphasises the PIC's important role in developing and sustaining black asset managers in South Africa.

Unlisted investments

The unlisted investments portfolio (Isibaya Fund, multi-management private markets and Early-stage Fund, excluding unlisted properties) allocated R8.4 billion to new investments in the year under review. Collectively by 31 March 2024, the teams have allocated R13.1 billion (52.3%) of the R25 billion GEPF allocation in terms of the new investment mandate from the GEPF that came into effect on 1 April 2022. The PIC is on course to deploy the full amount before the five-year investment period deadline. Progress was made on the developmental investments rest-of-Africa mandate, with 89% of capital allocated by 31 March 2024 and 62% of the developmental investments in intermediaries in the South Africa mandate allocated.

These two mandates are expected to be fully deployed before year five of the investment period. The focus for 2024/25 will be on deploying allocations for developmental infrastructure investments and developmental investments in South Africa mandates, for which progress has been slower than expected. The team has built and is acting on a healthy investment pipeline.

For the year under review, the Isibaya Fund approved transactions totalling R3.6 billion in South Africa and across the continent, covering financial services, economic infrastructure, pharmaceuticals and chemicals. The multi-management private markets team concluded six transactions by 31 March 2024. Two funds (R1.3 billion) focused on South Africa and are already generating returns above 20% of the internal rate of return. Four transactions for the rest-of-Africa mandate totalled US\$125 million (R2.3 billion) in funds with black ownership and management. In the last two years, the multi-management private markets team committed capital of R4 billion to 13 funds. On average, this team closed one transaction every two months. The best-performing fund delivered an internal rate of return of 76% to date. For the first time in the PIC's history, capital was committed to an incubation fund manager, providing mezzanine finance to the real estate sector, and to a North Africa-based fund manager. During the year, the team participated in a secondary fund transaction and a continuation fund that was value-accretive for the PIC.

Unlisted properties

During 2023/24, the PIC concluded R5 billion worth of unlisted property transactions. Notable were Attacq Waterfall Investment Company's investment of R2.7 billion – a multi-sector investment with significant industrial sector exposure and a listed real estate investment trust and R1.2 billion in Shenge Property, which gives the Corporation multi-province rural retail exposure.

Tembisa Plaza reopened following a two-year restoration as the mall sustained massive damages during the July 2021 public unrest. The centre now offers the community and visitors a revitalised shopping experience with enhanced ambience and consumer experience.

In line with the PIC strategy to diversify the portfolio, 34% of approved transactions are in alternative sectors such as residential, hospitality, purpose-built student accommodation, parking and healthcare. Diversification into multi-sectors provides resilience and earnings stability.



Other notable achievements included:

- Significant recovery in V&A Waterfront performance, with occupancy at all hotels having surpassed pre-COVID-19 levels;
- The Pareto and BVI portfolio acquisition of a 70% stake in Mall of Cyprus and Mall of Engomi in Cyprus; and
- Completion of the Precinct by Gateway Real Estate Africa, the first commercial development in Africa to receive EcoDistricts certification.

Through the Early-stage Fund, the PIC catalyses projects in their infancy, creates new industries, drives innovation (a PIC value), supports job creation (particularly for youth and women) and unlocks economic growth while generating financial returns. This provides much-needed capital for

cash-starved startups and entrepreneurs. In this way, the PIC is leading institutional capital into the early-stage and venture capital markets.

In 2023/24, the PIC allocated R175 million to IDF Capital, which proactively invests in innovative and technology-enabled businesses and uses gender-lens investing. A R250 million allocation is igniting Fireball Capital's market impact in South African-developed technologies, particularly fintech, edtech, healthcare and data platforms. Strengthening the quest for sustainable energy sources in line with the transition to low-carbon economies, the PIC enabled Bambili Energy, a manufacturer of fuel cells and their components, to acquire 77% of Hyplat. The next table shows key transformation data of the investments highlighted above.

APPROVED TRANSACTIONS	APPROVAL DATE	AMOUNT (Rm)	FOCUS AREA	DIRECT/ INDIRECT	B-BBEE LEVEL	OWNERSHIP		MANAGEMENT	
						BLACK	WOMEN	BLACK	WOMEN
Bambili Energy	4 Aug 2023	45	Fuel cells, hydrogen	Direct	1	100%	75%	100%	66.6%
IDF Capital	18 Mar 2024	175	Tech companies in various sectors	Indirect	1	100%	80%	100%	50%
Fireball Capital	26 Mar 2024	250	South African developed tech, sector agnostic	Indirect	2	52%	6%	100%	33%

Post-investment management

The PIC's post-investment capabilities have been strengthened to focus on value creation and portfolio optimisation. A value creation and exit framework for unlisted investments has been implemented. Value creation plans of R21.8 billion were approved for seven underperforming investee companies, including African Bank, SA Home Loans, Lanseria International Airport and South Point. Follow-on investments, restructures and corporate actions costing R11.2 billion were concluded by 31 March 2023 and the PIC successfully exited five exposures worth R3.2 billion – Medipost, Entabeni, Tanga, Solar Capital and South Africa Workforce Housing Fund.

Disbursements were streamlined and enhanced to improve operational efficiency, with automation tested towards the end of the financial year and full implementation expected in the 2024/25 financial year. Rewards are emerging, with 81% (145/179) of disbursements in unlisted properties and unlisted investments being paid within the agreed timelines. The aim is to have all disbursements processed on time.

The turnaround and value-add team developed an action plan for each underperforming asset with an exit strategy for more than 70% of the portfolio assets. Successes included:

- AFGRI Group optimisation and turnaround: from a loss-making position of R800 million a few years ago to R1 billion earnings before interest, taxes, depreciation and amortisation in 2023/24;
- Exiting Entabeni to minimise losses; and
- Finalising R100 million bridging facility for Concor and entering the final stages of the R1 billion recapitalisation.

An early warning indicator toolkit was developed, which is being converted into a smart application. It will allow the user to determine the preliminary health of a business in less than 10 minutes. The application can identify distress, early either in normal portfolio monitoring or when investee companies make certain requests.

Transforming investee companies

The PIC Transformation Charter encourages boards of investee companies to drive transformation and inclusivity as a strategic priority. Investee companies consulted during the year included MTN, Telkom and Vodacom, where discussions focused on the employment of persons living with disabilities, historically disadvantaged individuals, women and youth.

For unlisted investments, the focus is on advancing inclusivity through investment funding with representation evident in ownership and management: black women, people living with disabilities and youth, and enhanced equity across all levels of employment, particularly leadership.

Job creation

From inception to 31 March 2024, portfolio investee companies have facilitated 190 258 jobs, including 79 500 in general sector-agnostic funds, 28 413 in agriculture and 18 738 in mining. Jobs occupied by women totalled 58 395 (30.7%) with men accounting for 48.5% at 92 308. Gender data, not disaggregated stood at 39 555 (20.8%).



From inception to 31 March 2024, portfolio investee companies have facilitated **190 258** jobs.



290-strong team
of results-driven investment
professionals



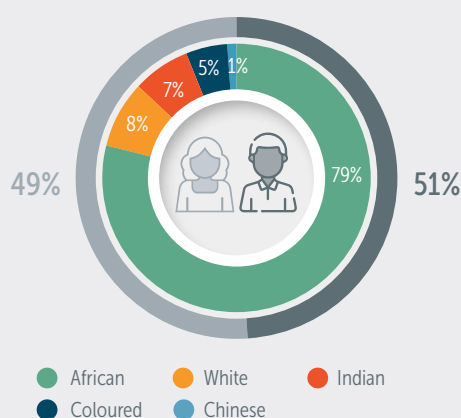
Average combined industry
experience of the team:
14.9 years. Average time
at the PIC: **9.4 years**



70% of these individuals
hold postgraduate degrees



30+ chartered
accountants



Global warming and climate change have become major considerations for governments, policymakers, environmentalists and the global investor community. The PIC Board approved the PIC's climate change position statement in August 2023, which envisages achieving net-zero by 2050. This is aligned to South Africa's ambitions in the nationally determined contribution.

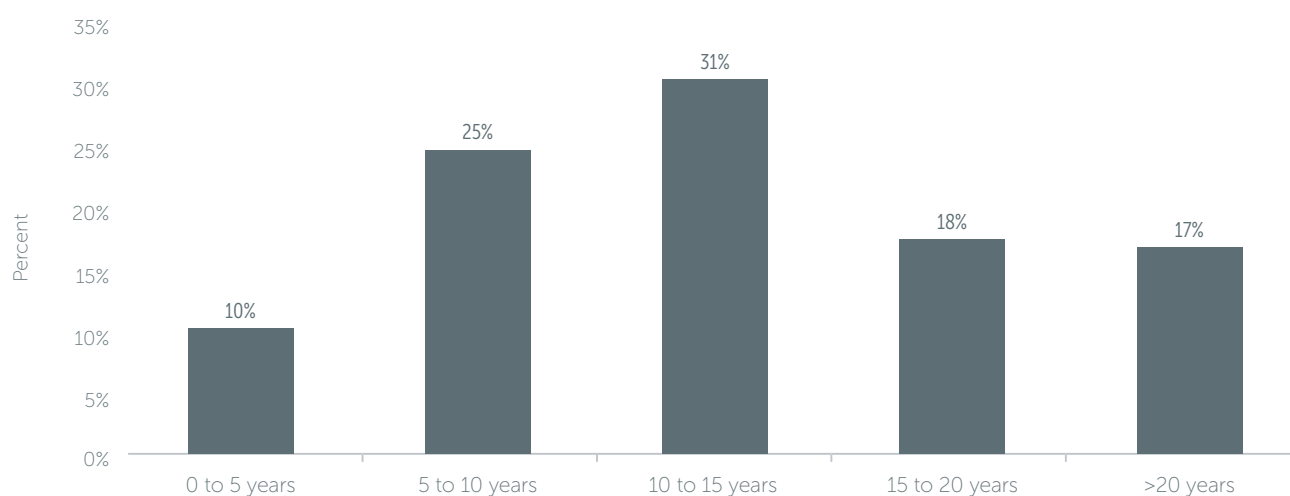
PIC investment teams

The PIC's investment and operational performance can be attributed to its talented and dedicated 290-strong team of results-driven investment professionals. The average combined industry experience of the team is 14.9 years and average time at the PIC 9.4 years. Seventy percent of these individuals hold postgraduate degrees in disciplines including finance, investments, engineering, mathematics, astrophysics, energy, business administration and law.

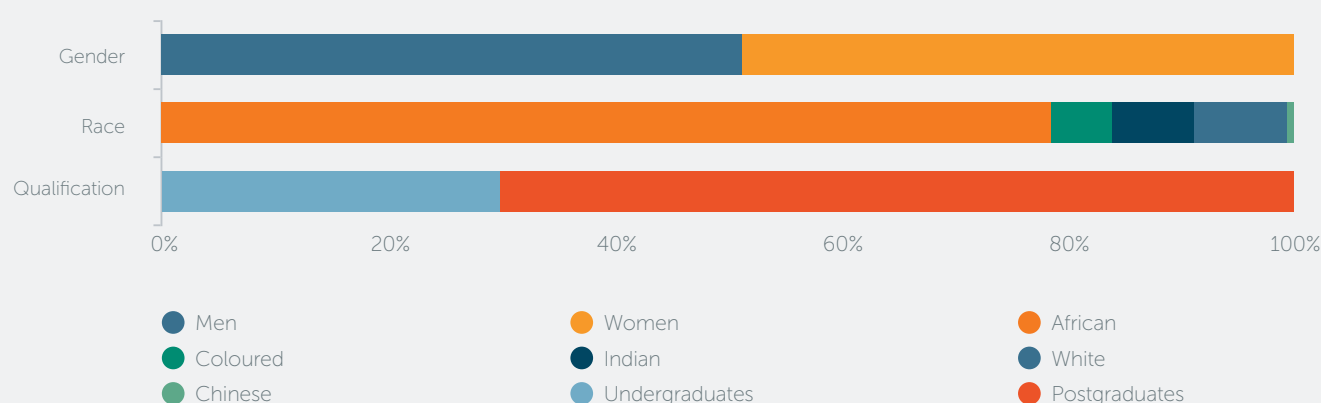
The PIC has more than 30 chartered accountants and 16 chartered financial analysts/financial risk managers/chartered alternative investment analyst accreditation holders. The team is diverse and represents the demographic profile of the country: 79% are African, 8% White, 7% Indian, 5% Coloured and 1% Chinese. Forty-nine percent are women.

DIVISION	HIGHEST QUALIFICATIONS						
	UNDER-GRADUATE	HONOURS	MASTERS	PHD	CFA/CAIA/FRM	LLB	OTHER CA/PR ENG ETC
Listed investments	8	8	9	1	11		5
Unlisted investments	4	15	8				11
ESG	22	16	12	1			
Research	1	6	10		2		2
Private markets	6	4	2		1		1
Public markets	1	8	3		2		1
Investment management	13	10	6				13
Properties	6	11	3				1
Transformation and value-add team		4	1				5
Investment legal	14	1	7			14	
TOTAL	75	83	61	2	16	14	39

INDUSTRY EXPERIENCE – CONTRIBUTION TO INDUSTRY EXPERIENCE



INVESTMENT TEAM DEMOGRAPHICS



Accelerating impact in 2024/25:

The team will:

- **Listed investments:** Add value to listed investments and outperform client investment return objectives and benchmarks, enhancing coverage of the top 60 companies, including selected investments in the rest of Africa. The capability to invest in global equity markets will be strengthened and further allocations will be made through the emerging markets and regional China strategies. In addition, more disbursements will be made to the Women Empowerment Fund and the Global Development Programme.
- **Unlisted investments:** Accelerate unlisted investments into economic and social infrastructure that will support

economic growth and the inclusion of marginalised communities. It will facilitate the development of emerging black industrialists by providing acquisition finance to black and women professionals and entrepreneurs.

- **Unlisted properties:** Continue proactive diversification of the unlisted properties portfolio in sectors and geographical spread. It will create assets in underserved nodes and support new market entrants. Existing assets will be repositioned through partnerships, collaboration and/or redevelopment and refurbishment.

Kabelo Rikhotso
Chief Investment Officer

BOARD OF DIRECTORS



DR DAVID MASONDO
CHAIRPERSON

POSITIONS

- › Chairperson of the Board
- › Chairperson of the Directors' Affairs Committee

QUALIFICATIONS

- › Master of Arts (Honours)
- › PhD Political Economy



MS NTOMBIFUTHI MTOHA
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



MR FRANS BALENI

POSITIONS

- › Independent Non-Executive Director
- › Chairperson of the Information, Communication and Technology Governance Committee
- › Member of the Social, Ethics and Transformation Committee
- › Member of the Risk Committee
- › Member of the Directors' Affairs Committee

QUALIFICATIONS

- › BA Social Science Development Studies
- › Diploma in Political Science and Trade Unionism
- › Project and Infrastructure Finance Programme
- › Board of Directors Certificate in Management Development
- › Certificate in Human Resources Management
- › Certificate in Building on Talent Management

**MS BEVERLEY BOUWER****POSITIONS**

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

QUALIFICATIONS

- › Actuary
- › Chartered Financial Analyst
- › Bachelor of Economic Science
- › Valuator of Defined Benefit and Defined Contribution Funds
- › FAIS Examinations

**PROF BONKE DUMISA****POSITIONS**

- › Independent Non-Executive Director
- › Member of the Investment Committees
- › Member of the Risk Committee
- › Member of the Information, Communication and Technology Governance 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

**MR WALTER HLAISE****POSITIONS**

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

QUALIFICATIONS

- › BEd (Honours)
- › Advanced Certificate in Education
- › Advanced Certificate in Labour Law
- › Management, Law and Policy
- › Secondary Education Diploma

BOARD OF DIRECTORS



DR MUGWENA MALULEKE

POSITIONS

- › Independent Non-Executive Director
- › Chairperson of the Human Resources and Remuneration Committee
- › Member of the Investment Committees
- › Member of the Directors' Affairs Committee

QUALIFICATIONS

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



DR LUFUNO MULAUDZI

POSITIONS

- › Independent Non-Executive Director
- › Member of the Social, Ethics and Transformation Committee
- › Member of the Human Resources and Remuneration Committee
- › Member of the Information, Communication and Technology Governance Committee

QUALIFICATIONS

- › PhD in History
- › Masters in Heritage Studies
- › Postgraduate Diploma in Museum and Heritage
- › Bachelor in History and Political Studies



MS TRYPHOSA RAMANO

POSITIONS

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

QUALIFICATIONS

- › Chartered Accountant (SA)
- › Bachelor of Accounting
- › Postgraduate Diploma Accounting
- › 2021 Harvard Advanced Leadership Initiative Fellow

**MS BARBARA WATSON****POSITIONS**

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

QUALIFICATION

- › Bachelor of Social Science

**MR ABEL SITHOLE****POSITIONS**

- › Executive Director of the Board (ex-officio executive) (Chief Executive Officer)
- › Member of the Directors' Affairs Committee
- › Member of the Investment Committees

QUALIFICATIONS

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

**MR BRIAN MAVUKA****POSITIONS**

- › Executive Director of the Board (ex-officio executive) (Acting Chief Financial Officer from 26 November 2018 to 31 March 2024)
- › General Manager: Finance
- › 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
- › Accredited South African Institute of Chartered Accountants Assessor

BOARD OF DIRECTORS



MR KABELO RIKHOTSO

POSITION

- › Executive Director of the Board (ex-officio executive) (Chief Investment Officer)

QUALIFICATIONS

- › Chartered Financial Analyst, CFA Institute
- › MCom (Financial Economics)
- › BCom Honours (Financial Analysis and Portfolio Management)
- › BSc (Mathematical, Physical and Statistical Sciences)



MS BONGANI MASERUMULE

POSITION

- › Company Secretary

QUALIFICATIONS

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

CHAIRPERSONS OF COMMITTEES



AUDIT

MS NTOMBIFUTHI MTOBA



SOCIAL, ETHICS AND
TRANSFORMATION

MS BARBARA WATSON



DIRECTORS'
AFFAIRS

DR DAVID MASONDO



LISTED AND UNLISTED
INVESTMENTS

MS TRYPHOSA RAMANO



RISK

MS BEVERLEY BOUWER



HUMAN RESOURCES
AND REMUNERATION

DR MUGWENA MALULEKE



INFORMATION, COMMUNICATION
AND TECHNOLOGY GOVERNANCE

MR FRANS BALENI

EXECUTIVE COMMITTEE

The CEO, who is also an Executive Director, is responsible for the day-to-day management of the PIC in line with the Board approved DoA framework and the strategic direction set by the Board.

The CEO is assisted by an Executive Committee (Exco), whose primary function is to assist the CEO to effectively discharge his statutory duties in managing the PIC. Exco is governed by all applicable laws, delegations of authority, as well as approved terms of reference.

The Exco is depicted below:



MR ABEL SITHOLE

POSITIONS

- › Chief Executive Officer
- › Ex-officio Executive Director

QUALIFICATIONS

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



***MS BATANDWA DAMOYI**

POSITION

- › Chief Financial Officer

QUALIFICATIONS

- › Strategic Leadership Programme (GIBS)
- › Chartered Accountant (SA)
- › Certificate of Theory in Accounting
- › Postgraduate Diploma in Management Accounting
- › Bachelor of Science

* Date appointed: 01 April 2024



***MR VUYANI HAKO**

POSITION

- › Chief Operating Officer

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

* Precautionary suspension from 31 May 2022

**MR AUGUST VAN HEERDEN****POSITION**

- › Chief Risk Officer

QUALIFICATIONS

- › Global Leadership Programme
- › International Executive Programme INSEAD
- › Advanced Diploma in Banking Law
- › Chartered Accountant (SA)
- › Bachelor of Accounting Science (Honours)
- › Bachelor of Commerce
- › Diploma in Financial Markets and Instruments

**MS ESTHER LETLAPE****POSITIONS**

- › Head: Human Capital
- › Acting Chief Operating Officer from 08 February 2023 to 07 February 2024

QUALIFICATIONS

- › Bachelor of Arts
- › Bachelor of Arts Honours (Industrial Psychology)

**MR BRIAN MAVUKA****POSITIONS**

- › Acting Chief Financial Officer from 26 November 2018 to 31 March 2024
- › Ex-officio Executive Director
- › General Manager: Finance

QUALIFICATIONS

- › Chartered Accountant (SA)
- › Bachelor of Commerce Accounting (Honours)
- › Bachelor of Commerce Accounting
- › Accredited South African Institute of Chartered Accountants Assessor

EXECUTIVE COMMITTEE



MS MAKANO MOSIDI

POSITION

- › Chief Technology Officer

QUALIFICATIONS

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



MR KABELO RIKHOTSO

POSITIONS

- › Chief Investment Officer
- › Ex-officio Executive Director

QUALIFICATIONS

- › Chartered Financial Analyst, CFA Institute
- › MCom (Financial Economics)
- › BCom Honours (Financial Analysis and Portfolio Management)
- › BSc (Mathematical, Physical and Statistical Sciences)



MS RUBEENA SOLOMON

POSITIONS

- › Head: ESG
- › Acting Chief Operating Officer from 08 February 2024

QUALIFICATIONS

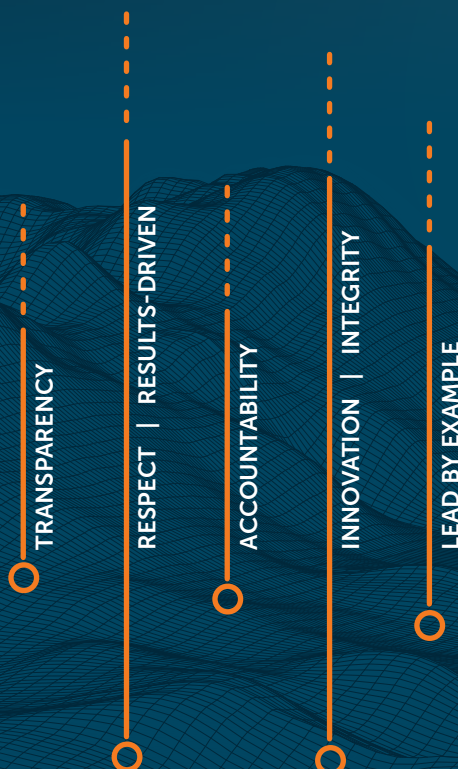
- › Master of Business Administration
- › Bachelor of Commerce (Honours)
- › Bachelor of Commerce
- › Certificate in Corporate Governance
- › Higher Certificate in Islamic Banking and Finance Law

3

PART THREE

Performance against Key Strategic Objectives and Regulatory Compliance

TR²A I²L VALUES



PERFORMANCE AGAINST KEY STRATEGIC OBJECTIVES

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2023/24			ACTUAL PERFORMANCE 31 MARCH 2024	ACTUAL PERFORMANCE (Achieved/Not achieved)	PERFORMANCE COMMENTARY
FINANCIAL EFFICIENCY (25%)						FINANCIAL EFFICIENCY (25%)		
1a	Improve the PIC’s financial sustainability and going concern through efficient operations and cost containment.	Total employee costs ratio (cost to company excluding PICeeds/management fees) (where X is the ratio).	x = 40%			42%	Not achieved	Cost to company were maintained in line with budget as a result of disciplined cost containment measures but it breached the target by 2%. The breach is due to the increase in staff costs mainly due to the increasing competition for talent within the financial services industry, driven by various factors (emigration, international competition, transformation targets etc) which has driven the net employee replacement cost high.
1b		Total costs/management fees (where X is the ratio).	x = 80%			94%	Not achieved	Total costs were maintained in line with budget as a result of disciplined cost containment measures but they breached the target by 10%. The breach is due to the increase in staff costs mainly due to the increasing competition for talent within the financial services industry, driven by various factors (emigration, international competition, transformation targets etc), which has driven the net employee replacement cost high. The depreciation of the rand increased the cost incurred for licences and data which foreign-denominated.
INTERNAL BUSINESS PROCESSES/OPERATIONAL EFFICIENCY (20%)						INTERNAL BUSINESS PROCESSES/OPERATIONAL EFFICIENCY (20%)		
2a	Improve compliance and governance.	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	Management implemented preventive monitoring controls to ensure that all PFMA submissions were made within the stipulated deadlines per the PFMA and also based on instructions from the National Treasury.
		Achieve unqualified audit opinion with no material findings on performance information and annual financial statements.	Achieve unqualified audit opinion with no material findings on performance information and annual financial statements.			Audit completed.	Not achieved	PIC achieved an unqualified audit opinion with a material finding.
		Ethical behaviour – % of action taken when unethical conduct is confirmed.	80% of consequence management actions initiated within 1 month of the investigation report being issued.			100%	Achieved	Seven ethical investigation reports by internal audit were adopted by the Audit Committee. Two of those reports require consequence management. Consequence management was initiated within 1 month.
		% of employees who have completed ethics awareness training.	80% of all PIC employees to complete ethics training per annum.			100%	Achieved	On 31 March 2024, 100% of PIC employees had completed the ethics training.

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2023/24			ACTUAL PERFORMANCE 31 MARCH 2024	ACTUAL PERFORMANCE (Achieved/Not achieved)	PERFORMANCE COMMENTARY
INTERNAL BUSINESS PROCESSES/OPERATIONAL EFFICIENCY (20%)						INTERNAL BUSINESS PROCESSES/OPERATIONAL EFFICIENCY (20%)		
2b	Improve enterprise risk management practices.	Reduce PIC risk exposure and improve the internal control environment (measured by a reduction in risk index and the control environment rating).	10% reduction in risk index and a satisfactory control environment rating.			As at 31 March 2024 the risk index reduction is 12.12% and a satisfactory control environment rating.	Achieved	<p>1. The risk index reduced by 12.12% in the fourth quarter 2023/2024. Improvements in the following risks were noted during the quarter:</p> <ul style="list-style-type: none"> a. Investment performance risk b. Financial sustainability risk c. Compliance risk (regulatory and mandate compliance) d. Brand/image/perception risk e. Information and cyber security risk f. Anti-Bribery, corruption and ethics risk g. Strategy execution risk <p>2. The control environment rating was rated satisfactory (green) for the fourth quarter of 2023/2024.</p> <p>Therefore, the performance score as of 31 March 2024 is a rating of 4.</p>
2c	Improve a rating of good on the corporate governance matrix as of 31 March 2024.	Assessment against the PIC's corporate governance matrix ratings as per the PIC internally generated ESG assessment.	ESG rating score = 75%.			80%	Achieved	ESG rating of 80% achieved.
CUSTOMERS/STAKEHOLDERS (45%)						CUSTOMERS/STAKEHOLDERS (45%)		
3a	Meet client benchmark portfolio returns and compliance with client risk parameters (over period of 36 months) (36 months rolling returns).	Listed Investments α is defined as total individual fund return for the top 5 funds individual fund benchmark return.	Individual top 5 funds α = 0 (meet benchmark).			α = 0.29%	Achieved	The main contributors to the outperformance were Africa listed equity, global bonds, global equity and local equity asset classes from the GEPF portfolio.
3b	Meet client benchmark portfolio returns (unlisted investments excluding properties) (over period of 36 months).	Unlisted investments (excluding properties) (measured by GEPF hurdle return (x))	Internal rate of return = hurdle rate			6.07% < 9.99%	Not achieved	Valuation declined due to the impairment of non-performing assets. The values used are based on external valuation recommended by the Audit Committee for the quarter ending 31 March 2024.
3c	Meet client benchmark portfolio returns (measured as per Investment Property Databank Index (IPD) returns calculation = customised for the PIC unlisted properties portfolio structure) (over period of 36 months).	Property investments Measured as total return (capital and income) (x) = IPD adjusted by weighting the portfolio returns as customised (1) for the PIC's clients' portfolio structure.	X = IPD			TR = 0.43% vs benchmark 9.57% = relative -9.14%	Not achieved	<p>Indirectly held valuations were affected by changes in methodology by valuers – excluding the discounts the performance of the GEPF's indirectly held portfolio would have been 7.05% compared to the 3.00%.</p> <p>The GEPF's directly held portfolio had a three-year return of -3.65%.</p> <p>The weighted PIC unlisted performance for all clients over three years is 0.43%, versus a benchmark of 9.57%. The performance is based on the property valuation recommended by the Audit Committee.</p>

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2023/24			ACTUAL PERFORMANCE 31 MARCH 2024	ACTUAL PERFORMANCE (Achieved/Not achieved)	PERFORMANCE COMMENTARY
CUSTOMERS/STAKEHOLDERS (45%)						CUSTOMERS/STAKEHOLDERS (45%)		
3d	Drive and facilitate transformation through investment activities in listed investments.	Listed investments - (externally managed portfolio) 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 (X%).	X = 50% AuM managed by external BEE managers with at least 51% black ownership; and 30% management control.			66.13% of the allocations to domestic firms are allocated to BEE firms with 51% black ownership and 30% black management control.	Achieved	At 31 March 2024 66.13% of the allocations to domestic firms were allocated to BEE firms with 51% black ownership and 30% black management control.
3e		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).	Minimum 90% of brokerage spend shall be to brokers on level 1 – 4 BEE rating.			70.24% of total brokerage were paid to brokers on level 1 - 4 with at least 51% ownership by HDIs and 30% management control by HDIs.	Not achieved	The target of 90% was not achieved. However, for the financial year 2023/24, 98.19% of brokerage was paid to brokers on a level 1 - 4 BEE rating irrespective of the black ownership and management control %.
			50% of all approved listed transactions must be allocated to women participants.			63.67% allocated to brokers with female participation.	Achieved	Aim to increase brokerage spend to level 1 - 4 BEE brokers and brokers with female participation.
3f	Drive and facilitate transformation through investment activities in unlisted investments.	Fund of funds (unlisted investments) (Measured by X% (percentage) of the approved funds during the financial year allocated towards BEE-transformed external managers) (To qualify as a BEE asset manager, the service provider must at least have 51% black ownership and 30% management control by historically disadvantaged individuals - HDIs).	60% of all the approved funds are allocated to BEE managers.			75% of fund of funds (unlisted investments) approvals were allocated to BEE fund managers with more than 51% black ownership and 30% management control by HDIs.	Achieved	75% of fund of funds (unlisted investments) approvals were allocated to BEE fund managers with more than 51% black ownership and 30% management control by HDIs.
			50% of all approved fund of funds transactions must be allocated to women participants.			95% of funds approved were allocated to entities with women participants at ownership or board or senior management level.	Achieved	75% of fund of funds (unlisted investments) approval were allocated to funds where there are women participants.
3g		Isibaya (unlisted investments) (Measured by approved Isibaya transactions).	50% of all approved Isibaya transactions must be allocated to women participants.			95% of funds approved were allocated to entities with women participants at ownership or board or senior management level.	Achieved	95% of funds approved were allocated to entities with women participants at ownership or board or senior management level.
3h		Unlisted property investments Measured by approved transactions for new developments/acquisitions of property investments).	30% of the approved unlisted property transactions for new developments/ acquisitions must be BEE.			Y = 28%	Not achieved	One BEE funding deal for R1,23 billion, which was 100% black owned, was funded with a combination of debt and equity. Two other equity-only acquisitions were approved for R2,69 billion and R500 million respectively.
			50% of all approved unlisted property transactions must be allocated to women participants. The BEE firm shall have at least 40% black ownership.			Y = 28%	Not achieved	One BEE funding deal for R1,23 billion, which was 100% black owned, was funded with a combination of debt and equity. Two other equity-only acquisitions were approved for R2,69 billion and R500 million respectively.
ORGANISATIONAL CAPACITY – HUMAN CAPITAL MANAGEMENT (10%)						ORGANISATIONAL CAPACITY – HUMAN CAPITAL MANAGEMENT (10%)		
4a	Ensure PIC functions are adequately capacitated in line	1. Implement organisational design as per approved priorities for 2022/23.	80% of critical vacancies filled in line with employment equity plan.			100%	Achieved	39/39 (100%) of roles filled with employees from designated groups (100%).
4b	with its employment equity plan.	2. Filling of critical roles per employment equity plan. 3. Women representation at senior management level (measured as X%).	Maintain a minimum of 30% of women at senior management level based on the Paterson grading scales.			41%	Achieved	(50/122) (41%) of Women at Senior and Top Management level are comprised of women.
4c	Increase number of employees living with disabilities.	% of employees with disabilities.	2% of employees with disabilities as a percentage (%) of overall total staff.			2.30%	Achieved	2.30% of employees living with disabilities. 9/393 employees comprised of employees with disabilities.

NATIONAL TREASURY INSTRUCTIONS ON FRUITLESS, WASTEFUL AND IRREGULAR EXPENDITURE

Events after the reporting period

No events after the reporting period.

Fruitless and wasteful expenditure

Figures in Rand thousand

	2024	2023
Reconciliation of fruitless and wasteful expenditure		
Add: Fruitless and wasteful expenditure – current year*	349	-
Closing balance	349	-

*During the 2022/23 consumer price index increment process, increases for three employees were calculated using an incorrect base salary. This led to an overstatement of the employees' cost to company and subsequently an overpayment in salaries. The cost to company amounts for each of the three employees are overstated by R102,452, R103,414 and R119,175 respectively.

*One employee whose salary was above the tolerance band prior to the implementation of the annual salary increase and who received a counteroffer post-31 March 2023, was incorrectly calculated using the counteroffer as a base instead of the pre-counteroffer cost to company. The employee was given a once-off payment of R40,880 instead of R34,287, resulting in a net difference of R6,592.

*Four terminated employees were overpaid their leave due to inaccurate leave calculations, this resulting in fruitless and wasteful expenditure and overpayment of R16,996.

The fruitless and wasteful expenditure resulted from overpayments to some employees. The PIC is recovering the excess amounts from the employees. It is also strengthening the control environment and the management shortcomings addressed.



Irregular expenditure

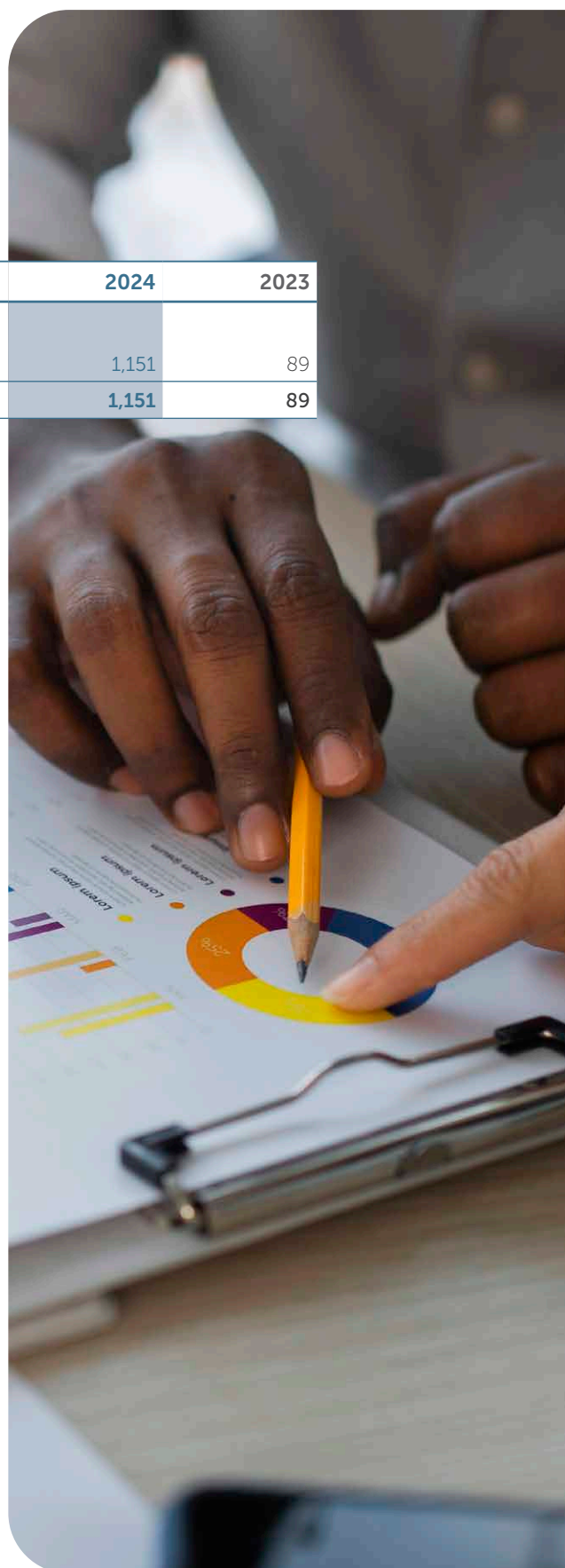
Figures in Rand thousand

	2024	2023
Reconciliation of irregular expenditure		
Irregular expenditure*	1,151	89
Closing balance	1,151	89

*R77,064 overpayment of one employee for the short-term incentive scheme with a qualifying score of 3.00 contrary to the provisions of the approved remuneration policy, which required a qualification score of 3.01, was based on the non approved remuneration policy. The overpayment was not duly approved by the authorized officer.

*R1,077,711 overpayment of employees' acting allowances that was based on unapproved payscales.

The irregular expenditure incurred was identified and addressed by the Board through its governance structures during the financial year. The new pay scales were regularized, the control environment was improved and management's shortcomings were addressed.



4

PART FOUR

Investment Approach and Process

TR²A I² L VALUES

TRANSPARENCY

RESPECT | RESULTS-DRIVEN

ACCOUNTABILITY

INNOVATION | INTEGRITY

LEAD BY EXAMPLE

INVESTMENT PHILOSOPHY

The PIC is a long-term, active asset manager that aims to deliver superior risk-adjusted returns. The Corporation aims to preserve and grow its client portfolios over a long-term period.

FINANCIAL AND SOCIAL RETURNS



**FINANCIAL
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



**SUSTAINABLE
INVESTING (ESG)**

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**

Efficient use of risk budget by avoiding risks that do not provide commensurate returns, results in low volatility portfolio.



DIVERSIFICATION

Well-diversified portfolios produce stable distribution of returns.



TIME HORIZON

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.



**MARKET
EFFICIENCY**

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**

Valuation and analysis based upon fundamentals generally produce superior return/risk results. Investment strategies will focus on fundamentally-based processes.



COST

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.

The PIC believes that in the long-term, markets revert to their mean. Investment strategies will generally be long term and will avoid ad-hoc decision-making based on short-term factors.

The Corporation's investment philosophy is to generate for clients sustainable long-term financial returns anchored by robust risk management processes and ESG principles.

It believes that the emerging investment themes in South Africa and Sub-Saharan Africa present long-term value-creation opportunities in the unlisted investment environment and that these themes are opportunities to generate sustainable alpha in the medium- to long term.

The PIC recognises that financial markets are sometimes inefficient due to behavioural biases that cause discrepancies between intrinsic values and market prices. The listed investment strategy is biased towards investing in high-quality companies at attractive valuations whose stocks will outperform the market over time. A strict sell discipline is

enforced when there is no longer fundamental value in the share.

As the Corporation believes that there is a role for active managers that can exploit such mispriced opportunities in assets, the PIC selects managers with diverse investment styles to construct on behalf of clients, robust externally managed solutions in both public and private markets, locally, on the African continent and offshore.

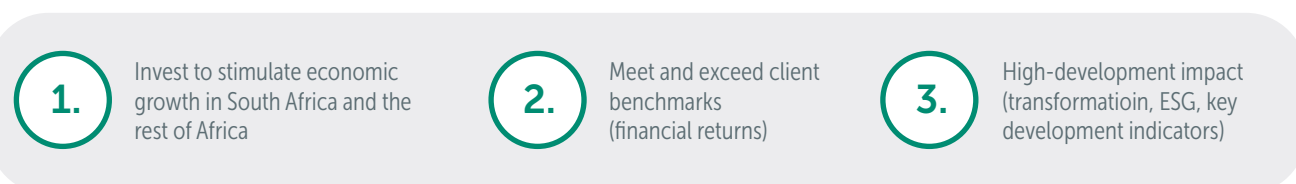
Incorporating an ESG policy in the investment process results in investment decisions that will create a sustainable portfolio and sustainable returns.

Efficient use of a risk budget by prudent management of risks, in line with risk management policies that offer sufficient or commensurate long-term returns, produces stable asset and portfolio returns over time.

Managing costs of investing generates excess returns. Investment strategies use cost-effective approaches.

MANDATE: OBJECTIVES AND KPIs

STRATEGIC OBJECTIVES



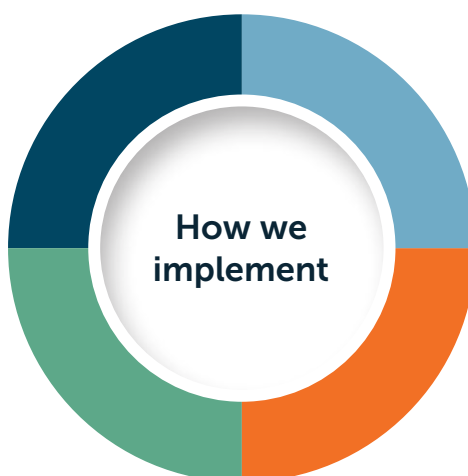
INVESTMENTS: Debt, hybrids, equity

- Strategic asset allocation



SECTORS: Infrastructure and all other sectors

- Key sectors of the economy
- Applicable exclusions



GEOGRAPHY: South Africa and the rest of Africa

- Reasonable geographic dispersion
- Rest of Africa mainly through indirect investments for physical presence



METHOD: Direct and Indirect

- Directly in large projects/ companies
- Indirect through third parties for broader reach (fund of funds and intermediaries)

Investment risk and return objectives

The PIC's investment risk and return objectives are determined by client mandates. However, the Corporation intends to match or exceed the benchmark returns agreed with clients.

Strategic asset allocation

For each client, an asset allocation is adopted in line with the client's risk profile. This offers a reasonable probability of consistently achieving the client's long-term return objectives.

Each allocation is reviewed periodically to ensure that the client's investment objectives for liquidity to pay liabilities, protection of the portfolio against downside risk, ability to generate income and growth of assets are always maintained.

The PIC monitors each client's portfolio and report to clients as they require.

Asset allocation monitoring and compliance

The PIC compliance department monitors daily asset class weights and remedial action is taken in line with the investment management agreement.

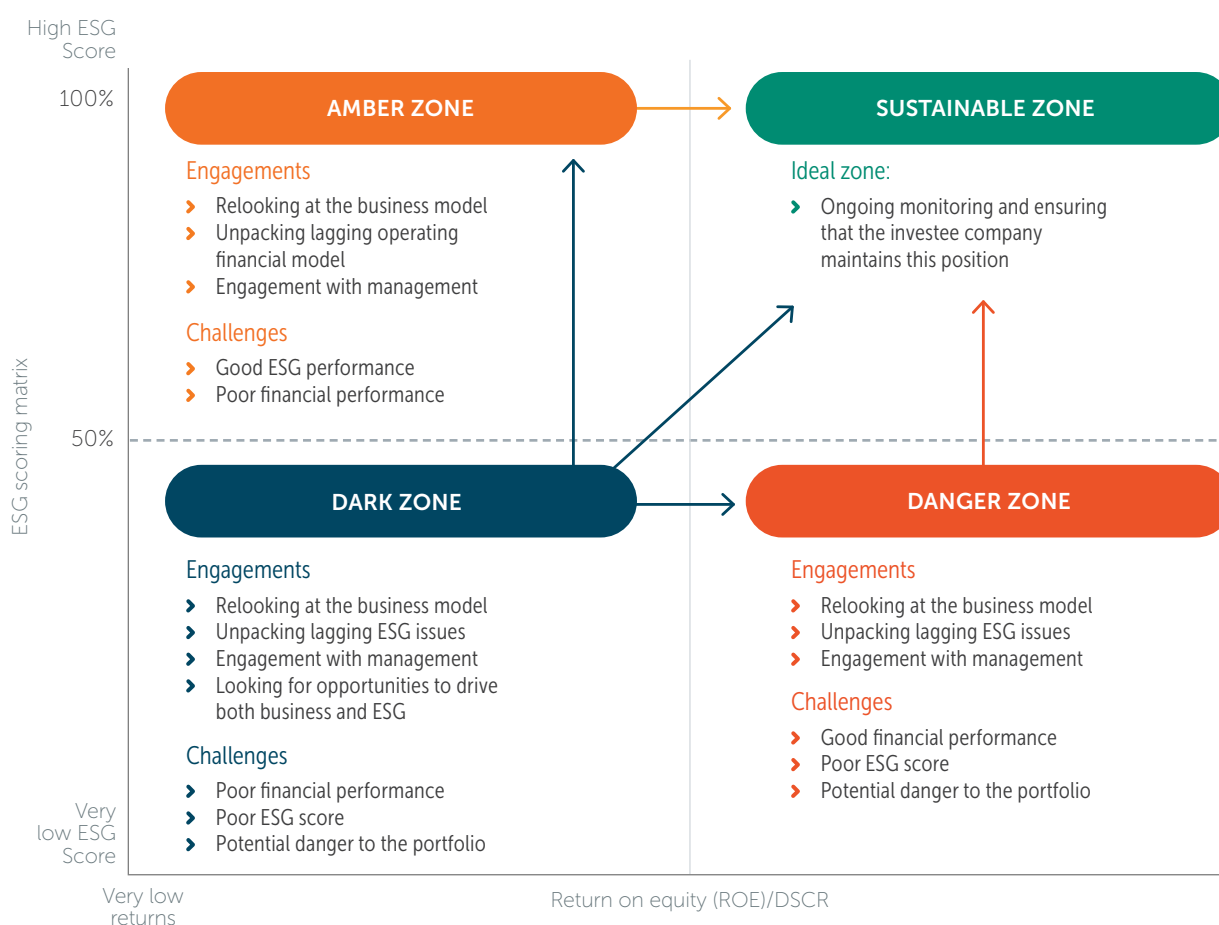
Mandate breaches are reported timeously and remediated in line with client mandates within the prescribed timelines.

Tactical asset allocation

The PIC Asset Allocation Committee considers macro (top-down) views and fundamental (bottom-up) considerations to implement a tactical asset rebalancing strategy to exploit short-term and medium-term pricing inefficiencies among asset classes for client strategic asset allocations. These positions are taken within the strategic asset allocation ranges.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ESG INVESTMENT APPROACH



OUR KEY ESG OBJECTIVES

ESG objectives provide support for our mission to achieve long-term sustainable and balanced investment returns.



ESG INTEGRATION

Consider material ESG considerations to gain insight into risks and opportunities that affect performance with the aim of providing better risk adjusted returns.



ACTIVE OWNERSHIP

Encourage investee management in making positive changes to improve investment outcomes and promote long-term value creation through proxy voting and engagement.



COLLABORATION

Participation with like-minded investors to improve investee behaviour.



DISCLOSURE

Encourage improved transparency of material matters.



PROMOTION

Encourage best practice through ESG accomplishments.



LEADERSHIP

PIC thought leadership SPAs Working Groups Impact investing Transformation.

Strong in-house team applies a proprietary methodology based on both international and local norms, as well as dialogue with companies, to ensure reliable qualitative and quantitative assessment of issuers.

Enhanced ownership measures to include:

- 100% annual general meeting voting on resolutions to consider ESG factors
- Zero abstentions of % of total annual general meeting resolutions voted on
- Proactive engagement programmes on specific strategic ESG topics/matters.

Join and participate in ESG collaboration initiatives, especially those linked to PIC strategic themes. This is to include utilisation of strategic partnerships with leading industry bodies and universities.

Reporting on material ESG factors to improve the quality of sustainability and ESG information for informed investment decisions and aligned outcomes.

Engage with stakeholders on positive ESG accomplishments to build a progressive brand reputation. Additionally, continue to publish dedicated to ESG investing to enhance ESG presence in the market.

Disseminate best practices to investees and other investors. PIC can establish/ be member of forums that bring together asset owners/managers to share their experiences and convictions.



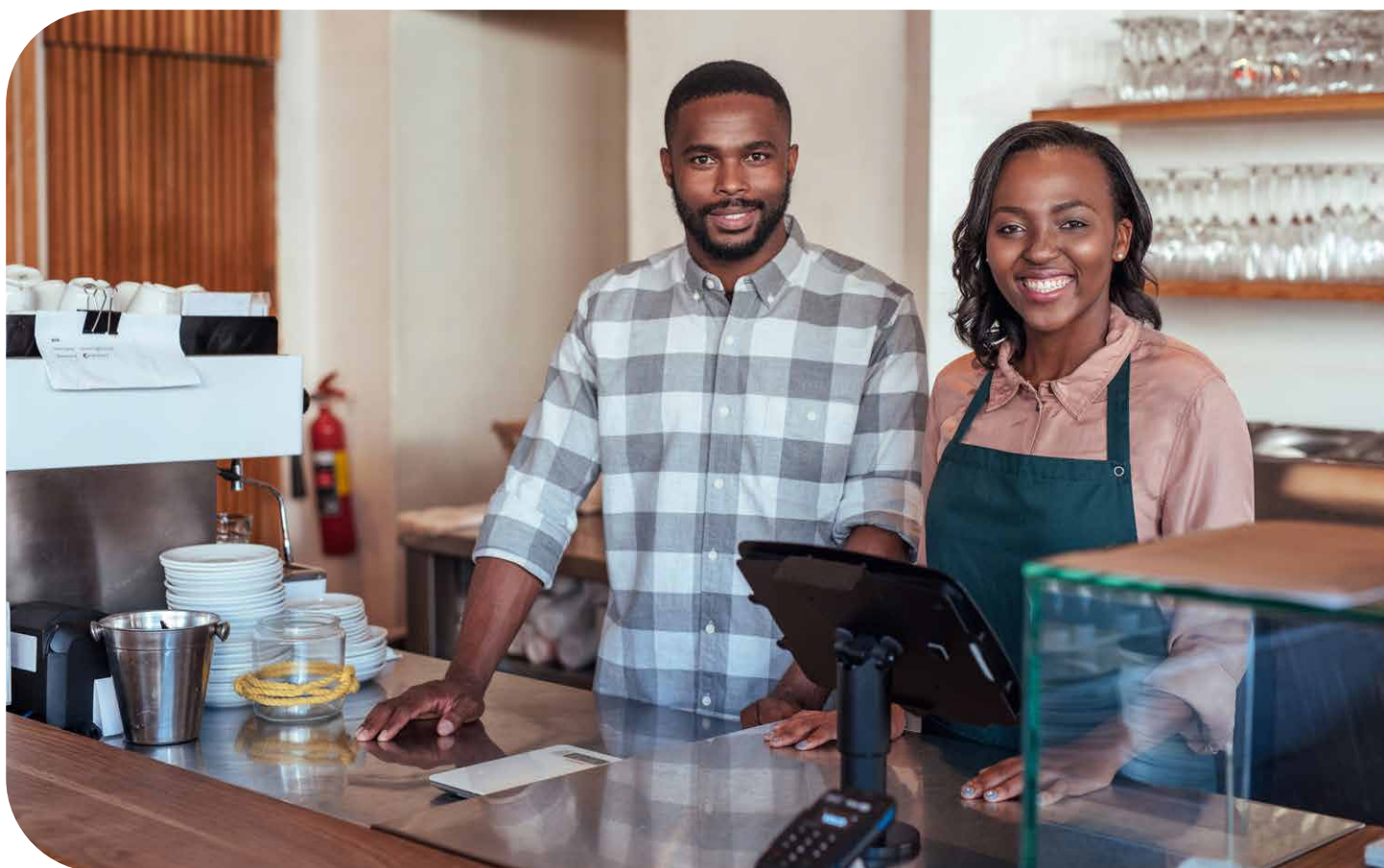
The PIC's philosophy is that ESG factors materially affect long-term financial performance. Thus, it requires that ESG be integrated into its investment process.

The Corporation is a signatory to the Principles for Responsible Investment (PRI) and United Nations Global Compact (UNG), and endorses the Code for Responsible Investing SA (CRISA) and Sustainable Development Goals (SDGs).

It is also a member of the 2X Challenge, which promotes women participation in world economies. Memoranda of understanding have been signed with strategic partners.

Each investment considers B-BBEE and transformation according to the PIC Transformation Charter and approved implementation plan.

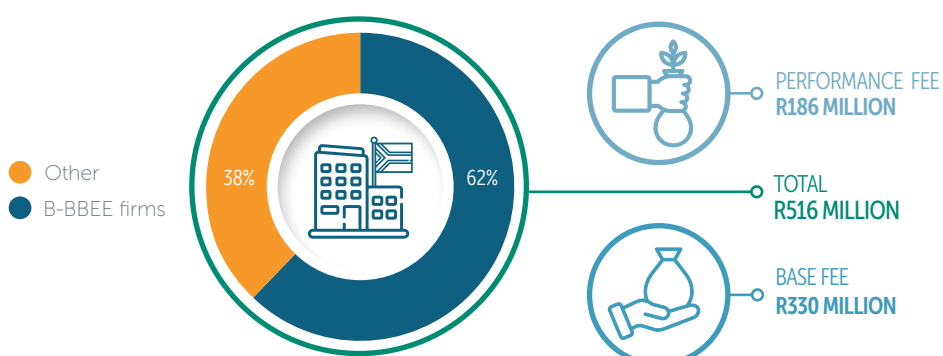
Where applicable, the PIC considers the developmental impact of its investments on the communities.



CONTRIBUTION TO BLACK-OWNED FIRMS

MULTI-MANAGEMENT (PUBLIC MARKETS) PIC CONTRIBUTION TO REVENUE

FEES PAID TO DOMESTIC FIRMS



Source: PIC Annual Report, 2023

REVENUE EARNED FROM THE PIC

- Fees paid for portfolio management services on domestic assets from 1 April 2023 to 31 March 2024 totalled R837 million (base and performance fees combined), with **R516 million (62%) going to B-BBEE firms** in this financial year.
- While these black managers earned R330 million in base fees for services rendered, most managers outperformed and earned an additional R186 million in performance fees.
- **Black firms have contributed to clients achieving their financial objectives.**

FEES PAID TO DOMESTIC FIRMS

LOCAL EQUITY



LOCAL PROPERTY



LOCAL FIXED INCOME



LOCAL HEDGE FUNDS



AFRICA



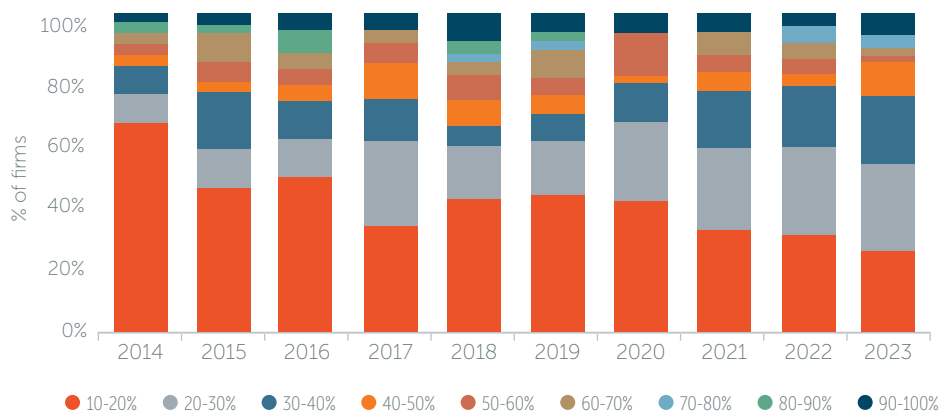
GLOBAL

Planned allocation in 2024 following completion of a request for proposal

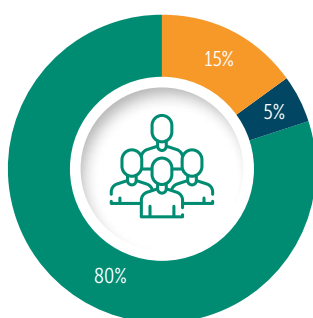
CONTRIBUTION TO WOMEN-EMPOWERMENT FUNDING

PIC INITIATIVES WOMEN EMPOWERMENT FUNDING 2023/24

BLACK WOMEN ECONOMIC INTEREST (OWNERSHIP) WITH EQUIVALENT VOTING RIGHTS:

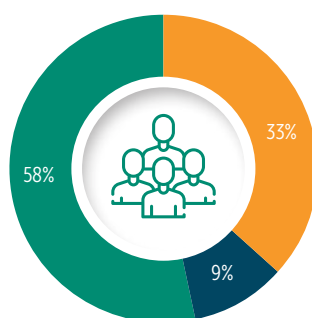


- The economic interest of black women in asset management is not improving significantly. More than 50% of firms surveyed by 27 Four have black-women ownership <30%
- Furthermore, there is low participation of women in portfolio management and analyst roles.
- **PIC launched a request for proposal in 2023 tailored specifically to drive women empowerment initiatives.**
- PIC extended an invitation to suitably qualified black-owned firms that not only embody excellence but champion diversity and inclusivity.
- Firms that have made a conscious effort to ensure strong representation of women, particularly black women, at all levels, ranging from company ownership, to board and management will be considered.



**PORTFOLIO MANAGERS
DEMOGRAPHICS**

- Black women portfolio managers
- Other women portfolio managers
- Rest of portfolio managers



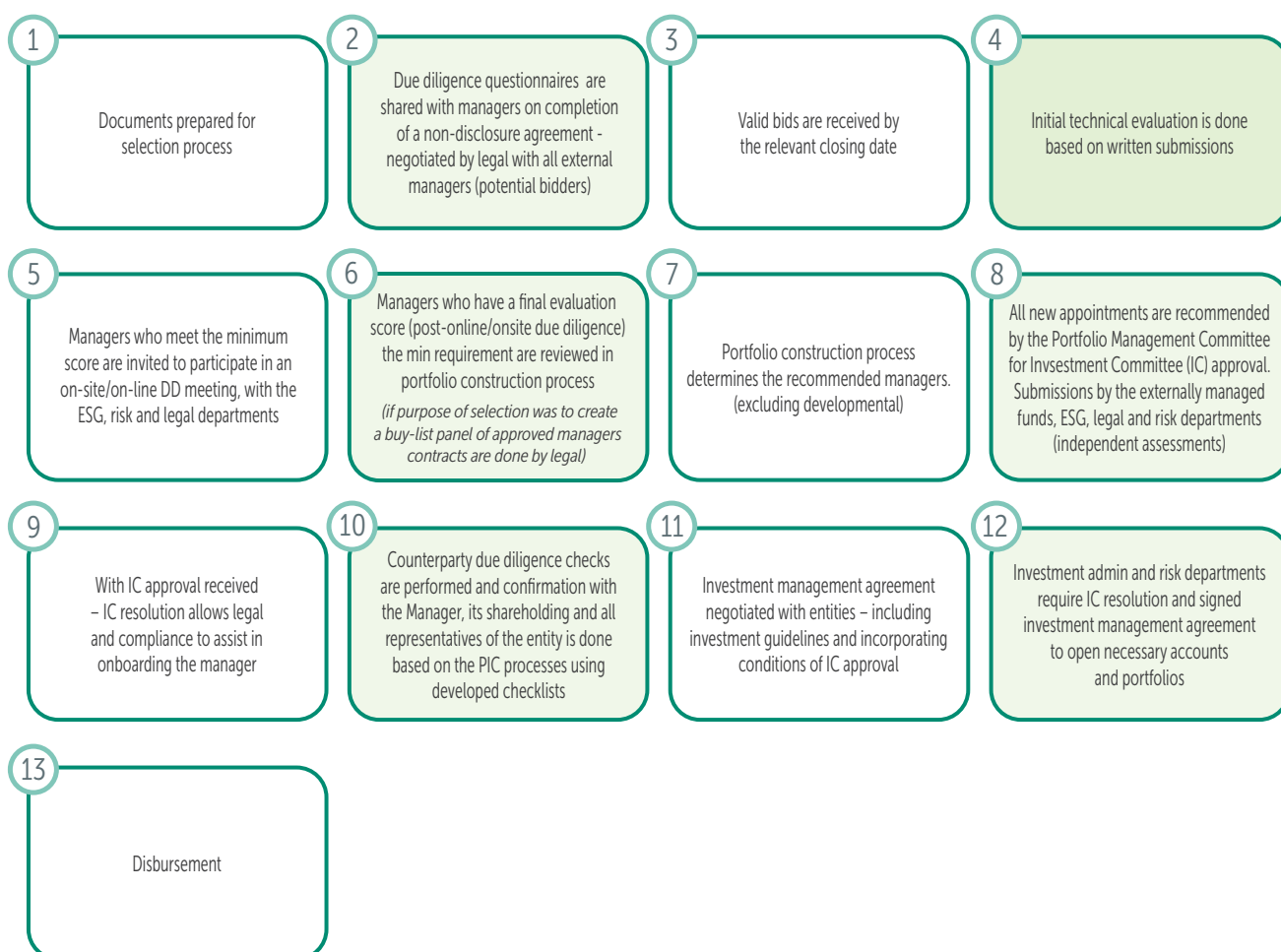
**INVESTMENT ANALYSTS
DEMOGRAPHICS**

- Black women investment analysts
- Other women investment analysts
- Rest of investment analysts

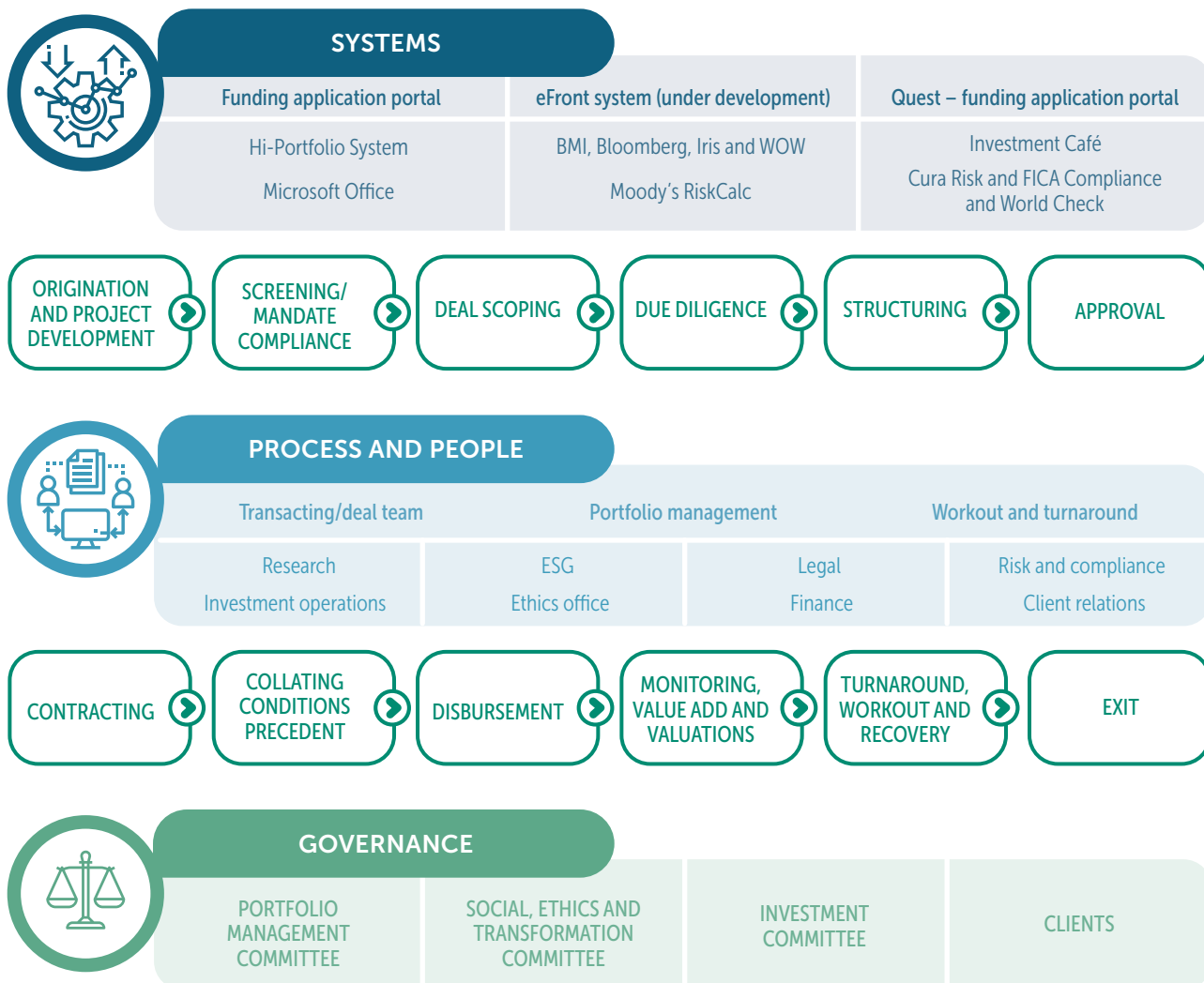




MANAGER SELECTION PROCESS



INVESTMENT PROCESS



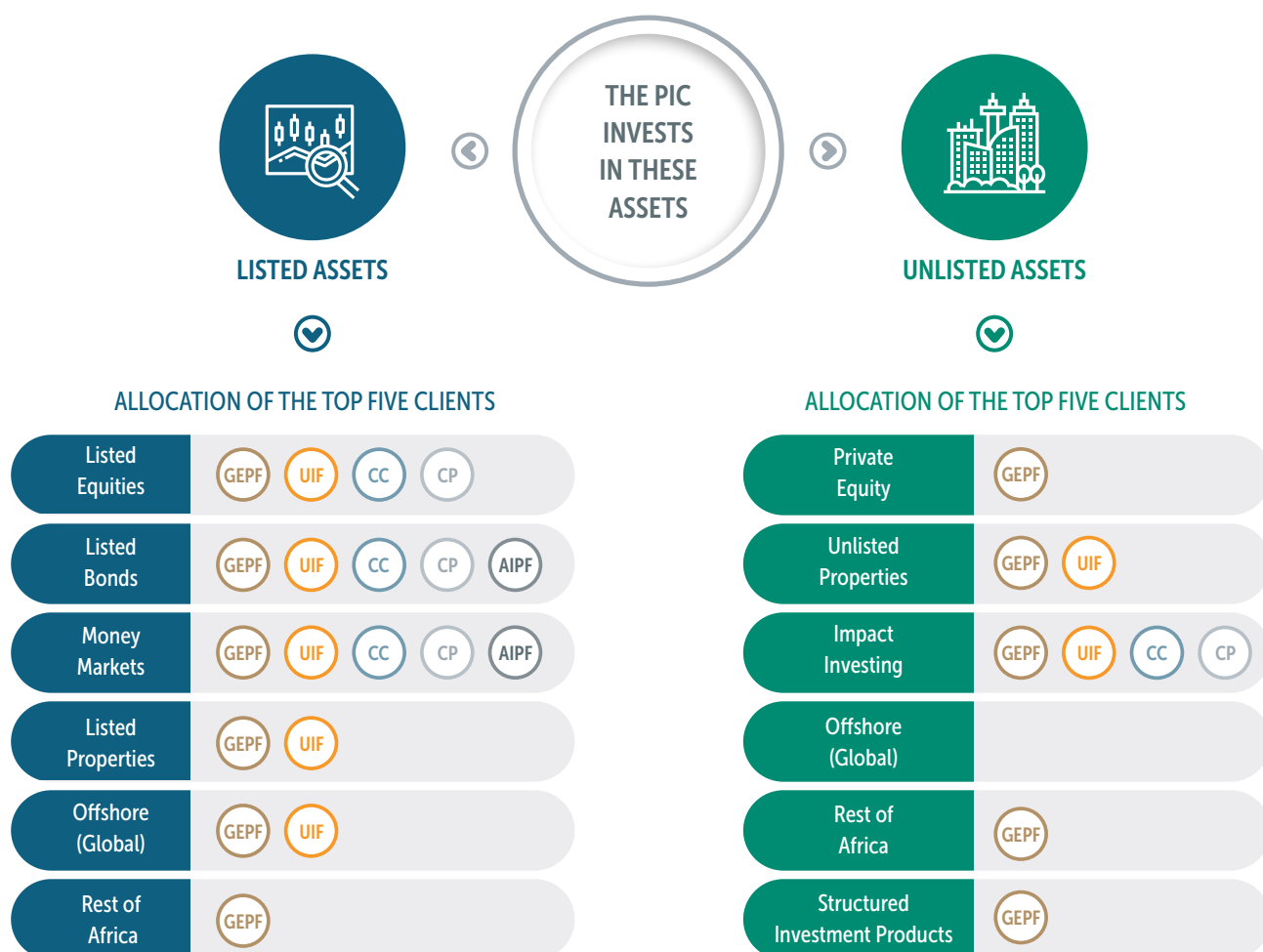
Note: eFront, Quest and Investment Café are currently being implemented and will replace Hi-Portfolio System. These systems will support front-, middle- and back-office processes.

CLIENT EXPECTATIONS

CLIENT INVESTMENT MANDATE

The PIC relates to its clients through discretionary investment mandates. Each client has its own investment objectives, which are contained in a detailed investment mandate.

The investment mandates are approved by the Financial Sector Conduct Authority (FSCA) and are informed by actuarial asset and liability studies commissioned by the client. The complexity of managing these mandates differs and is a function of factors such as portfolio size, risk parameters and strategic asset allocation. At a broad level, the PIC invests in the following asset classes.



5

PART FIVE

Investment Performance

TR²A I²L VALUES

TRANSPARENCY

RESPECT | RESULTS-DRIVEN

ACCOUNTABILITY


INNOVATION | INTEGRITY

LEAD BY EXAMPLE

ECONOMIC REVIEW

GLOBAL ECONOMIC CONDITIONS AND OUTLOOK

The global economy showed resilience in 2023 despite supply-chain disruptions, geopolitical conflicts from the continued conflict in Ukraine, the escalating war between Israel and Hamas in the Middle East and elevated global inflation.



Growth in major economies was positive and the banking system remained robust

Notwithstanding increasing fears of a recession, growth in major economies was positive and the banking system remained robust. The United States (US) and several large emerging market economies surpassed expectations during most of the financial year, driven by resilient private consumption and government spending.

Market optimism was fuelled by the expectation of central banks easing monetary policy rates, but these hopes diminished at the start of 2024 as high inflation remained stubborn. Inflation has been decreasing but at a slower pace than expected. This persistent sluggishness in inflation convergence towards target levels has delayed interest rate cuts. Lingering inflationary pressures, divergent economic performances across countries and risks associated with fiscal sustainability and geopolitical tensions persisted beyond the financial year under review.

REGION/COUNTRY	Actual		Estimate	Forecast			Percentage point difference from January forecast	
	2021	2022	2023	2024	2025	2026	2024	2025
World	6.3	3.0	2.6	2.6	2.7	2.7	0.2	0.0
Advanced economies	5.5	2.6	1.5	1.5	1.7	1.8	0.3	0.1
United States	5.8	1.9	2.5	2.5	1.8	1.8	0.9	0.1
Euro area	5.9	3.4	0.5	0.7	1.4	1.3	0.0	-0.2
Japan	2.6	1.0	1.9	0.7	1.0	0.9	-0.2	0.2
Emerging markets	7.3	3.7	4.2	4.0	4.0	3.9	0.1	0.0
East Asia and Pacific	7.6	3.4	5.1	4.8	4.2	4.1	0.3	-0.2
China	8.4	3.0	5.2	4.8	4.1	4.0	0.3	-0.2
Indonesia	3.7	5.3	5.0	5.0	5.1	5.1	0.1	0.2
Thailand	1.6	2.5	1.9	2.4	2.8	2.9	-0.8	-0.3
Europe and Central Asia	7.2	1.6	3.2	3.0	2.9	2.8	0.6	0.2
Russian Federation	5.9	-1.2	3.6	2.9	1.4	1.1	1.6	0.5
Turkey	11.4	5.5	4.5	3.0	3.6	4.3	-0.1	-0.3
Poland	6.9	5.6	0.2	3.0	3.4	3.2	0.4	0.0
Latin America	7.2	3.9	2.2	1.8	2.7	2.6	-0.5	0.2
Brazil	4.8	3.0	2.9	2.0	2.2	2.0	0.5	0.0
Mexico	6.0	3.7	3.2	2.3	2.1	2.0	-0.3	0.0
Argentina	10.7	5.0	-1.6	-3.5	5.0	4.5	-6.2	1.8
Middle East and North Africa	6.2	5.9	1.5	2.8	4.2	3.6	-0.7	0.7
Saudi Arabia	4.3	8.7	-0.9	2.5	5.9	3.2	-1.6	1.7
Iran	4.7	3.8	5.0	3.2	2.7	2.4	-0.5	-0.5
Egypt	3.3	6.6	3.8	2.8	4.2	4.6	-0.7	0.3
South Asia	8.6	5.8	6.6	6.2	6.2	6.2	0.6	0.3
India	9.7	7.0	8.2	6.6	6.7	6.8	0.2	0.2
Bangladesh	6.9	7.1	5.8	5.6	5.7	5.9	0.0	-0.1
Pakistan	5.8	6.2	-0.2	1.8	2.3	2.7	0.1	-0.1
Sub-Saharan Africa	4.4	3.8	3.0	3.5	3.9	4.0	-0.3	-0.2
Nigeria	3.6	3.3	2.9	3.3	3.5	3.7	0.0	-0.2
South Africa	4.7	1.9	0.6	1.2	1.3	1.5	-0.1	-0.2
Angola	1.2	3.0	0.9	2.9	2.6	2.4	0.1	-0.5

Sources: PIC, World Bank

The global economy is expected to grow by 2.6% in 2024, with advanced economies set to expand by 1.5% and emerging markets by 4.0%. The US economy is poised for a growth rate of 2.5% in 2024, but subsequently easing to 1.8% in 2025 due possibly to fiscal tightening and a softening labour market.

**EXPECTED GROWTH IN 2024**

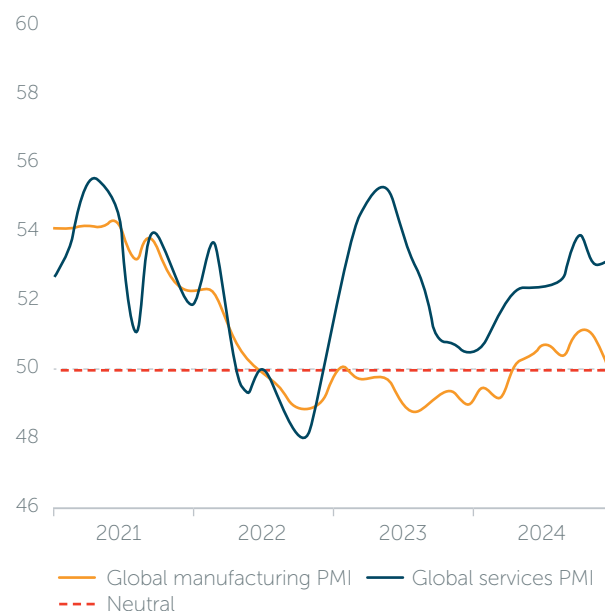
Global economy: **2.6%**
 Advanced economies: **1.5%**
 Emerging markets: **4.0%**

Conversely, recent data suggest a positive turn in the eurozone despite a lacklustre performance towards the end of 2023, with signs of expansion indicated by purchasing managers' index (PMI) figures, supported by lower inflation and easing monetary policy. In the United Kingdom, consumer-led economic growth is expected as real household incomes recover amid declining inflation, aided by lower interest rates and decreasing energy and food prices.

Meanwhile, China's economic growth is projected to slow to 4.8% in 2024. This is due to subdued sentiment affecting consumption and headwinds in the property sector limiting investment, compounded by lower global demand and fiscal constraints. Similarly, in Japan, consumption is expected to gradually recover, supported by annual pay rises and robust wage growth. The projected recovery is despite persistent, subdued global growth and falling inflation.

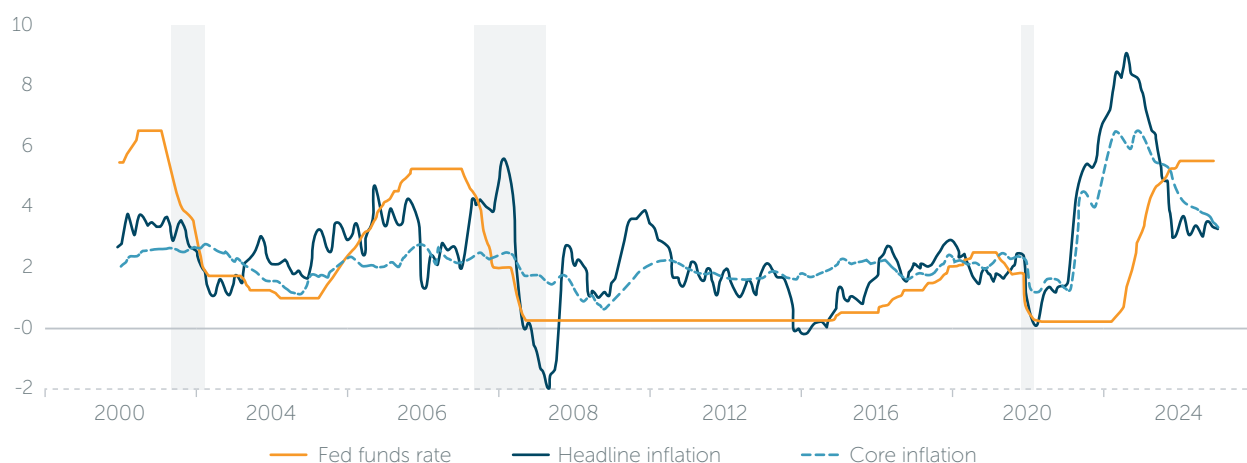
Emerging markets are expected to maintain a resilient growth trajectory, following a strong start to 2023 in many economies, with gradual acceleration anticipated throughout 2024. While some emerging Asian economies benefit from marginal external support, the situation is different in emerging European economies. Inflationary pressures, driven by food, fuel prices and services inflation, remain significant, with slow disinflation despite the limited impact from the Red Sea shipping disruptions. Persistent inflation risks may hinder the pace of monetary easing across several emerging markets. In sub-Saharan Africa, growth is expected to improve as the adverse effects of past weather shocks diminish and supply issues improve gradually.

GLOBAL PMIs SHOW AN IMPROVEMENT IN SERVICES ACTIVITY



Sources: PIC, Bloomberg, JP Morgan

US INFLATION AND INTEREST RATES

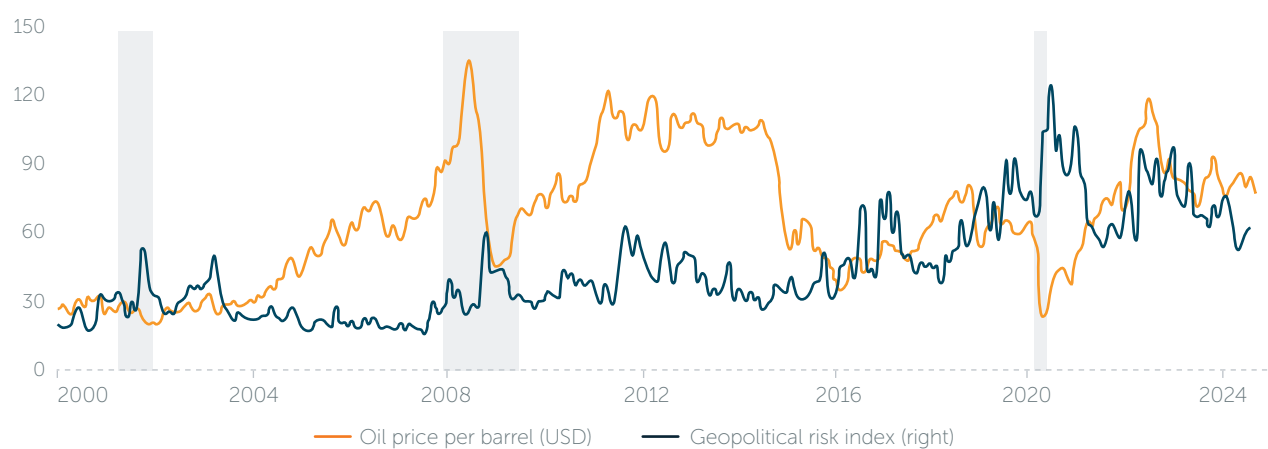


Sources: PIC, Bloomberg

Note: Shaded areas indicate US recession periods

Inflation is expected to continue decreasing towards target levels and with longer-term inflation expectations stable, central banks in major advanced economies should begin lowering policy rates in the latter half of 2024. It is projected that the US Federal Reserve Bank (Fed) and the United Kingdom's Bank of England will start cutting interest rates before the end of the year. Europe's European Central Bank has already started easing monetary policy by cutting interest rates. However, Japan's policy rates are expected to increase gradually, reflecting growing confidence in achieving sustainable inflation targets despite historical deflationary trends.

GEOPOLITICAL RISKS AND OIL PRICES



Sources: PIC, National Treasury

Note: Shaded areas indicate US recession periods

In the long term, artificial intelligence will certainly have a significant impact across various industries – improving productivity and efficiency. Countries will need to invest in their digital infrastructure and human capital. Since artificial intelligence will characterise most industries, there is an investment case for ‘selling shovels in a gold rush’ rather than selecting certain industries in the early days. This means that the technology sector is poised to benefit the most, especially initially, and that in the medium- to long-term, productivity gains are likely to spread to more sectors.

The inflation trajectory is likely to continue being a key driver of market performance through its impact on monetary policy settings. Being at the peak of the interest rate cycle, market volatility may heighten in 2024 as the market reacts to every sign of a change in direction. Greater geopolitical tensions support this, especially considering that they could deteriorate and spill over to more countries.

Risks to the outlook are more balanced than in previous assessments, as the global economic landscape has shown signs of improvement since late-2023. Despite a surprisingly resilient economic performance, several adverse factors continue to pose risks to global economic growth. These include potential commodity price spikes due to geopolitical conflicts and persistent inflationary pressures leading to financial stress, China’s uncertain recovery path, disruptive fiscal adjustment and eroding government trust affecting reform momentum and intensifying geoeconomic fragmentation.

Additionally, the upcoming elections in many countries – notably in the US – could lead to short-term fiscal boosts, potentially affecting economic activity. In addition, there is risk that the outcome of the US elections could lead to heightened trade-related risks. However, upside risks, including supply-side surprises, allow for faster monetary policy easing. Equally, productivity boosts from artificial intelligence and momentum for structural reforms could contribute to higher-than-projected growth rates. Overall, while the global economy faces challenges, there are opportunities for more favourable outcomes, provided policymakers navigate risks effectively.

DOMESTIC ECONOMIC CONDITIONS AND OUTLOOK

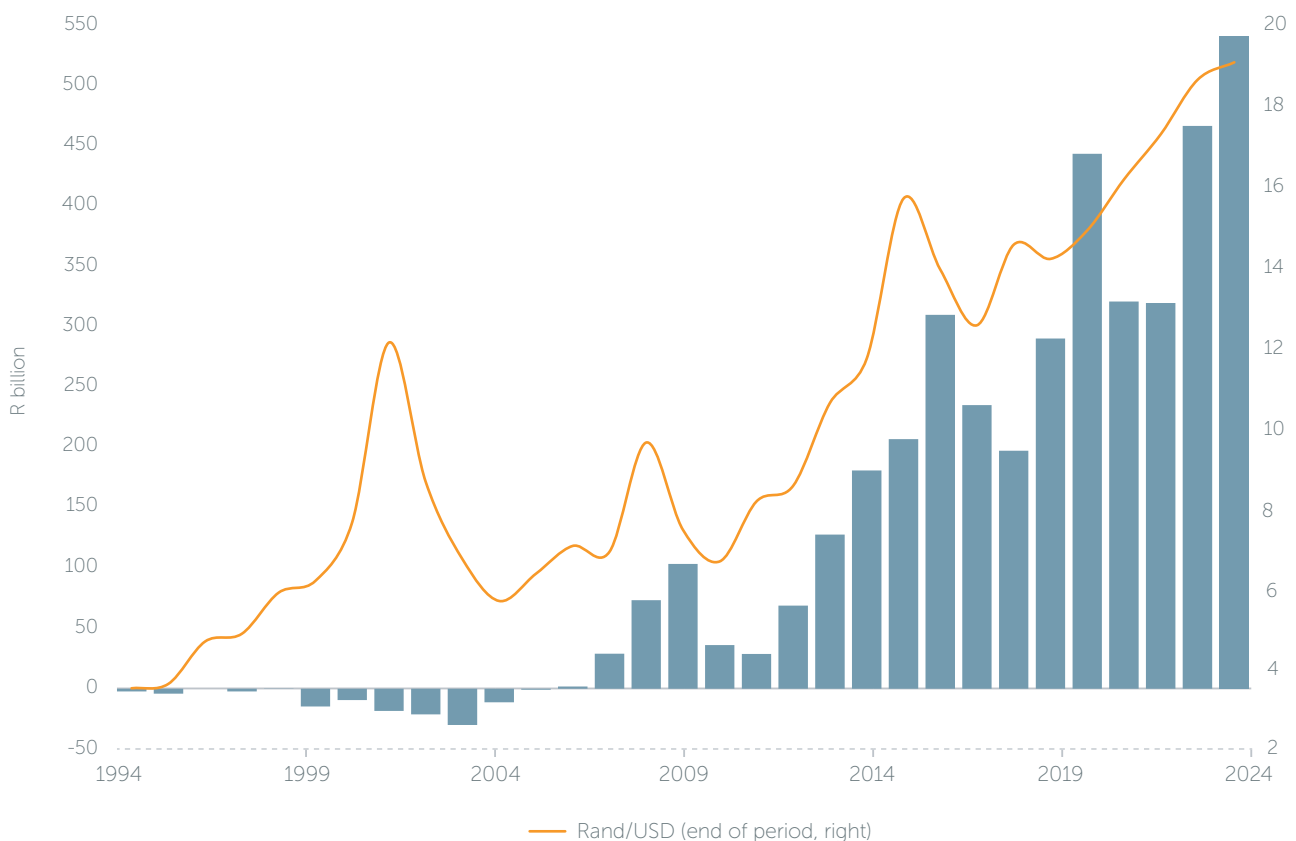
In 2024, the South African economy is expected to face headwinds from global geopolitical tensions, below-trend global growth and uncertainty around the US presidential election outcome. These factors could dampen the recovery in commodity prices and the country's near-term growth prospects. A potential drop in global inflation could lead to central banks cutting interest rates, which is likely to fuel a further surge in domestic bond and stock markets, potentially exceeding the post-election rally.

Although there were less severe electricity supply disruptions, South Africa's gross domestic product (GDP) contracted by 0.1% quarter-over-quarter in the first quarter of 2024. Despite fewer outages in 2024 than in 2023, severe electricity supply disruptions adversely impacted economic growth, which is likely to still be lower than potential this year.

In the 2024 Budget Review, the Minister of Finance announced the implementation of the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) through the South African Reserve Bank (SARB), which will make available for use R150 billion to alleviate government borrowing pressures.

In terms of GFECRA, the national government will realise the profits (driven in recent years largely by rand depreciation and gold price appreciation) of this account held with SARB. The current balance, as shown below, is roughly R530 billion. Government will realise R100 billion of the R530 billion this year, with a further R50 billion realised over the next two years (R25 billion per year). To preserve balance sustainability, the equity of SARB will have to be increased by similar amounts.

GFECRA BALANCE AND THE RAND-US DOLLAR EXCHANGE RATE

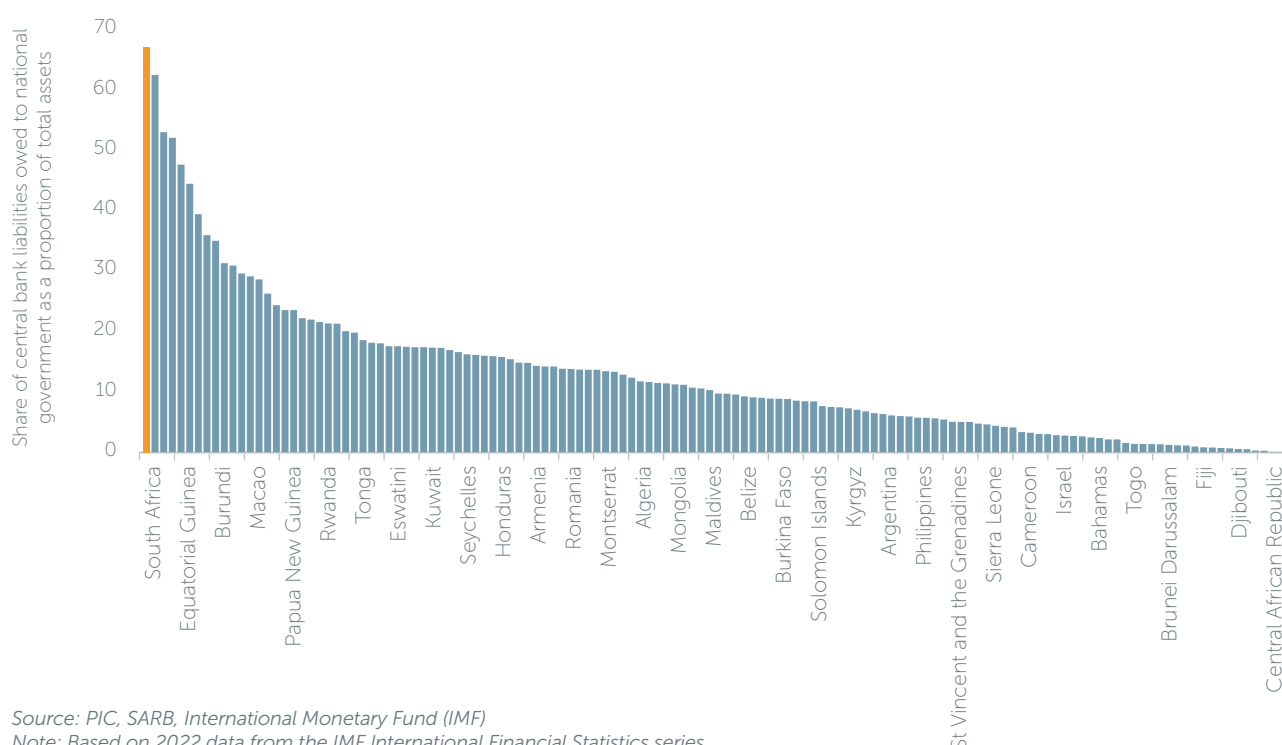


Source: PIC, Bloomberg, SARB

Note: The 2024 rand-US dollar estimate is based on the latest PIC currency forecast

The market reacted positively to the Minister of Finance's announcement, notwithstanding the SARB governor noting in a November post-Monetary Policy Committee meeting question-and-answer session that realising these profits would not be ideal. A justification for the positive market reaction is, perhaps, that SARB is a major outlier compared to other emerging market central banks when considering the proportion of liabilities it owes to the national government against the total value of its assets, as shown in the below chart. Practically, this means that comparatively SARB has more financial room to realise the profits on GFECRA thus reducing the share of its liabilities to National Treasury as a proportion of its total assets on its balance sheet. All in all, reducing the current debt-servicing cost burden should provide for a more supportive domestic macroeconomic environment in the future. This is because it will allow for more government expenditure in growth-enhancing items in the form of infrastructure and social services.

SOUTH AFRICA IS AN OUTLIER WITH THE SHARE OF LIABILITIES OWED TO THE GOVERNMENT



Source: PIC, SARB, International Monetary Fund (IMF)

Note: Based on 2022 data from the IMF International Financial Statistics series

Overall, domestic challenges, particularly in the logistics and energy industries, as well as increased geopolitical tensions remain concerns. Slower global economic growth due to lower commodity prices will probably sustain pressure on the country's economic activity.

With large investments in energy reforms, electricity supply problems should continue to improve this year, despite the challenging operating environment described above. Employment growth should coincide with the anticipated increase in gross fixed capital formation investment (GFCF), most likely in the second half of 2024.

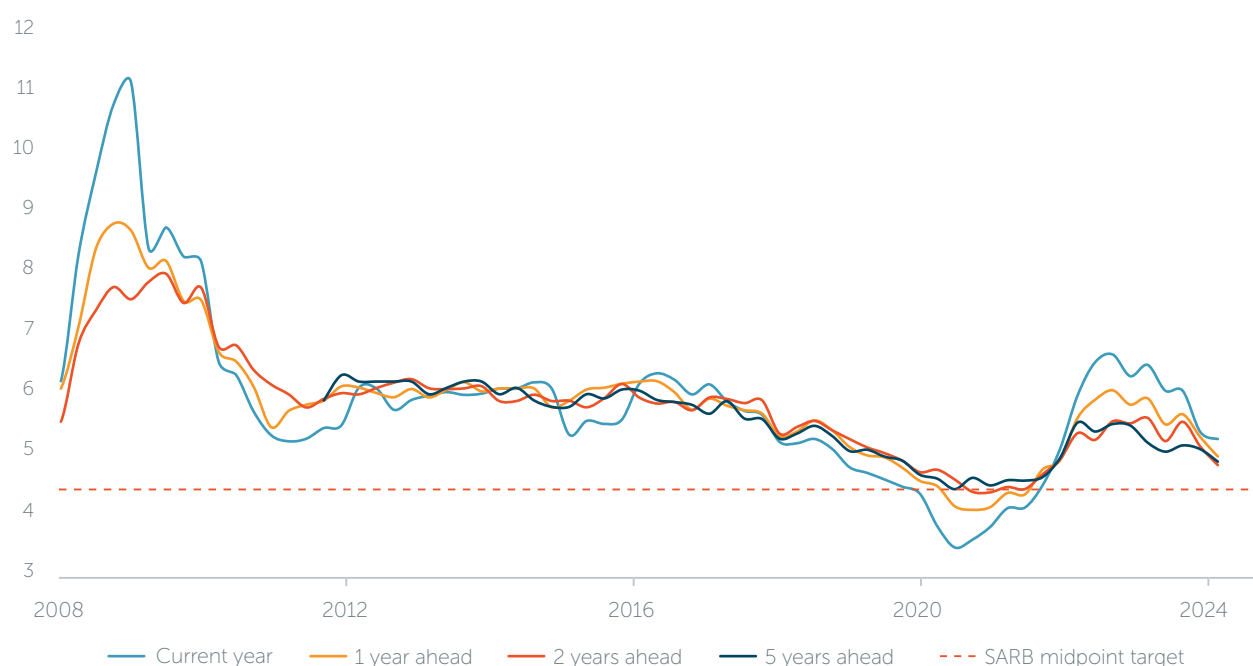
Household consumption should be supported by relief in interest rates and slowing inflation from around the end of 2024. In addition, the proposed 'two-pot' retirement reforms to be implemented in September 2024 should boost consumer spending heading into 2025, provided that the date of implementation is not postponed. However, these tailwinds may be counteracted by lower growth in the public sector wage bill and fiscal drag.

While inflation may still decrease, it can be expected to average 5% in 2024. Food inflation will continue its disinflationary trend, albeit at a slower pace than usual. Headline inflation is also likely to remain elevated by higher utilities inflation, predominantly from high electricity tariffs. Developments in the agricultural sector, such as the tailwinds of the avian influenza virus, adverse weather and elevated fuel prices could continue to put pressure on food inflation.



Proposed 'two-pot' retirement reforms should boost consumer spending

INFLATION EXPECTATIONS DECLINING



Source: PIC, Bureau of Economic Research, SARB



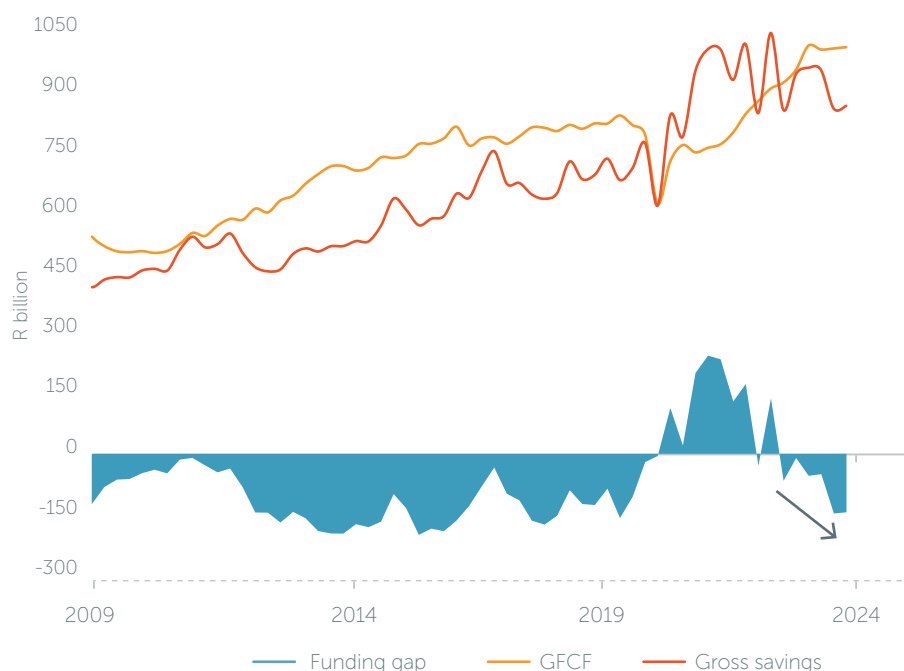
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SARB will probably keep interest rates unchanged until the inflation rate is comfortably closer to the 4.5% midpoint of its target range. Risks to the inflation outlook are now considered balanced with a steadier rand and lower risk premium following the formation of a government of national unity. However, the adverse impact of the weather on maize prices could result in elevated food prices in the coming months.

Despite the post-election rally, lacklustre global growth and commodity prices remain headwinds to the rand. Over and above domestic constraints around fiscal slippage and a widening current account deficit, the projected low real economic growth also presents challenges to the rand strengthening. South Africa's current account narrowed to 1.2% of GDP in the first quarter of 2024 from a larger deficit of 2.3% in the fourth quarter of last year, due to the higher trade surplus, despite a larger deficit on the services, income and current transfer account. Looking ahead, the current account balance is not expected to improve materially and there is likely to be little recovery in the currency. In the latter half of 2024, given weak fundamentals, the currency should largely trend sideways over the medium-term forecast horizon.

Real GFCF experienced a further decline, dropping in the first quarter of 2024 following two contractions in the third and fourth quarters of last year. This contraction was driven by reduced capital expenditure by the private sector, while government fixed investment and public corporation fixed investment were both up in the first quarter of this year.

WIDE DOMESTIC FUNDING GAP



Source: PIC, SARB, Stats SA

South Africa's national nominal savings rate remained unchanged in the first quarter of 2024 at 12.7%. During this period, the general government recorded a lower dissaving rate, households' saving rate increased marginally, while the saving rate of corporate business enterprises decreased. As a result, the foreign financing ratio, representing the share of total gross capital formation financed through foreign capital, decreased in the first quarter.

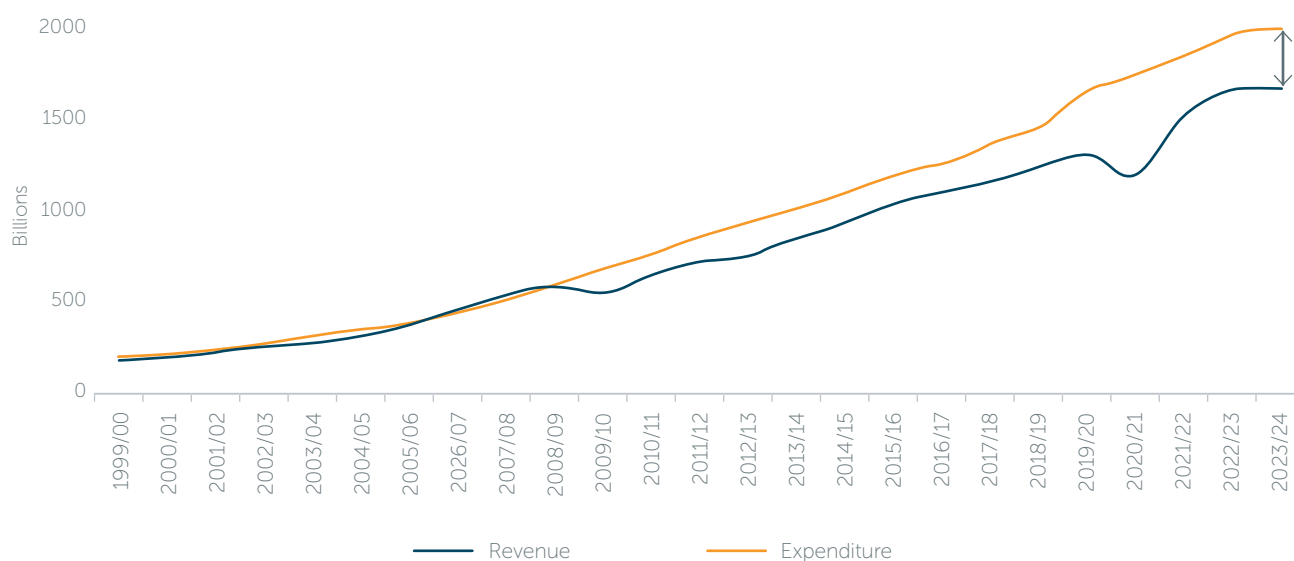
Prominent risks and opportunities

Investors are closely checking the South African government's revenue and expenditure trends, and its capacity to manage the country's debt burden in the long run. If not correctly managed a debt burden might lead to higher interest rates and crowd out private-sector investment. Furthermore, the country's debt-to-GDP ratio is already high and expected to continue rising. The baseline forecast is in line with that of National Treasury for government debt to stabilise over the coming years. However, if kept unchecked, this raises concerns about the government's ability to meet its future financial obligations, potentially leading to a change in the credit rating. A lower credit rating makes borrowing more expensive, further straining the budget.

Unfortunately, the government's funding streams are reliant mainly on the mining sector. If commodity prices remain stagnant or even fall, government income may decline dramatically – making budget forecasting and management more difficult and limiting budgetary headroom. Should the government fail to handle these fiscal difficulties, investor confidence in the South African economy could suffer, possibly resulting in capital flight and a weaker rand exchange rate. This would, in turn, raise import prices and reduce total economic activity.



CONSOLIDATED GOVERNMENT REVENUE AND EXPENDITURE



Sources: PIC, National Treasury

Due to rail inefficiencies, a great deal of freight has moved to roads, resulting in inefficiencies and increased expenses.



Credit: Sebatatso Mosamo / Sunday Times

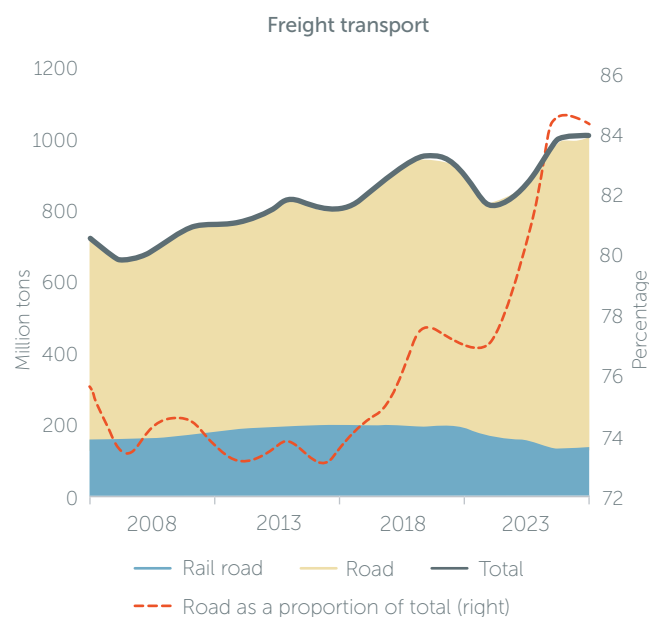
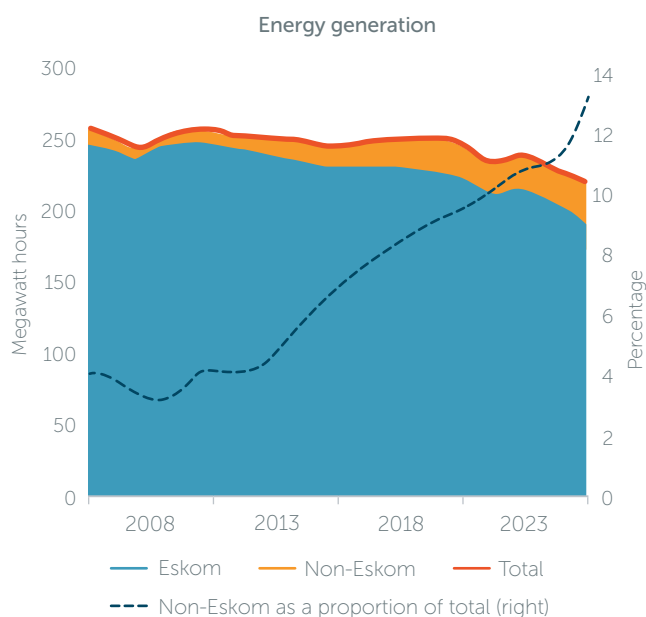
South Africa's high unemployment rate, particularly among young people, creates multiple concerns for investors, affecting both growth potential and overall stability. This is because unemployed youth means fewer consumers with discretionary income, which shrinks the domestic market for businesses, hindering their profitability and potential for growth. Furthermore, young people lose out on the acquisition of important work experience and skills development when they do not enter the workforce. In the long term, this results in a lack of skilled labour, which makes it more difficult for companies to hire competent workers. This can put pressure on public coffers, raise political uncertainty and possibly spark social unrest.

In the absence of significant reforms, growth is likely to remain weak at a projected 1.2% year-on-year in 2024. Local factors including crime, electricity supply disruptions, dysfunction in the logistics sector, high borrowing costs due to tight monetary policy and stubbornly high unemployment should continue to weigh on aggregate demand. Another emerging risk is water supply disruptions, notably in major metropolitans.

With the collapse of essential public infrastructure and service delivery, privatisation is increasing, especially in the provision of energy and transport services. Eskom is generating proportionately less electricity while private investment (both businesses and households) in electricity generation is growing due to regulation changes and incentives flowing therefrom.

Due to rail inefficiencies, a great deal of freight has moved to roads, resulting in inefficiencies and increased expenses. However, the government's stance on increased private sector participation in rail and logistics should alleviate and rectify this trend in the medium- to longrun. The private sector is also moving into security – another state responsibility – which has seen an increase in the number of private security guards relative to the number of police officers.

INCREASED PRIVATISATION IN ENERGY AND FREIGHT



Sources: PIC, Stats SA

South Africa has numerous intriguing investment prospects across multiple sectors. The government is promoting renewable energy sources, which appeals to investors wishing to profit from this emerging sector. Further priorities include improving the country's infrastructure, with opportunities in construction, transport and utilities. Emphasis has increased on technology and innovation startups in fields such as healthcare, communications technology and sustainable solutions.

Notwithstanding the above, the structural reforms under Operation Vulindlela – part of National Treasury and the Presidency's plans to expedite structural reforms to boost economic growth and stimulate employment creation – should maintain momentum with the government of national unity.

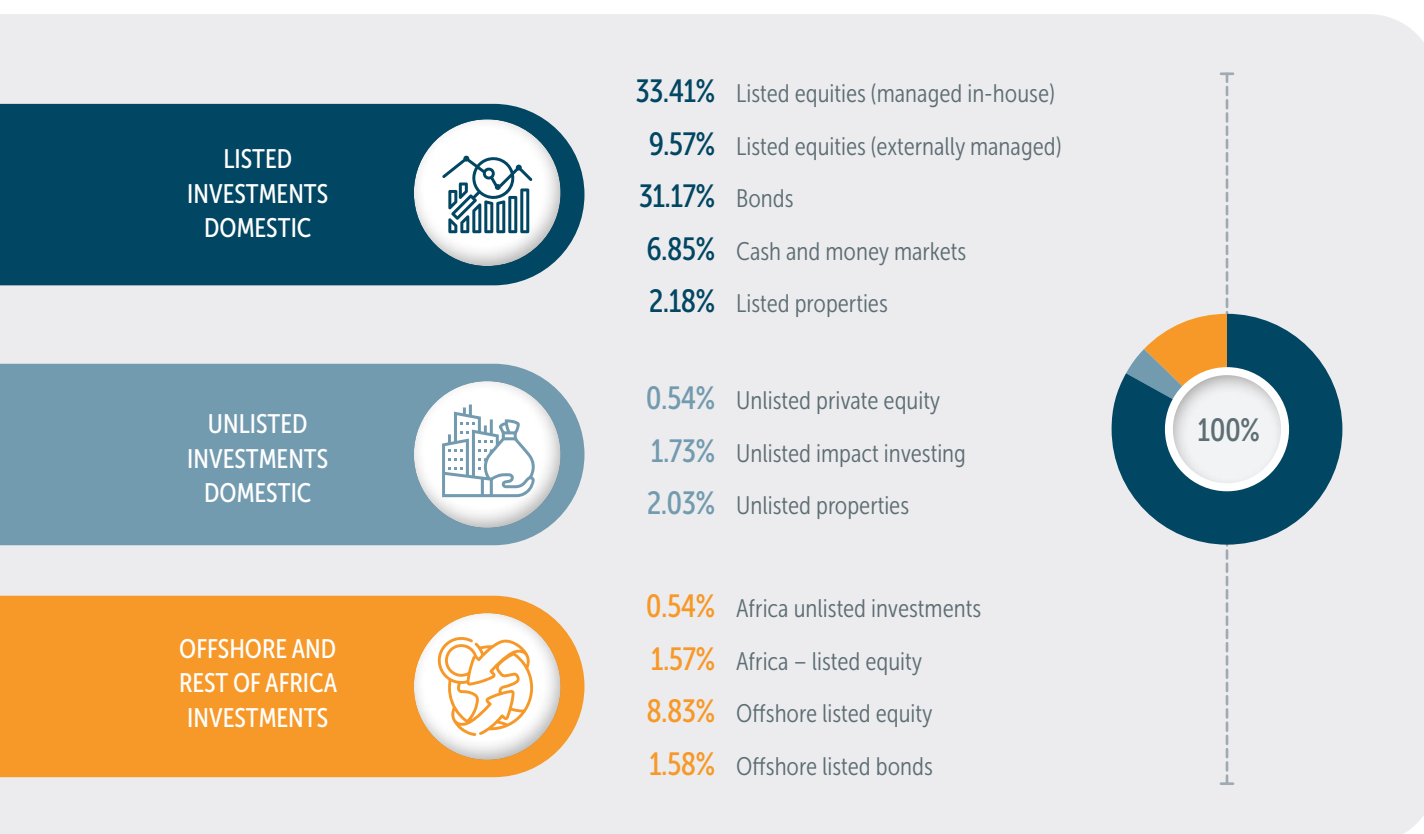
Since its inception three years ago, Operation Vulindlela has progressed in making comprehensive changes in several important network industries. For example, in the energy sector, legislative changes have led to a significant surge in private investment in the production of electricity, with more than 12 000MW of confirmed projects currently in development. When these projects are completed, more than R220 billion in new investment would have been implemented.

The Freight Logistics Roadmap has been successful in improving the local logistics sector's competitiveness and efficiency. As a result, the private sector is now involved at container ports and access to the freight rail network has opened. Operation Vulindlela has also cleared the backlog of water usage permits, with the re-engineered water licence application system ensuring that more than 70% of licences are now handled within 90 days, compared to 300 days previously. Twenty more countries have been added to the eVisa system, increasing the total to 34. It is envisaged that operation of the eVisa system will make it easy for people to visit the country, thereby contributing to an increase in tourism.

The PIC continues to identify sectors that can boost the South African economy. It is looking for bankable projects and is ready to deploy capital in numerous growth sectors to grow its clients' portfolios. The Corporation is considering investments in transmission lines to connect solar panel projects, ports, rail, and road networks. It is further considering increasing its investments in rural and township developments, as well as in student accommodation.

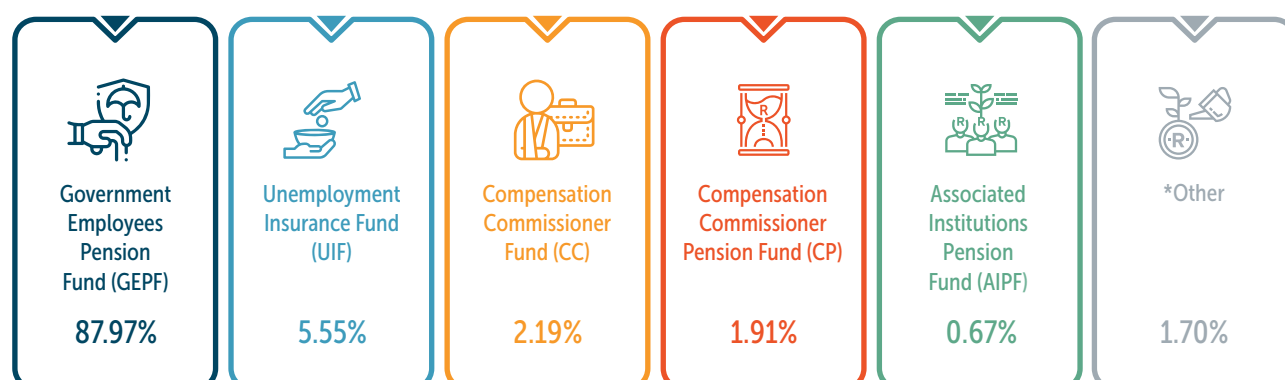
CLIENT PORTFOLIO PERFORMANCE

As of 31 March 2024, the asset class composition as a percentage of AuM was as follows:



PIC CLIENTS UNDER MANAGEMENT

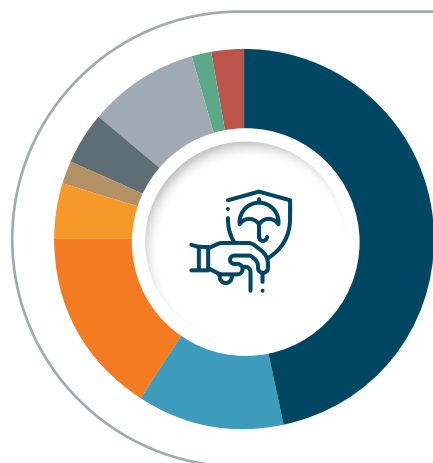
The PIC's major clients and their AuM are listed below:



* Various clients with smaller portfolios

 Total rand value
R2,693 trillion

GOVERNMENT EMPLOYEES PENSION FUND



ASSET ALLOCATION

● 46.72%	● 4.64%	● 9.30%
Local equity	Cash and money market	Foreign equity
● 12.54%	● 1.89%	● 1.79%
Nominal bonds	Isibaya	Foreign bonds
● 15.99%	● 4.53%	● 2.6%
Inflation-linked bonds	Property	Africa (excluding South Africa)

PENSION FUND

The GEPP's highly diverse portfolio constitutes 87.97% of the PIC's total AuM. The portfolio comprises equities, bonds, property, cash and money market instruments.

The equities asset class consists of local listed equities, local unlisted equities, international equities, and equities from the rest of Africa.

Bonds are diversified into local listed bonds, local unlisted bonds and offshore bonds.

Property assets, on the other hand, consist of both listed and unlisted properties, with unlisted properties being either directly- or indirectly held.

Besides the assets discussed above, the portfolio includes investments in fund of funds, private equity and developmental investment vehicles.

Performance

The GEPF's local listed portfolio outperformed its benchmark by 0.28% over a 36-month period due to positive stock selection in the equity asset class. However, the portfolio underperformed its benchmark by 0.28% over 24 months and 0.33% over 12 months, with the latter attributable primarily to equity asset stock selection.

Africa listed equities (excluding South Africa) outperformed by 3.68% over 36 months but underperformed the benchmark by 0.52% and 0.93% over 12 and 24 months respectively. The underperformance is directly linked to volatility in this asset class, which has been driven largely by currency devaluations on the continent.

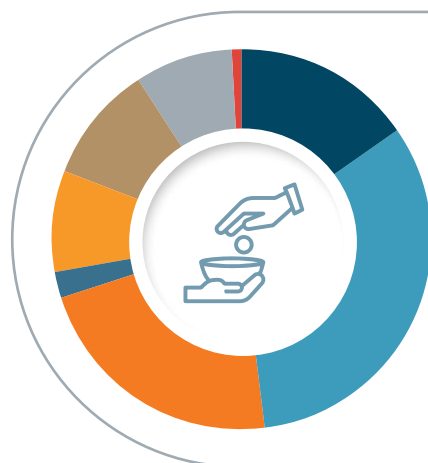
Although the overall performance of the listed portfolio underperformed its benchmark by 0.31% over 12 months and by 0.31% over 24 months, the performance in the long-term has been positive. Over 36 months, the portfolio outperformed the benchmark by 0.30%, reflecting the positive impact of long-term bottom-up stock selection. Notable drivers of long-term performance included strong results from Africa listed equities (excluding South Africa), global bonds and global equities, and positive contributions from inflation-linked bonds and local equities. These asset classes have been key to enhancing portfolio returns and mitigating short-term market volatility.



The offshore bonds and equity portfolios significantly outperformed their benchmarks over 12, 24 and 36 months.

ASSET CLASS	12 MONTHS			24 MONTHS			36 MONTHS		
	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN
	%	%	%	%	%	%	%	%	%
Money market	8.14%	8.39%	-0.23%	7.19%	7.16%	0.03%	6.04%	6.08%	-0.03%
Conventional bonds	4.24%	4.19%	0.05%	5.04%	5.00%	0.03%	7.52%	7.40%	0.11%
Inflation-linked bonds	6.35%	5.74%	0.58%	6.00%	5.32%	0.65%	7.51%	7.10%	0.38%
Local listed equity	1.37%	2.03%	-0.64%	1.04%	1.40%	-0.35%	5.28%	4.92%	0.34%
Local listed property	19.79%	20.47%	-0.56%	7.59%	7.89%	-0.28%	14.02%	13.93%	0.08%
Total GEPF local listed	3.40%	3.74%	-0.33%	2.96%	3.25%	-0.28%	6.32%	6.02%	0.28%
Africa listed									
Africa listed equity (excluding South Africa)	-19.31%	-18.90%	-0.52%	-5.63%	-4.74%	-0.93%	1.09%	-2.50%	3.68%
Global portfolio									
Global equity	29.88%	26.18%	2.93%	21.21%	17.99%	2.73%	15.75%	14.39%	1.19%
Global bonds	11.24%	2.28%	8.76%	14.01%	6.43%	7.12%	7.58%	1.68%	5.80%
Total GEPF listed	5.32%	5.64%	-0.31%	4.44%	4.76%	-0.31%	7.03%	6.72%	0.30%

UNEMPLOYMENT INSURANCE FUND



ASSET ALLOCATION

● 15.30%	● 2.11%	● 8.44%
Equity	Listed property	Foreign equity
● 32.76%	● 8.79%	● 0.67%
Nominal bonds	Cash and money market	Unlisted property
● 22.15%	● 9.78%	
Inflation-linked bonds	Socially responsible investments	

The UIF is PIC's second-largest client and accounts for 5.55% of the AuM. The fund's assets comprise inflation-linked bonds, property, listed domestic and international equities, cash and money market investments and socially responsible investments.

Performance

The local listed portion of the fund outperformed the benchmark by 0.08% over 12 months, driven primarily by asset allocation decisions and active duration management in cash and money markets, as well as strong stock selection of inflation-linked bonds.

However, over 24 and 36 months, the fund underperformed against the benchmark by 0.28% and 0.18% respectively. The underperformance is attributed to the reallocation of assets in the portfolio following the selloff in nominal bonds to fund the UIF COVID-19 Temporary Employment Relief Scheme. Additionally, the local listed equity portfolio was strongly affected by the underperformance of external equity managers, which is currently being addressed.

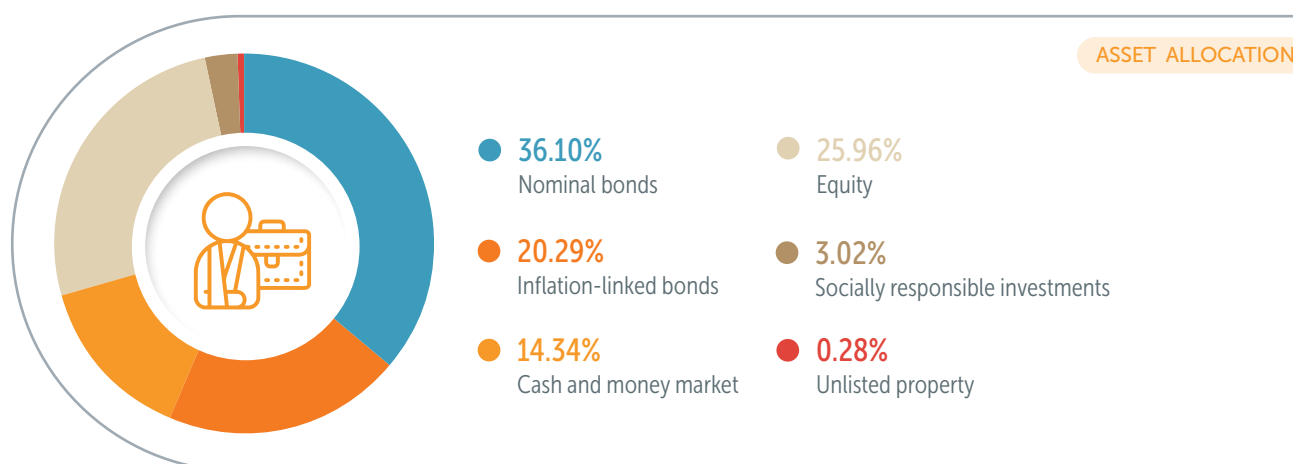
Global equities outperformed the benchmark over 12, 24 and 36 months. The global equity performance, with positive returns from inflation-linked bonds and local listed property, significantly improved portfolio returns and contributed to mitigating short-term market volatility. Notwithstanding that, asset allocation decisions necessitated by the relief scheme had a significant impact on the UIF's long-term listed returns given the portfolio's relatively higher allocation to cash and money market asset class.



The local listed portion of the fund outperformed the benchmark by **0.08%** over 12 months.

ASSET CLASS	12 MONTHS			24 MONTHS			36 MONTHS		
	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN
	%	%	%	%	%	%	%	%	%
Money market	8.53%	8.39%	0.14%	7.20%	7.16%	0.04%	6.17%	6.08%	0.09%
Conventional bonds	4.34%	4.19%	0.15%	5.20%	5.00%	0.20%	6.95%	7.40%	-0.45%
Inflation-linked bonds	6.05%	5.74%	0.32%	5.82%	5.32%	0.50%	7.27%	7.10%	0.17%
Local listed equity	1.07%	2.20%	-1.12%	0.46%	1.22%	-0.76%	7.06%	7.12%	-0.07%
Internal equity	1.65%	2.20%	-0.55%	0.74%	1.22%	-0.48%	7.19%	7.12%	0.06%
External equity	-1.96%	2.20%	-4.15%	-1.03%	1.22%	-2.25%	6.01%	7.12%	-1.11%
Local listed property	20.61%	20.47%	0.14%	7.90%	7.89%	0.01%	14.22%	13.93%	0.30%
Total UIF local listed	5.25%	5.17%	0.08%	4.88%	5.17%	-0.28%	7.01%	7.19%	-0.18%
International internal returns									
Global equity	29.29%	26.18%	3.11%	20.93%	19.27%	1.65%	15.57%	14.12%	1.45%
Total UIF listed	7.21%	7.50%	-0.30%	6.22%	6.94%	-0.72%	7.72%	8.37%	-0.65%

COMPENSATION COMMISSIONER FUND



The CC portfolio represents 2.19% of the total AuM. The portfolio comprises nominal bonds, inflation-linked bonds, listed equities, cash and money market assets and socially responsible investments.

Performance

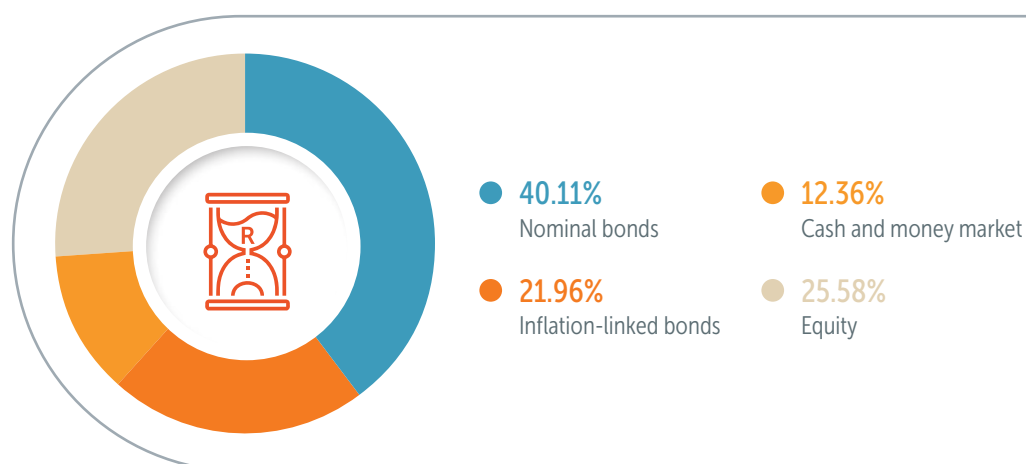
Over the 12 months, the CC portfolio outperformed its benchmark by 0.51%. This was driven primarily by positive contributions from the cash and money market asset class, where the fund had an overweight exposure. The portfolio outperformed the benchmark by 0.15% over a 24-month period.

Despite relatively healthy short-term performance, the portfolio underperformed by 0.13% over 36 months due to the local listed equity portfolio experiencing stock selection and market condition challenges.

Overall, the CC's portfolio performed strongly in cash and money market investments through active duration management. Conventional bonds and inflation-linked bonds contributed positively to the portfolio's performance.

ASSET CLASS	12 MONTHS			24 MONTHS			36 MONTHS		
	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN
	%	%	%	%	%	%	%	%	%
Money market	8.66%	8.39%	0.27%	7.35%	7.16%	0.19%	6.34%	6.08%	0.26%
Conventional bonds	4.28%	4.19%	0.09%	5.09%	5.00%	0.09%	7.40%	7.40%	0.00%
Inflation-linked bonds	5.74%	5.74%	0.00%	5.66%	5.32%	0.34%	7.19%	7.10%	0.09%
Local listed equity	2.15%	2.69%	-0.54%	1.38%	1.69%	-0.31%	5.38%	5.31%	0.07%
Total	4.93%	4.41%	0.51%	4.65%	4.50%	0.15%	6.75%	6.88%	-0.13%

COMPENSATION COMMISSIONER PENSION FUND



The CP portfolio accounts for 1.91% of AuM and is made up of listed equities, nominal bonds, inflation-linked bonds, cash and money market investments.

Performance

Over the 12 months the CP outperformed its benchmark by 0.30%. The outperformance was due to positive contributions from the cash and money market asset class, where the portfolio had an overweight exposure. This asset class continued to boost performance over 24 and 36 months, outperforming the benchmark by 0.08% and 0.07% respectively.

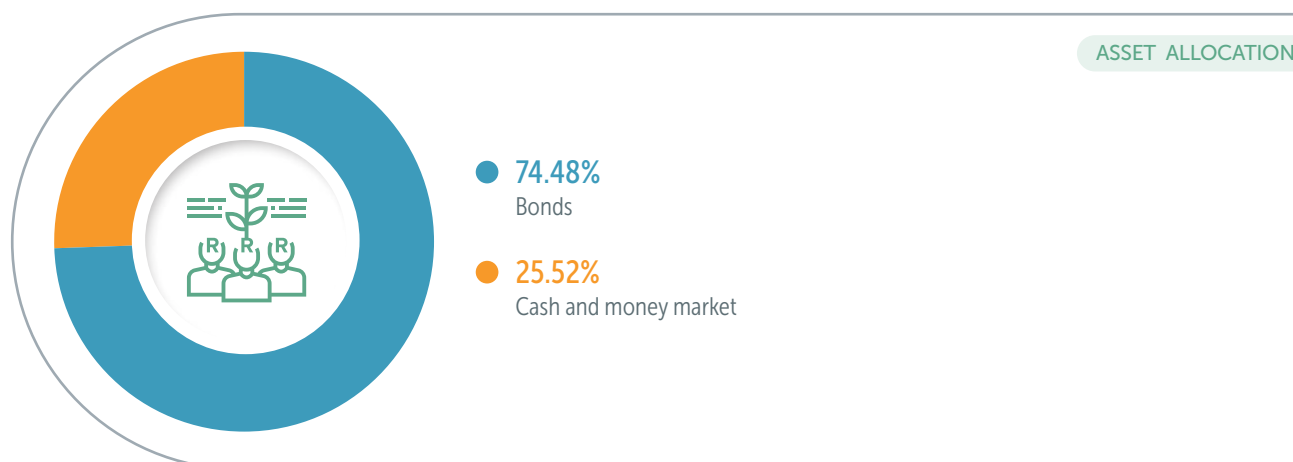
The portfolio's performance in conventional bonds and inflation-linked bonds also topped its benchmarks over all

periods. Conventional bonds outperformed the benchmark by 0.18% over 12 months, 0.14% over 24 months and 0.01% over 36 months; and inflation-linked bonds by 0.05%, 0.28%, and 0.11% over the same periods due largely to selection decisions in these asset classes.

However, the local listed equity portfolio underperformed by 0.58% over 12 months and 0.18% over 24 months and this is attributed to stock-picking decisions, particularly in the resources sector. There was, however, a subdued outperformance of 0.03% over 36 months. These shorter-term shortfalls are being closely monitored and addressed.

ASSET CLASS	12 MONTHS			24 MONTHS			36 MONTHS		
	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN
	%	%	%	%	%	%	%	%	%
Money market	8.79%	8.39%	0.40%	7.54%	7.16%	0.38%	6.41%	6.08%	0.33%
Conventional bonds	4.37%	4.19%	0.18%	5.14%	5.00%	0.14%	7.41%	7.40%	0.01%
Inflation-linked bonds	5.79%	5.74%	0.05%	5.60%	5.32%	0.28%	7.21%	7.10%	0.11%
Local listed equity	2.11%	2.69%	-0.58%	1.51%	1.69%	-0.18%	5.34%	5.31%	0.03%
Total	5.19%	4.89%	0.30%	4.85%	4.77%	0.08%	6.74%	6.66%	0.07%

ASSOCIATED INSTITUTIONS PENSION FUND



The AIPF holds 0.67% of AuM with a portfolio that comprises bonds, cash and money market investments.

Performance

For the 12 months the AIPF exceeded its benchmark by 0.22%. The outperformance is a direct result of positive money market contributions resulting from active duration management and strategic asset allocation.

The commendable performance was also reflected over the 24-month period, where the fund surpassed the benchmark by 0.12% due to consistent returns from both cash and money market instruments and conventional bonds. However, the portfolio underperformed the benchmark by 0.08% over 36 months due to stock selection decisions within nominal bonds.

ASSET CLASS	12 MONTHS			24 MONTHS			36 MONTHS		
	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN
	%	%	%	%	%	%	%	%	%
Cash and money market	8.61%	8.39%	0.21%	7.22%	7.16%	0.06%	6.10%	6.08%	0.02%
Conventional Bonds	4.24%	4.19%	0.05%	5.08%	5.00%	0.08%	7.31%	7.40%	-0.09%
Total	5.50%	5.27%	0.22%	5.73%	5.61%	0.12%	7.05%	7.14%	-0.08%

OTHER CLIENTS

The funds and portfolios listed below account for 1.70% of AuM. They hold various assets, including listed equities, bonds and cash and money markets.

ASSET CLASS	12 MONTHS			24 MONTHS			36 MONTHS		
	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN	PORTFOLIO RETURN	BENCHMARK RETURN	RELATIVE RETURN
	%	%	%	%	%	%	%	%	%
Guardian National Fund	8.66%	8.25%	0.41%	7.40%	6.81%	0.59%	6.38%	5.86%	0.52%
National Skills Fund	8.48%	8.39%	0.09%	7.28%	7.16%	0.12%	6.25%	6.08%	0.17%
President's Fund	8.53%	8.39%	0.14%	7.32%	7.16%	0.16%	6.22%	6.08%	0.14%
Smaller clients	7.97%	8.10%	-0.13%	6.73%	6.89%	-0.16%	5.53%	5.79%	-0.26%
Temporary Employees Pension Fund	8.63%	8.39%	0.24%	7.37%	7.16%	0.21%	6.27%	6.08%	0.19%
University Loan Account	8.66%	8.39%	0.27%	7.44%	7.16%	0.28%	6.33%	6.08%	0.25%
Reconstruction and Development Programme Fund	8.46%	8.39%	0.07%	7.30%	7.16%	0.14%	6.25%	6.08%	0.17%
PIC Metropolitan Money Market Fund	8.38%	8.39%	-0.01%	7.14%	7.16%	-0.02%	6.09%	6.08%	0.01%
PIC Metropolitan Bond Fund	4.76%	4.19%	0.57%	5.44%	5.00%	0.44%	7.76%	7.40%	0.36%
PIC Old Mutual Unit Trust Balanced Fund	2.99%	4.50%	-1.51%	2.47%	5.77%	-3.30%	7.46%	5.82%	1.64%
PIC Old Mutual Unit Trust Equity Managed Fund	-0.26%	2.87%	-3.13%	1.91%	1.54%	0.37%	5.59%	7.48%	-1.89%
Political Office Bearers Fund	4.20%	4.19%	0.01%	5.07%	5.00%	0.07%	7.24%	7.40%	-0.16%

FINANCIAL RETURNS DELIVERED: LISTED INVESTMENT PORTFOLIO

During the year under review, the Listed Investments division continued to support the PIC's vision of being a global leader in impact investing and contributing to inclusive growth by:

- › Aligning with the objectives of the National Development Plan, specifically infrastructure projects undertaken by other state-owned companies;
- › Exceeding benchmark returns for the PIC's clients;
- › Driving transformation through the broad-based black economic empowerment principles of the External Manager Programme, which aims to grow sustainable black-owned asset management businesses and transform the asset management industry; and
- › Integrating environmental, social and governance (ESG) principles across investment processes, as well as direct engagement with investee companies and active proxy voting.

Listed equities

Returns that exceeded client benchmarks within agreed risk parameters were notable strategic objectives that were achieved against the PIC corporate plan. The Listed Equities division delivered positive returns for various clients, with the value of listed equities growing by 1.4% to R900 billion. The internal listed equities portfolio outperformed the underlying benchmark by a cumulative 1.11% over the three years to 31 March 2024. This was achieved on a risk-adjusted basis through portfolio positioning in key sectors. However, the listed property portfolio underperformed over this period by 0.69% cumulatively.

To fully understand the listed equities performance, it is essential to focus on each constituent sector in the portfolio. Over the 12-month period the Financial sector was the best performer returning (13%), while the Industrials and Resources sectors lagged, returning (3.3%) and (-9.0%) respectively. Consumer services was the best-performing subsector locally, with a 12-month return of 57%, followed by Transport (24.6%) and Construction and Materials (24.3%) in anticipation of a cyclical recovery. Chemicals declined 30.3% due to lower natural gas and ammonia prices. The Telecommunications sector declined 20.3% as a result of devaluation of currencies in Nigeria and Egypt. Industrial metals dropped 11.9% due to inflationary cost pressures and falling commodity prices.

The PIC continued to focus its research on JSE-listed companies with particular focus on the top 60, through its four-factor deep-dive research methodology and periodic company updates to assess investment suitability and alignment with its mandate.

Over the past 12-months Morgan Stanley Capital International (MSCI) reported that emerging markets and South Africa returned 8.6% and -4.2% in dollar terms respectively, underperforming MSCI's world performance of 23.8%. Continued inflationary pressures in a post-COVID-19 world forced central banks to ramp up interest rates globally, with rates in the United States (US) at their highest levels since the global financial crisis of 2008. However, inflation remained above target, with central banks raising interest rates and maintaining high levels during the year. The US Federal Reserve rates reached their highest levels since 2001.

European economies continued to struggle, with the ongoing Ukraine/Russia conflict and high energy prices since 2022. European economies reported a real gross domestic product (GDP) growth of 0.4%. The US economy remained resilient while China entered a deflationary period. Ongoing conflicts between Russia and Ukraine as well as Israel and Hamas in the Middle East increased investor uncertainty, with gold benefitting as a haven asset. Despite these headwinds, demand for most commodities remained robust. Platinum group metals prices, however, declined 27% from 2022 due largely to excess inventory liquidation by consumers even as underlying demand remained strong. In South Africa, growth was hampered particularly by a worsening electricity and logistics crisis. Against a strengthening dollar, the local currency depreciated by 5.78% for the year ended 31 March 2024.



The value of listed equities grew by
1.4% to R900 billion.

The PIC's goal remains to deliver sustainable equity returns for all clients over the medium- to long term. Events beyond the PIC's control occur periodically and if these fundamentally change the outlook for investments, it buys more of certain stocks or sectors if prices decline meaningfully.

Contribution to B-BBEE, transformation and job creation

The PIC shares concerns about slow transformation in the financial services sector. PIC internal policies stipulate that at least 55% of the equities brokerage should be allocated to brokers whose black economic empowerment credentials meet specific requirements. As part of facilitating B-BBEE and skills development in the asset management industry, the PIC allocated a minimum of 55% of total brokerage fees to black economic empowerment brokers (levels one to four, based on the new B-BBEE codes) or those that are 51%-owned or have 30% management controlled by historically disadvantaged individuals.

The PIC-supported B-BBEE brokers create more jobs in equity trading and research. In 2023/24, spend with these entities was 70.24% versus an allocation of 55%.

The PIC remains focused, too, on driving racial and gender transformation in investee company boards and executive teams. It does so through proxy voting, the nomination of board members and liaison with members on the appointment of competent executive teams that are racially and gender diverse.

Accelerating impact in 2024/25

During the 2024/25 financial year, the Listed division's focus will be on:

Adding value and outperforming client investment return objectives and benchmarks.

Enhancing coverage of the top 60 companies, including selected investments into the rest of Africa.

Bolstering capability to invest in global equity markets.

Outlook

The IMF estimates that the global economy will grow by 3.2% in 2024 and 2025. Risks to this outlook are broadly balanced. As inflation converges on target levels, central banks will pivot towards policy easing, which should spur economic activity and increase asset prices.

The ongoing conflicts in the Middle East and between Russia and Ukraine are expected to support global energy prices. With inflation persistently above central bank target ranges in the West, interest rate cut expectations are still being pushed out. In the East, India continues to generate above 6% GDP growth with an accommodative policy stance by the government, while China attempts to keep GDP growth near 5% this year.

Domestically, Eskom powerplant performance seems to have turned a corner, with logistics performance (by Transnet) likely to improve following recent policy interventions by the government, including the opening of railway lines to private investment. As these constraints are removed, the economy should advance from the depressed levels of the previous five years. With a weaker US dollar being forecast as the Fed eventually cuts rates, this should bode well for the domestic market over the next few years.

Fundamentals in the listed property sector continue to improve. The office subsector is showing signs of bottoming out, larger shopping centres are returning to ordinary trading and high-end logistics remain in demand. The sector continues to discount the prospects of potential interest rates cuts locally and offshore, which is positive.

Global equities should continue to rerate in the near term, especially with interest rate cuts expected in the second half of the year. While some headwinds are abating in South Africa, ongoing policy stagnation and utilities' delivery track records are concerning. The PIC's fair-value models suggest that the JSE All Share Index is largely fairly valued with a preference for financials and consumer industrials.



IMF estimates that the global economy will grow by **3.2%** in 2024 and 2025.

FIXED INCOME

Performance of fixed income assets undulates in line with decisions of central banks. During 2023/24, central banks in both developed and emerging market economies contended with indefatigable inflation and expectations to balance economic growth concerns.

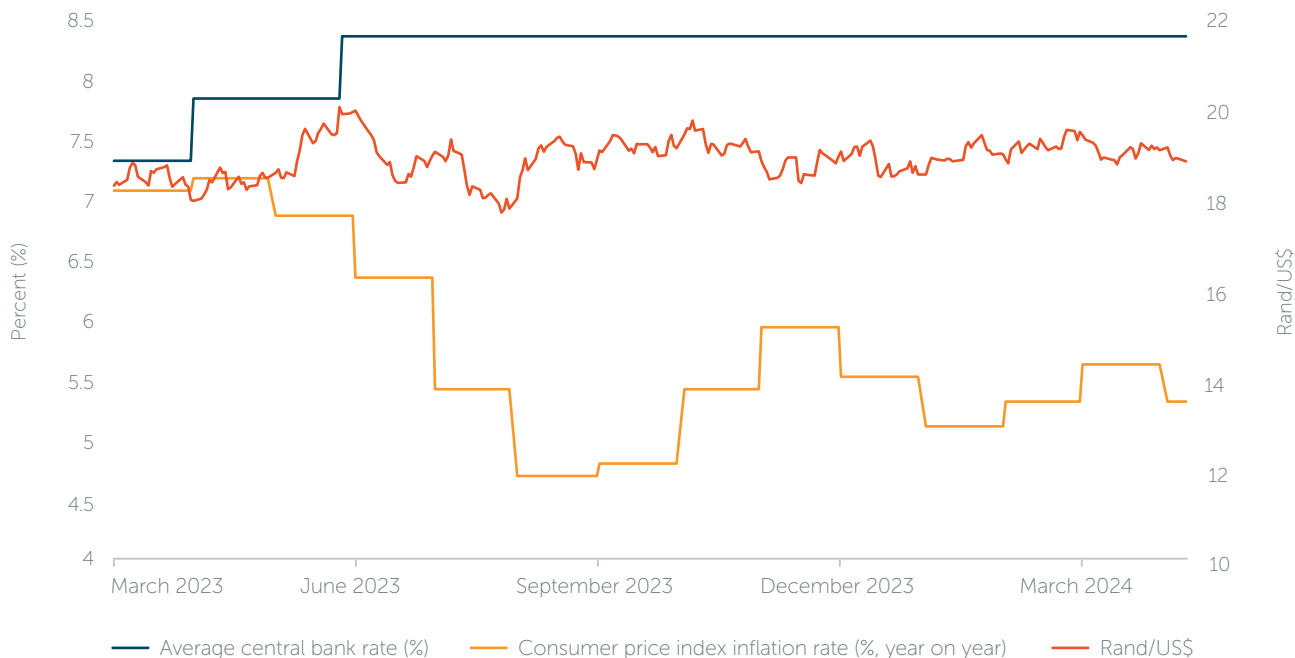
Expectations of interest rate cuts quickly dissipated with the 'higher for longer' rhetoric firm on the outlook for short-term interest rates.

At home, SARB's Monetary Policy Committee (MPC) delivered only one 50-basis-point increase to the repo rate during the year. The committee remained hawkish as a result of domestic inflation standing at 5.6% at the end of the financial year, far from SARB's midpoint target of 4.5%.

Domestic monetary policy pivoted as the repurchase rate remained flat following the May 2023 Monetary Policy Committee meeting. In line with global central bank outcomes, domestic short-term interest rates traded range-bound, despite the forward-rate-agreement market suggesting interest rate cuts in the first quarter of 2024. The three-month Johannesburg Interbank Average Rate (JIBAR) rate opened the year under review at 7.96% and closed at 8.35%.

The spread between the three-month and 12-month JIBAR rates narrowed by 28 basis points, closing the 2023/24 financial year at 76 basis points from 104 basis points at the start of the year.

DRIVERS OF SHORT-TERM RATES



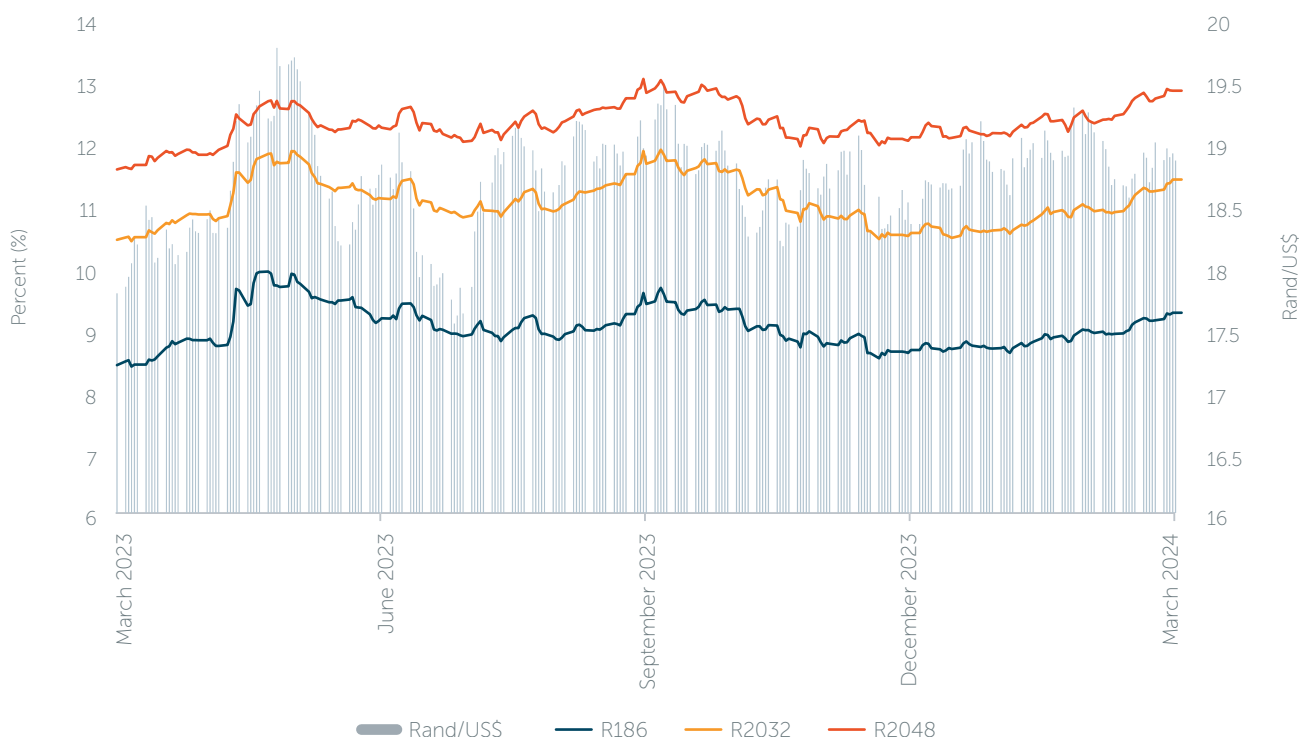
Source: PIC, Bloomberg

Local conventional bond yields found direction from global central bank rhetoric, geopolitical tensions, local economic uncertainties and a vulnerable rand. These factors translated into assailable nominal yields that spent the better part of the year on the backfoot.

National Treasury held bond switch auctions during the year, with shorter-dated bonds switched to longer-dated ones. The switch aimed to reduce National Treasury's exposure to redemption risk by rolling bonds that are closer to maturity into longer-dated bonds. The nominal yield curve rose, with the curve's long end slightly wider than its shorter end.

The R2048/186 bond spread widened by 27 basis points, closing the year at 363 basis points after opening at 336.

CONVENTIONAL BONDS CURVE

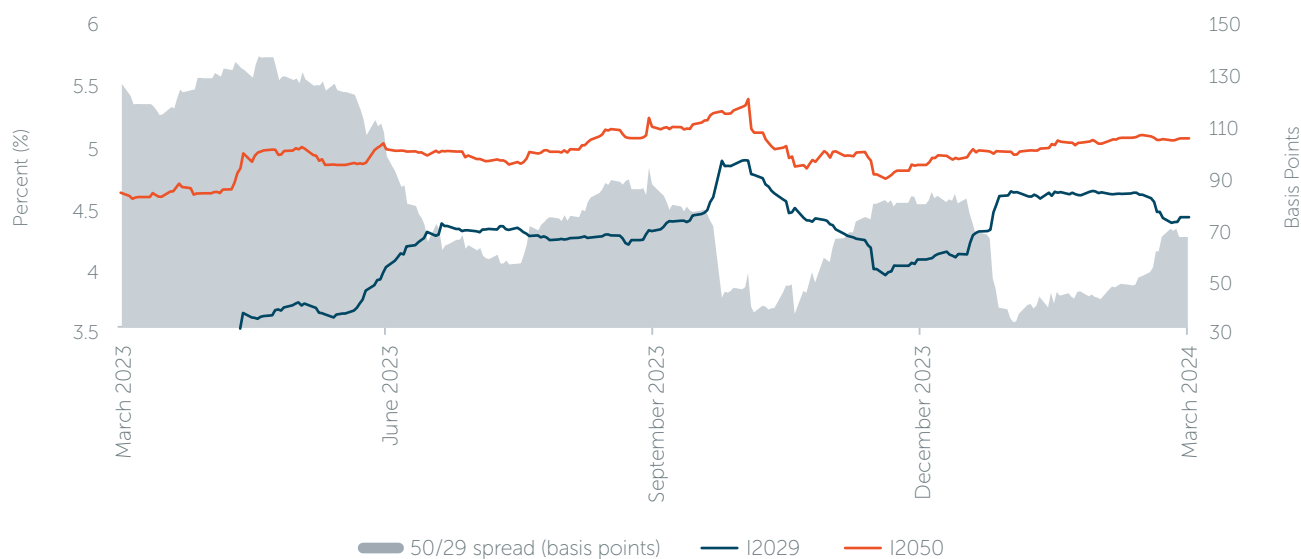


Source: PIC, Bloomberg

The risk-off sentiment by developed markets in response to global bond yields trading higher, Middle Eastern tensions and the inflationary path of developed economies found expression through the rand. These developments further compromised the likelihood of a sustainable recovery for domestic bond yields.

The Monetary Policy Committee's efforts to counter inflation were effective and, while demand for inflation protection was present in the market, the maturity of the R197 inflation-linked bond in December 2023, may have distorted levels in that market. Real yields were notably weak, with the I2050 bond sitting comfortably above the psychological 5% mark and going as far as testing 5.5%, to eventually close at 5.10%.

INFLATION-LINKED BONDS CURVE



Source: PIC, Bloomberg

Fixed-interest assets performance

Domestic fixed-interest assets were all constructive in the financial year under review. Cash-led performance delivered 8.32% followed by inflation-linked bonds at 5.70%. Conventional bonds managed a 4.09% return.

Bond portfolio activity

The Fixed Income team continues to align internal portfolios to client mandates. Switch auctions and general market weakness allowed the portfolio to perform favourably.

The PIC continues to grow its investment in corporate credit as it sees value and opportunity to generate alpha for clients. That is a testament to the PIC's support of the local credit market and in addition, it diversifies the client's credit risk exposure. For the 2023/24 financial year, the PIC, on behalf of its clients, invested R15.2 billion in domestic corporate credit bonds.

In 2023/2024, the PIC invested **R15.2 billion** in domestic corporate credit bonds.

8.32%

Cash-led performance



5.70%

Inflation-linked bonds



4.09%

Conventional bonds



State-owned entity developments

The PIC is a significant investor in state-owned companies (SOCs), investing through various instruments, chief of which are bonds. Among these SOCs are Transnet, Eskom and Land Bank.



Transnet SOC Limited

Transnet SOC Limited (Transnet) is an economic enabler and plays a crucial role in logistics and the transportation of goods across various sectors of the economy. Transnet experienced consequential operational challenges, most notably those relating to transportation of mine produce, which in turn negatively affected the South African fiscus. As a result, Transnet reported losses exceeding R400 billion in the past fiscal year, which meant severe operational and liquidity challenges for the company.

During the financial year under review, on behalf of its clients, the PIC had exposure of R4.7 billion to Transnet's TN23 bond with maturity date of 6 November 2023. Due to the liquidity challenges, the PIC agreed to roll over the maturity into short-term notes for six months. Transnet settled the outstanding R4.7 billion of the restructured short-term notes on 31 March 2024.

All indications are that the company is stabilising, given the reported improvement in operational and financial performance for the six months to 31 March 2024.

PIC's exposure:
R4.7 billion
to Transnet's TN23 bond



Eskom SOC Limited

Eskom SOC Limited remains an important player in the South Africa economy, providing electricity to thousands of businesses and households. The PIC remains one of the biggest investors in Eskom and has, as a result, contributed significantly to keeping the lights on.

As at the end of the financial year, the PIC's exposure to Eskom bonds was approximately R83 billion. The PIC noted the R254 billion debt relief package that National Treasury allocated to Eskom. This may go a long way to reducing any repayment risk for bond maturities that become due.

PIC's exposure:
±R83 billion
to Eskom bonds



Land and Development Bank of South Africa

The Land and Development Bank of South Africa (Land Bank) is responsible for providing financial services to the agricultural and farming sectors. The PIC supported and continues to support Land Bank's financing programme through investments in money market instruments. The PIC agreed with the proposal of the Land Bank Liability Solution 5 during the financial year, which sought to cure the bank's default position, restructure the repayment of the debts and allow the bank to resume its normal business operations.

The proposal has since been agreed to by almost all lenders and the bank is now working on its implementation. The PIC's current exposure is R3.2 billion, having reduced from R4.3 billion since default. The Land Bank is, in the interim, paying an attractive yield on the current outstanding amounts owed to the affected lenders.

PIC's exposure:
R3.2 billion
in cash

Domestic fixed-income outlook

The expected inflationary path in developed economies remains a key driver of short-term rates and SARB's expectations in the short- to medium term. Inflationary prints in the US have surprised, with expectations of a Fed cut to fund rates being delayed. The Fed's decisions could have implications for SARB's decision on rates.

The 2024/25 financial year holds risk events that are likely to put pressure on domestic bond yields. Implied short-term rates have reconciled with upward revisions to domestic consumer price index expectations. It is anticipated that SARB will cut the repo rate by 25 basis points during the 2024/25 financial year.

It is expected that escalating tensions in the Middle East will continue to heighten risk, particularly for emerging market assets. The PIC expects domestic bond yields to trade under pressure and this may offer opportunities to extend the duration given the PIC's tactical asset allocation view.

MULTI-MANAGEMENT (PUBLIC MARKETS)

The PIC's listed investment strategy provides for the allocation of funds to external asset management firms as required by client investment mandates. The multi-management function within the public markets is responsible for this strategy.

Through the External Manager Programme, the PIC has allocated capital to 13 global and 25 domestic asset managers, with the asset split of R305 billion and R253 billion respectively.

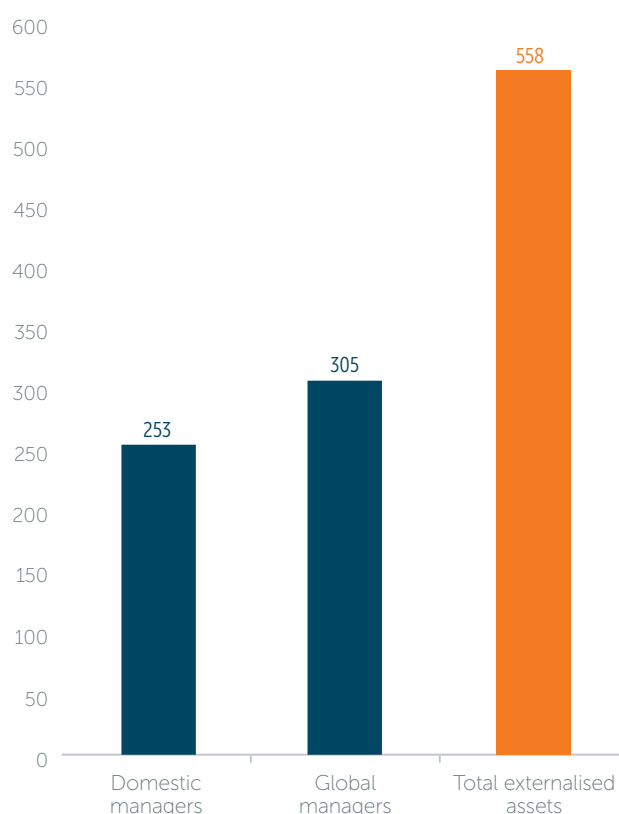
The primary objective of the multi-management function is to generate alpha – to enable managers to deliver sustainable, over-benchmark returns to client portfolios – and to drive economic transformation. For this purpose, the PIC introduced the B-BBEE Developmental Manager Programme in 2009 to transform the local asset management industry. Although this initiative has contributed to increased participation of black asset managers in the savings, investments and asset management industries, there is still notable underrepresentation of black women as shareholders, in governance and the roles of investment professionals. To address these gaps in the industry, at the end of the year under review, the PIC launched the Women Empowerment Fund and the Global Developmental Programme. Through an open tender process, the PIC has invited investment firms to submit technical proposals on their product offerings for consideration and possible appointment. The empowerment fund seeks to increase participation of women owners, governance leaders and investment professionals in investment firms. The minimum criteria was carefully structured with the requirement for selection set at 30% minimum black women ownership for the fund and a 50% black investment team for the developmental programme, for example.

From March 2023 to March 2024, externalised assets, comprising various domestic and non-domestic assets, grew from R463 billion to R558 billion. The most significant increase was in global equity assets, with absolute returns in this asset class exceeding 20% in US dollar terms with further rand depreciation increasing asset sizes.

Through the External Manager Programme the PIC has allocated capital to **13 global (R305 billion)** and **25 domestic asset managers (R253 billion)**.



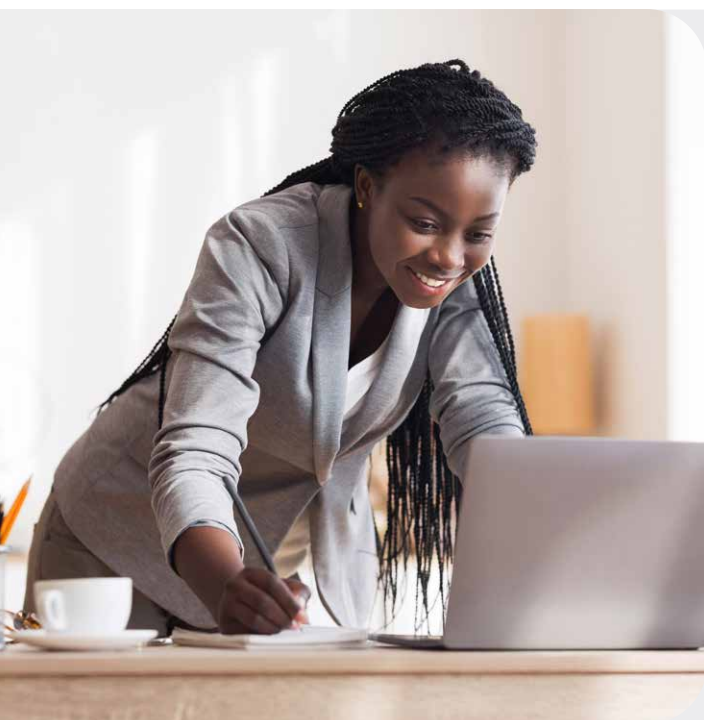
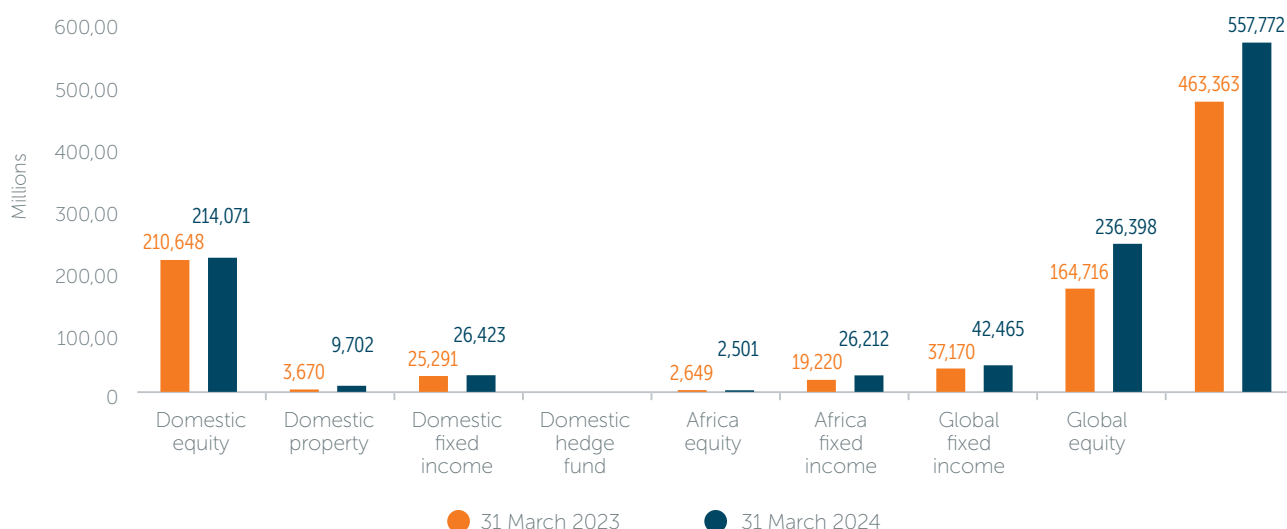
TOTAL EXTERNAL ASSETS R'BILLION



The growth was further enhanced by the implementation of the GEPF transition plan to increase global assets. New allocations of about R18 billion were made during the financial year to two developed markets multifactor managers and an emerging markets manager.

A R5.2 billion investment was made to two new and two existing domestic property managers, as the team continues to optimise client solutions by rebalancing actions and effecting necessary changes in client portfolios.

EXTERNALISED ASSETS PER ASSET CLASS R'MILLION



Incubation managers

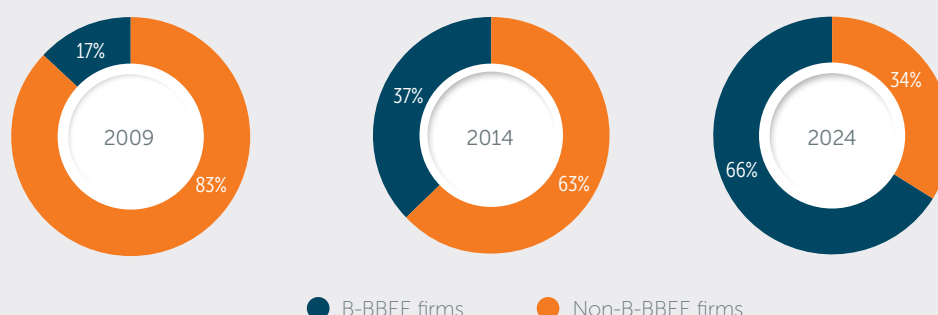
The PIC believes that women investment professionals bring diversity in thought leadership, differentiated solutions to investment problems and meaningful contribution to decision-making to achieve a broader societal impact. Of the 25 incubation domestic firms benefitting from PIC fund allocations, the average black women ownership is only 27%, the representation of black professionals is about 72% and black women professionals account for only 24% of investment teams. Black representation at management control levels is satisfactory, but representation of women requires urgent attention and adjustment to be aligned with the PIC Transformation Charter. Gender representation must also be consistent with the principles of PIC's new TR²AI²L approach that seeks to advance transformation, embrace diversity through respect, promote accountability and lead by example, as one of the continent's largest institutional investors.

MANAGER STATISTICS	BLACK OWNERSHIP	BLACK WOMEN OWNERSHIP	BOARD REPRESENTATION		EXECUTIVE MANAGEMENT		INVESTMENT TEAM	
			BLACK	BLACK WOMEN	BLACK	BLACK WOMEN	BLACK	BLACK WOMEN
Minimum	29%	0%	25%	0%	33%	0%	42%	0%
Average	80%	16%	80%	40%	80%	33%	67%	25%
Median	75%	27%	79%	35%	82%	27%	72%	24%
Maximum	100%	100%	100%	67%	100%	50%	100%	42%

Contribution to B-BBEE firms

As an anchor investor in many black-owned 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 R65 billion in externalised assets. By the end of the financial year 2023/24, R167 billion (66%) of the R253 billion allocated to domestic firms was managed by black-owned entities with more than 51% black ownership and 30% black management control.

ALLOCATION TO BLACK-OWNED FIRMS OVER TIME

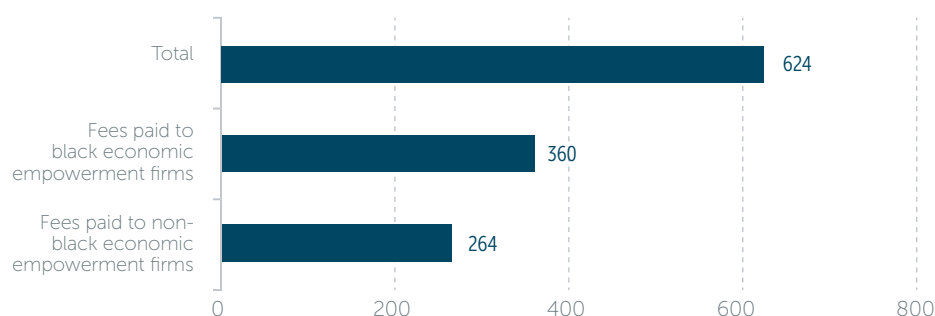


Historic assessments of the financial statements of incumbent black managers reveal that the PIC contributes between 15% and 75% of the revenue of these firms, depending on the lifecycle stage and business size.

The PIC paid about R624 million in fees during the past financial year (base and performance fees combined), R360 million of which was paid to B-BBEE firms for portfolio management services on domestic assets. Performance fees dropped compared to base fees due to market-related challenges experienced during the year under review.

The PIC is aware that the most successful managers have diversified revenue streams and multiple investment offerings. Numerous factors continue to affect black-owned firms and, while certain regulatory changes may have positive effects, the changes to Regulation 28 have proved challenging. The higher offshore allowance is seeing assets leave South African shores for global firms and this was a major factor in the launch of the Global Developmental Programme.

FEES PAID TO DOMESTIC FIRMS R' MILLION

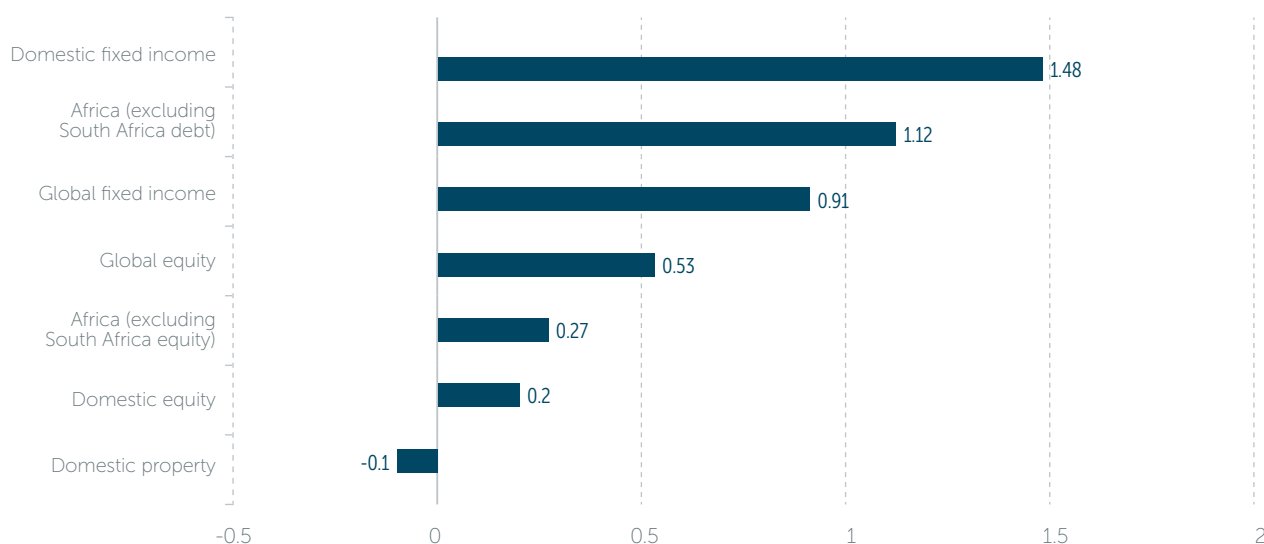


Delivering to clients

Disciplined investment delivers positive risk-adjusted client returns on time. Across the PIC's largest clients, all composites delivered positive three-year information ratios, indicating higher returns than risk taken. The global fixed income, domestic fixed income and global equity composites all exceeded the 0.5 information ratio mark, while most other composites were approaching that target.

The consistent monitoring of managers and their strategies allows for early intervention to avoid a negative impact on returns delivery to clients. Alpha generation is built on clear principles of portfolio construction – depth in strategy and manager research – and pursuit of diversified sources of alpha and risk.

THREE-YEAR INFORMATION RATIO TO 31 MARCH 2024



Accelerating impact in 2024/25

Further disbursements will be made through the emerging markets and regional China strategies.

Further disbursements are to be made to the Women Empowerment Fund.

Further disbursements are to be made to the Global Developmental Programme.

FINANCIAL RETURNS DELIVERED: UNLISTED INVESTMENT PORTFOLIO (ISIBAYA)

The Isibaya Fund channels catalytic capital in South Africa and across the continent into companies and projects that support job creation, facilitate transformation, spur innovation and address pressing societal challenges.



Rebuilding an underperforming economy requires a multifaceted approach. Isibaya is well positioned to drive productivity gains and foster long-term sustainable economic resilience. Its diversified portfolio enhances long-term returns by capturing growth opportunities across various sectors and geographies, while mitigating the effects of market downturns in other sectors.

Isibaya funds are deployed responsibly in line with both the PIC's client investment mandates and with global best practices that are underpinned by impartiality, diversification, transparency and ESG principles.

The Isibaya Fund invests in social and economic infrastructure that plays a crucial role in economic growth by providing essential services and fostering human capital development. Investments in social infrastructure in education, healthcare, affordable housing and student accommodation. These not only enhance the quality of life, but improve productivity, innovation, competitiveness and profitability by building a skilled, healthy, well-balanced workforce.

Investment in economic infrastructure resulting in efficient transport networks, reliable power supply and water resources reduces transaction costs for businesses, encourages foreign investment and facilitates trade, all of which contribute to sustainable economic growth.



At 31 March 2024, capital committed exceeded **R100 billion** across **145** portfolio companies on behalf of the GEPI, the UIF and the CC.

Transformation

The PIC subscribes to the objectives outlined in the Broad-based Black Economic Empowerment (B-BBEE) Act, which include:

- › Promoting economic transformation to enable the meaningful participation of black people in the economy;
- › Substantially changing the demographic composition in ownership and managerial structures in the skilled occupations of existing and new enterprises;
- › Increasing ownership and management of communities, workers, cooperatives and other collective enterprises in existing and new enterprises, and improving their access to economic activities, infrastructure and skills training;
- › Increasing black women's ownership and management in existing enterprises and opening up opportunities for economic activities, promoting investment programmes that lead to broad-based and meaningful participation, as well as facilitating access to economic activities, infrastructure and skills training; and
- › Extending economic participation and increasing the number of black-owned and -managed enterprises, including small, medium and micro enterprises and cooperatives, as well as enhancing their access to financial and non-financial support.

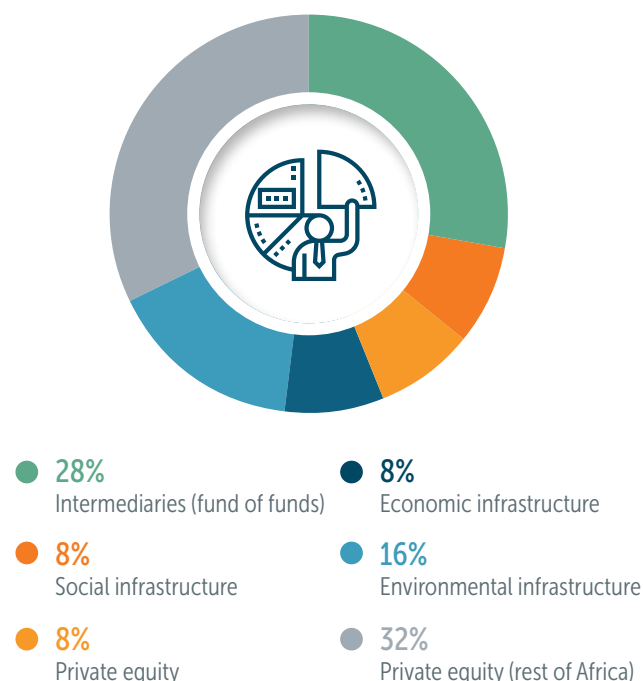
Women empowerment

Financial inclusion provides women with access to financial services in banking, loans and insurance. This further allows women to better manage their finances, start businesses and invest in education and healthcare, leading to economic independence and improved wellbeing. By closing the gender gap in financial access, communities can unlock the full potential of women, leading to broader economic growth and development.

Portfolio overview

The Unlisted Investments division injects capital directly into privately owned businesses through debt and equity finance to enable active participation, value creation and transformation. At 31 March 2024, capital committed exceeded R100 billion across 145 portfolio companies on behalf of the GEPF, UIF and CC. In the year under review, the division allocated more than R8.4 billion to various industries.

ISIBAYA FUND III SECTOR ALLOCATION



Portfolio performance faced challenges due to a tough operating environment. This was due largely to the focus on value creation and on sector and geographic diversification. New transactions and the investment programme will ensure sustainable performance.

Accelerating impact in 2024/25

The key focus areas for Isibaya for the next financial year include:

Accelerated investments into renewable energy and water infrastructure projects that will contribute to alleviating the current energy crisis and a potential water crisis in South Africa.

Invest in social infrastructure, including affordable housing, student accommodation, healthcare and education sectors in peri-urban areas to support economic growth and the inclusion of marginalised communities.

Facilitate the development of emerging black industrialists by providing acquisition finance to black- and women professionals to promote economic transformation in privately owned companies that are largely untransformed at a shareholder and management level.

COLLABORATION FOR CONNECTIVITY



CASE STUDY

The PIC, on behalf of the GEPPF, invested R714 million in the Digital Infrastructure Consortium, a level 1 B-BBEE company that is 100% black-owned, with black women commanding a 42.5% share. The transaction allowed the company to acquire about 19.5% of Metrofibre Networkx, an open-access fibre network and internet service provider established in 2010.

The company provides 10 000km of fibre to homes and businesses in Gauteng, North West, KwaZulu-Natal, Eastern Cape, Western Cape, Northern Cape and Mpumalanga. Sixty-one percent of homes served are in urban areas, with 31% in peri-urban areas.

Metrofibre Networkx plays a crucial role in bridging the digital divide by extending internet access to underserved areas, promoting social inclusion and fostering the development of smart cities and sustainable technologies. The PIC investment strengthens Metrofibre Networkx's ability to meet South Africa's need for internet connectivity, including services in streaming, online shopping, remote/hybrid working and online education.



Metrofibre Networkx recently launched its fourth fibre experience store, in Riverside View, City of Johannesburg, to ensure fibre connectivity and speed in underserved communities. The store joins the first outlet opened in Thembisa on 1 December 2023, followed by New Brighton and Zwide in Eastern Cape in early-2024.



7 projects completed



PIC, on behalf of the GEPPF invested **R714** million



provides **10 000km** of fibre



42.5% shareholding by black women



61% of homes served are in urban areas



31% in peri-urban areas

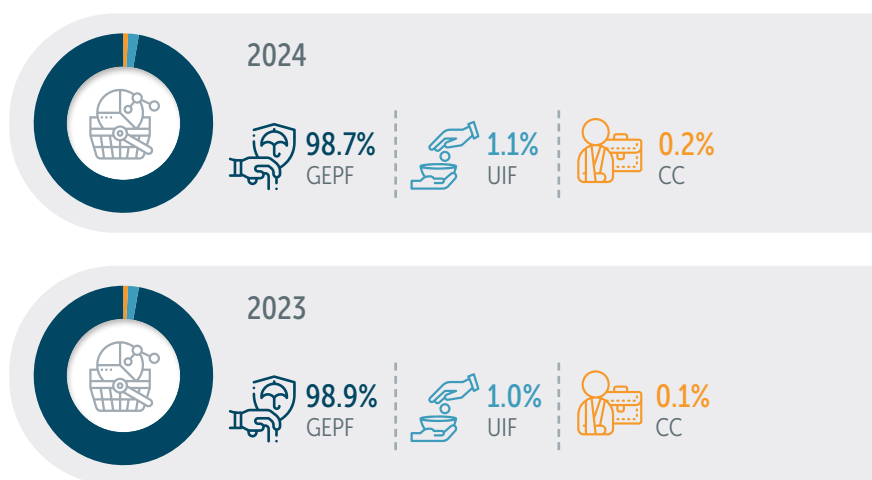


UNLISTED PROPERTIES

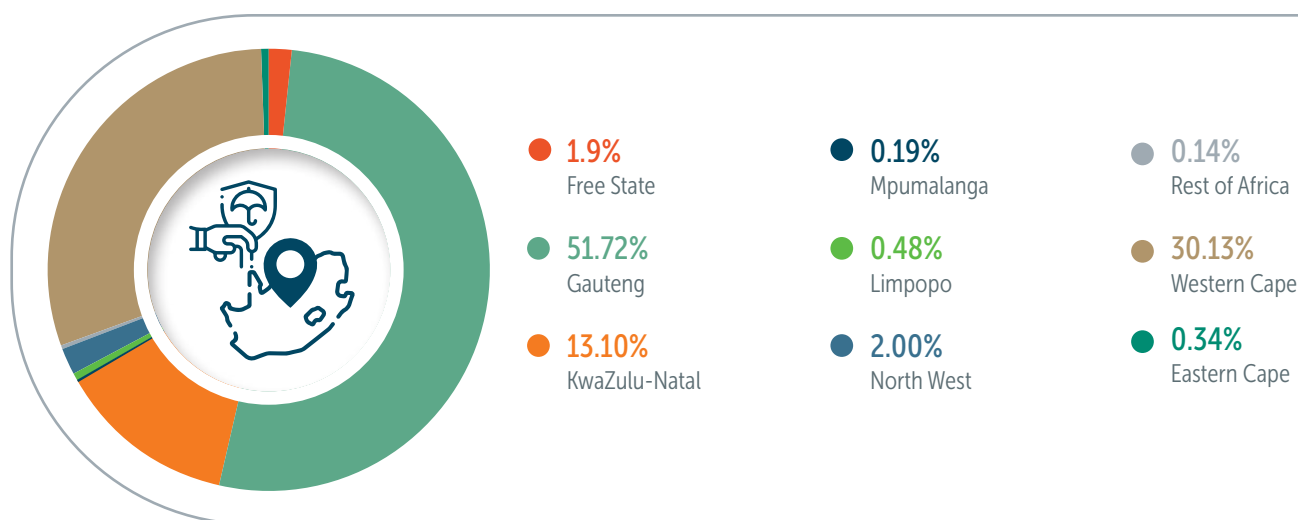
The PIC's property portfolio consists of both listed and unlisted property assets. The unlisted property investments are managed on behalf of the GEPI, UIF and CC. This portfolio includes directly- and indirectly held property investments valued at R51.8 billion, spanning South Africa and other parts of Africa.

As an impact investor, the PIC's unlisted real estate division adopts an integrated approach to sustainable practices, promoting social equity, driving economic development and ensuring long-term resilience. Looking ahead, through a diverse mandate, the PIC plans to further invest in initiatives that enhance community resilience and create a meaningful social impact, particularly in township retail and affordable housing. The PIC will additionally seek to support existing 'smart city' precinct exposures and seek new opportunities that facilitate broader sectoral diversification. It also aims to have a presence in all nine provinces and seek exposures in real estate which harness broader economic activities to derive financial and social returns. This commitment reinforces our dedication to sustainable and equitable growth.

CLIENT SPLIT BY MARKET VALUE



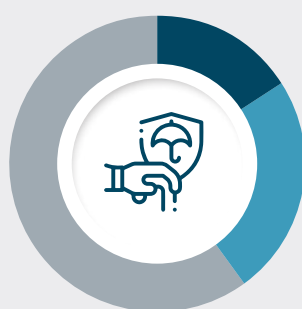
PROPERTY GEOGRAPHICAL SPLIT BY MARKET VALUE – GEPI





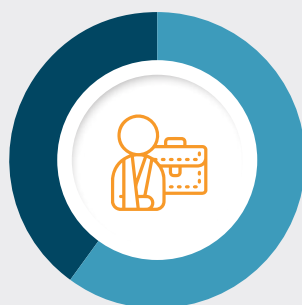
Property sector split by market value

GEPF



- 16% Industrial/specialised
- 24% Office
- 60% Retail

CC



- 60% Office
- 40% Specialised

UIF



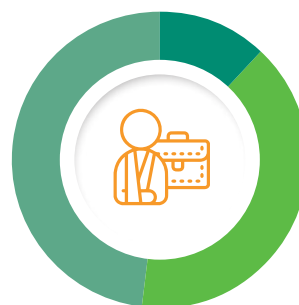
- 72% Office
- 28% Specialised



Property geographical split by market value



CC



- 12% Eastern Cape
- 40% Limpopo
- 48% Gauteng

UIF



- 2% Eastern Cape
- 7% Limpopo
- 91% Gauteng

REAL ESTATE MARKET OVERVIEW

During 2023/24, the South African real estate market broadly mirrored global markets, reflecting ongoing macroeconomic volatility, including high interest rates and elevated inflation. Additionally, muted economic growth and limited capital market depth negatively affected the asset class.

Despite this challenging economic environment, the PIC capitalised on opportunities to engage in value-accretive transactions for the GEPPF. During the year under review, the PIC concluded R5 billion worth of unlisted property transactions. Notable ones include:

- ▶ Attacq Waterfall Investment Company (Pty) Ltd – R2.7 billion;
- ▶ Shenge Property Group Pty Ltd – R1.2 billion;
- ▶ Gateway Real Estate Africa – follow-on rights issue – US\$48 million* (currently awaiting regulatory approval to disburse); and
- ▶ Divercity Urban Property Group Proprietary Limited – R500 million (currently in legal drafting).

The sector is expected to recover in 2024/25. Factors contributing to this outlook include easing inflation, national elections that provided market direction and the increasing transparency and likelihood of further policy rate reduction.



The PIC concluded **R5 billion** worth of unlisted property transactions.

All **property returns**, according to the MSCI real estate index for South Africa, were 8.7% for the year ended December 2023, falling marginally from 9.1% in the previous year.

8.7%

Returns on office properties decreased 1.9% to 4.8%, **industrial returns** dropped 2.4% to 11.2% and **residential sector** returns were down 2.0% to 6.7%.

4.8%

The **all-property net operating income growth** increased significantly, from 0.47% to 4.5%, despite operating costs having continued to increase, recording 11.8% a year to December 2023.

4.5%

Total operating costs as a percentage of gross income rose to 43.1%, a slight increase from last year's 42.5%. The top drivers of the increase in operational costs, contributing 83%, were property taxes, electricity and building fabric maintenance costs. Building fabric maintenance, which includes diesel costs for generators due to continued electricity supply disruptions, was the fastest-growing operational cost, rising by 45% year-on-year.

43.1%

Rental growth has remained stable and the increase in net operating income growth comes off the back of a reduction in vacancies of 1.5% for all property sectors. This is also reflected in the **increase in mixed and variable recoveries**, which rose by 11.3% and 14.9% respectively.

11.3%

14.9%



Returns on office properties decreased by 1.9% to **4.8%**



Industrial returns dropped by 2.4% to **11.2%**



Residential sector returns were down by 2.0% to **6.7%**



Large-format retail properties outperformed smaller formats.



Industrial property types saw a reduction in capital growth from 2.9% to **1.2%**.



Overall **cap rate** settled at a weighted average of **8.3%**, over 100 basis points lower than the median of 9.5%.



Net income growth for all sectors recovered from -0.8% in 2022 to **4.5%** in 2023 transactions.



Neighbourhood shopping centres returned **10.7%**.



Multiparks continued their recovery, achieving **3.1%** capital growth.



Retail income increased by more than 400 basis points to **5.6%**.



Residential vacancies decreased significantly to **7.8%** from 12.8% the previous year.

Large-format retail properties outperformed smaller formats, a shift from the previous year when smaller formats excelled. Neighbourhood shopping centres returned 10.7%, which is 1.7% lower than the previous year. Capitalisation rates (cap rates) for neighbourhood shopping centres weakened slightly to 9.43%, while super regional cap rates remained stable at an average of 6.72%.

All industrial property types performed well, although warehousing and distribution centres saw a reduction in capital growth from 2.9% to 1.2%, resulting in a total return decrease from 12.9% to 11.1%. Multiparks continued their recovery, achieving 3.1% capital growth.

Cap rates experienced some notable changes across sectors. The overall cap rate moved only slightly, settling at a weighted average of 8.3%, over 100 basis points lower than the median of 9.5%. At the end of 2023, the projected overall rental market growth was just 20 basis points above the historic low of 4.4%. Significant increases are expected in the office segment, while valuers remain least optimistic about neighbourhood shopping centres.

Net income growth for all sectors recovered from -0.8% in 2022 to 4.5% in 2023, with offices improving to -0.6% from -6%. Retail income increased by more than 400 basis points to 5.6%, and industrial and residential incomes continued to grow steadily.

Electricity and municipal rates and taxes remain the largest individual operating costs, both having increased significantly over the past 10 years. A 45% growth in building fabric maintenance contributed 3.4% to the overall growth of 11.3% in the year ended 2023.

Vacancies improved slightly, with notable reductions across all sectors. Residential vacancies decreased significantly, to 7.8% from 12.8% the previous year, driven by increased demand for residential property, which facilitated base rental growth above inflation.

In terms of performance relative to the market, the directly held portfolio lagged due to a higher office component and retail centres under development or recently completed. The industrial portfolio performed broadly in line with benchmarks.

The indirect portfolio served as a defensive counter to the prevailing challenging market conditions, primarily due to its diversified nature and the quality of its asset base, which has proven resilient through disruptive market conditions.

TOP 10 EXPOSURES IN DIRECTLY HELD AND INDIRECTLY HELD PORTFOLIO

Directly held properties	Value
Deloitte Building	R1 788 200 000
Central Square	R1 254 400 000
Oceans Umhlanga Retail	R823 000 000
Vangate Mall	R661 000 000
Tshwane Regional Mall	R619 400 000
Business Connexion	R582 240 000
Tlhabane Shopping Centre	R534 000 000
Central City Shopping Centre	R500 800 000
Riverwalk Office Park	R478 200 000
Garankuwa Shopping Centre	R441 700 000
Total	R7 682 940 000
% of total portfolio	46%

Indirectly held properties	Value
Pareto	R14 452 000 000
Victoria and Alfred Waterfront	R9 009 000 000
Attacq Waterfall Investment Company	R2 993 000 000
BVI	R2 644 000 000
Arch Property Fund	R1 444 124 000
Gateway Real Estate Africa	R1 328 384 556
Emerging Africa Property Partners	R927 411 000
Shenge Property Group	R686 648 000
Oceans Retail Senior Debt	R471 451 329 000
Menlyn Maine Investment Holdings	R257 368 000
	R34 213 386 885
	99%

The top 10 exposures of the GEPF portfolio reflect the diversified and impactful approach taken by the PIC. The directly held retail centres are primarily community-based, underscoring the Corporation's commitment to fostering community cohesion. These centres provide convenience and services, while also creating investment and employment opportunities that benefit the broader community.

The indirect portfolio is also reflective of innovative and world-class investments, with notable investments in Pareto (with underlying properties that includes Pavilion Shopping Centre in Durban, Menlyn Park Shopping Centre in Pretoria, Cresta Shopping Centre in Randburg, the Victoria and Alfred Waterfront in Cape Town and Attacq Waterfall Investment Company in Waterfall, Gauteng).



DIRECTLY HELD PROPERTIES HIGHLIGHTS



One of the directly-held properties highlights included the opening of Tembisa Plaza.



**TEMBISA
PLAZA**

Tembisa Plaza is a shopping centre in Tembisa, Ekurhuleni Metropolitan Municipality, Gauteng. With a rich history of serving the local community, the plaza temporarily closed in 2021 after sustaining major damages during the July public unrest.

It re-opened in November 2023 following a two-year restoration and now offers a revitalised shopping experience for the community and visitors. To enhance its aesthetic appeal and functionality, upgrades were implemented to accentuate distinctive architectural elements, enhancing ambience and experience.

During the development, community stoppages affected timelines, but were overcome through improved community relations.

Tembisa Plaza boasts a mixture of national and local tenants, with the accent on local occupation, and several food retailers. It has an average weighted lease expiration of more than four years versus fewer than two at project inception.



Indirectly held properties highlights

Two significant transactions were concluded and disbursed during the financial year under review:

- ▶ Attacq Waterfall Investment Company (AWIC) totalling R2.7 billion. This transaction is discussed later.
- ▶ Shenge Property Group at R1.2 billion.

Shenge is an investment vehicle alongside Nthoese Investment, a 100% black-owned and -managed property development and management company with a proven 28-year track record. The investment is part of a strategy to develop rural and township retail assets with a risk-aligned, operational and experienced partner. The investment vehicle will focus primarily on retail properties in densely populated and economically active but underserved

townships and rural areas. With a property portfolio valued at R2.9 billion, Nthoese is one of the leading black-owned property development and investment companies in South Africa.

The investment in Shenge provides access to a significant township and rural retail portfolio, facilitating geographical diversification into retail assets in well-located retail nodes and underrepresented areas. The portfolio also facilitates access by township and rural communities to retail and related amenities and convenience in underserved areas. By developing retail centres in areas such as Kanyamazane, Bushbuck Ridge, Mbombela and Soweto, etc., the investment will also facilitate job creation during and after construction and improve infrastructure in the area.

Other notable achievements during the year:



The V&A Waterfront showed a significant recovery in performance, as occupancy levels at all hotels have overtaken pre-COVID-19 levels. The new Investec five-star, green rated office development was completed in late 2023. The V&A has also embraced key sustainability components with a desalination plant completed in March 2024, which when operated at full capacity, will enable the V&A to go off the water grid.



The Pareto and BVI portfolio concluded the acquisition of a 70% stake in Mall of Cyprus and Mall of Engomi in Cyprus. Additionally, mixed-use developments in Cluj-Napoca, Romania, and construction of Mall of Limassol, Cyprus, are set to start in quarter four of 2024/25, which will diversify the portfolio. The exposure to Atterbury Europe through Pareto and BVI has diversified the GEPP portfolio and has experienced a significant value uplift. Locally, the bulk earthworks at Brandwag Centre in Bloemfontein, Free State, were completed, paving the way for further development of the centre.



Gateway Real Estate Africa ("GREA") completed the development of the Precinct, the first commercial development in Africa to receive EcoDistricts certification. GREA also successfully delivered Artemis Curepipe Hospital, a private 86-bed hospital in Mauritius.

Other achievements and accolades by GREA include recognition at the 2023/24 Africa Property Investment Summit for:



Top Africa CEO, presented to company co-founder **Greg Pearson**.



The **top woman** in real estate to chief operating officer **Shevira Bissessor**.



Best commercial office development to Adumuah Place in Accra, Ghana.



Best high-end residential development to Rosslyn Grove in Nairobi, Kenya.



The REImagine Social Impact Retail Fund acquired five properties for redevelopment in Rustenburg, Vosloorus, Piet Retief, Amsterdam and Ekuphumleni.



The REImagine Social Impact Retail Fund secured a R390 million commitment-backed facility with Investec Bank in 2023/24 to further position the opportunity to invest in convenience retail shopping centres across townships and rural areas in South Africa. This follows a successful capital-raising year in 2022/23, in which R1.3 billion was secured from first-close investors. REImagine has an active pipeline of potential investors to raise an additional R1.2 billion of equity as part of its second-close initiatives and bring the final close of the fund to R2.5 billion.

During the year, the fund acquired five properties for redevelopment – in Rustenburg (North West), Vosloorus (Gauteng), Piet Retief and Amsterdam (Mpumalanga) and Ekuphumleni (Eastern Cape).

Priorities going forward

The process of disposing of certain directly held properties continued during the financial year. Forty one of the 69 directly owned properties earmarked for disposal were transferred and six were at the conveyancing stage immediately after the financial year close. Twelve of these properties are of the private treaty process.

The PIC has initiated alternative energy initiatives. The focus during the 2024/25 financial year will be on increasing these initiatives on a selected asset base. Further focus will be on implementing key initiatives in various stages, which include greater collaboration with potential partners, diversification in key property services and repurposing of various properties.

Accelerating impact in 2024/25

The key focus areas for properties for the next financial year include:

Continue proactive diversification of the portfolio in terms of sectors and geographical spread, with a value-accretive and high-conviction pipeline.

Reposition existing assets through partnerships, collaboration and/or redevelopment and refurbishment.

Align to the MSCI sector exposure benchmark to elevate portfolio performance.

Acquire high-quality assets with experienced and risk-aligned partners.

Pursue energy-efficiency measures to address portfolio energy shortfalls.

Create assets in underserved nodes and new market entrants.



MALVERN SHOPPING CENTRE



Malvern Shopping Centre in eThekweni Metropolitan Municipality, KwaZulu-Natal, underwent development in 2023 and reopened just after the 2023/24 year-end. The property is 100% owned by the GEFP and its focus is primarily on community development and sustainability.

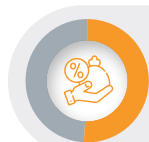
The existing properties comprised three main components that formed part of a single precinct, namely the Malvern Park Centre, the Queensburgh Strip Mall and Malvern Heights (40 apartments), which were refurbished in 2022.

Prior to the redevelopment, the existing Malvern Park Centre and Queensburgh Strip Mall had become dilapidated through age, necessitating the need for a refurbishment to re-establish the development as a key destination centre within the catchment area to serve the community.

The vision for the centre was to create a vibrant, well-integrated mixed-use precinct to complement the existing components onsite. Despite several challenges, including inflation in construction costs, site disruptions and abnormal weather patterns, the development was completed, with key grocery and retail tenants including Checkers, Dischem, Clicks, Foschini and Woolworths.

Almost R300 million was allocated to 51% black-owned small, medium and micro enterprises during the construction phase, promoting economic empowerment and inclusivity, which is a testament to PIC's commitment to driving social returns.

The development has revitalised the Queensburgh and Malvern area and addressed legacy design aspects that diminished shopper experiences. The result is a more user-friendly and smart centre that maximises the retail, gastronomic, live and leisure experiences through a diverse tenant profile.



Almost R300 million was allocated to **51%** black-owned small, medium and micro enterprises



100% owned by the GEFP



40 Malvern Heights apartments were refurbished in 2022



User-friendly and smart centre

ATTACQ WATERFALL INVESTMENT COMPANY (AWIC)



CASE STUDY



During the financial year, the PIC, on behalf of the GEPPF, acquired a 30% strategic equity interest in Attacq Waterfall Investment Company (AWIC), totalling R2.7 billion. AWIC is a level 1 black economic empowerment contributor.

The investment underlined an opportunity to unlock broader value over time.

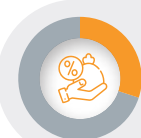
The investment in AWIC, which owns Waterfall City, was aligned with the PIC investment strategy, whereby exposure to a diversified sector investment with risk-aligned partners was met. The investment additionally facilitated exposure to a mixed-use smart city, focusing on urbanisation and an integrated, sustainable and secure environment. AWIC incorporates significant and global leader principles in sustainability initiatives in energy, water, waste and biodiversity.

The development is conveniently located and highly accessible and is South Africa's fastest-growing mixed-use lifestyle precinct.

The current AWIC portfolio combines strong property fundamentals and diversification, with the underlying assets being relatively new and in a strong and growing node.

The portfolio comprises retail, industrial, offices, residential and hospitality. The flagship retail asset is the super-regional Mall of Africa shopping centre. The office component comprises mainly P-grade green-star-rated offices underpinned by long-term leases from A-grade tenants. The industrial portfolio has similar attributes.

AWIC continues to develop the remaining bulk infrastructure in a phased approach to unlock potential co-investing opportunities and job creation during and after construction, enabling the PIC to achieve financial returns while satisfying its social mandate objectives.



30% strategic equity interest in Attacq Waterfall Investment Company, totalling **R2.7 billion**



Level 1 black economic empowerment contributor

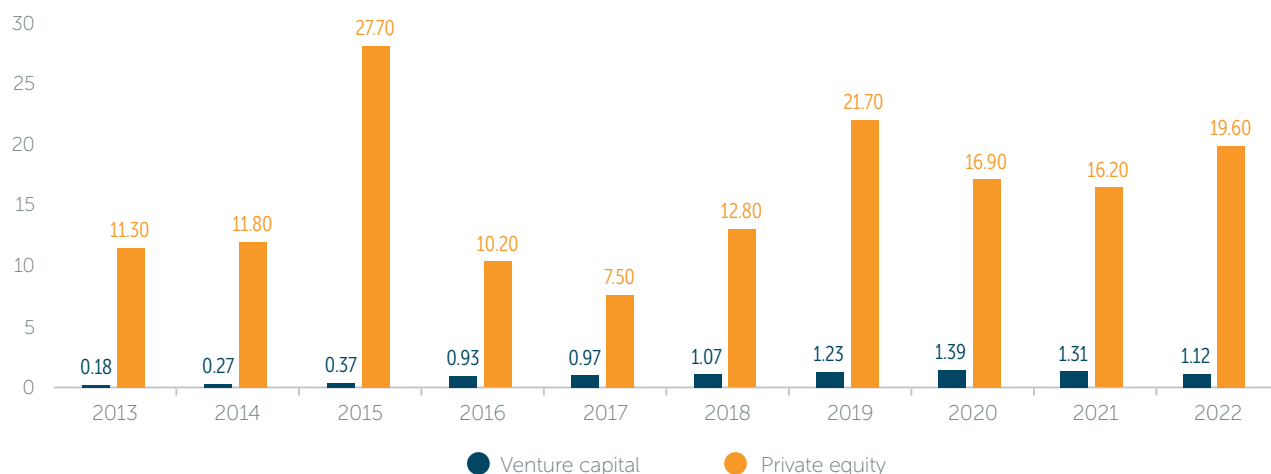
PIC Early-Stage Fund

BOOSTING EARLY-STAGE BUSINESSES THROUGH VENTURE CAPITAL

In 2018, the PIC undertook an analysis of the funding spectrum in South Africa and noted considerable capital available for established and profitable companies (also known as late-stage businesses).

The analysis revealed that a sizeable amount was channelled into research and development by the government, universities, non-governmental organisations and the private sector. Thus, the PIC identified a funding gap for early-stage projects, which limits the growth of innovative and high-value initiatives that are important to stimulate economic growth and employment creation. As a result, the PIC Early-Stage (PES) Fund was established to catalyse projects in their infancy, create new industries, drive fresh innovation, support job creation (particularly for youth and women), unlock economic growth and promote gender equality while generating financial returns. In this way, the PIC is charting a course of excellence by leading institutional capital into the early-stage and venture capital market to attract institutional investors, thereby growing the pool of available funds.

VENTURE CAPITAL VS PRIVATE EQUITY FUNDRAISING IN SOUTH AFRICA






Source: Southern African Venture Capital and Private Equity Association venture capital industry and private equity industry surveys 2023

The PES Fund was unlocked when the GEPPF allocated R1.4 billion in April 2022, alongside R264.5 million that was allocated incrementally between 2021 and 2023 by the Department of Science and Innovation. The fund has committed R670 million with an additional R435 million at the due diligence stage.

It invests in technology and innovation businesses that are, technologically, at a readiness level of between 7 to 9 (as outlined in the table) and in early-stage businesses in a high growth phase with the capacity to absorb labour. Beneficiaries must derive more than 50% of their revenue from South Africa. These enterprises must meet the PIC's investment guidelines detailed below.

TECHNOLOGY READINESS LEVELS AND WHAT STAGE OF THE BUSINESS LIFE CYCLE THEY REPRESENT

Basic technology research	1	Basic research	
	2	Concept formulation	
Feasibility research	3	Critical function or proof of concept established	
Technology development	4	Validation in the laboratory environment	
	5	Laboratory scale, validation in relevant environment	
Technology demonstration	6	Integrated prototype system verified in operational environment	
System commissioning	7	Integrated pilot system demonstrated in operational environment	
	8	System incorporated in commercial design	
Systems operations	9	Proven system and ready for full commercial deployment	

Source: The Innovation Agency

Investment guidelines

The PES Fund is a direct investor and a fund of funds in the venture capital and early-stage arenas, investing R50 million to R200 million directly (typically in series B and C stages) and R85 million to R250 million indirectly (typically in seed to series B stages).

The indirect investments enable the PIC to reach businesses needing less than the R50 million threshold for direct investments through the fund managers and intermediaries in which the PIC has previously invested. This allows the PIC greater investee reach and ensures that new investee companies are supported by fund managers and intermediaries that focus on startups and that also provide non-financial assistance that is crucial for the sustainability of startups.

The PES Fund is sector-agnostic and invests in businesses in high-growth sectors that create jobs and fast-track the achievement of the objectives of the NDP and SDGs.

It is a requirement that investments done through the PES Fund must provide financial returns and positive social and economic impact, as well as aligning with the PIC's transformation charter. The PIC due diligence also seeks to test the alignment of the portfolio companies with the PIC's TR²AI²L values. Most importantly, for the PIC to provide funding to fund managers and investee companies, it is a requirement that their ESG principles are aligned with those of the PIC.

The PES Fund can invest via equity (preferred) and debt instruments. However, where possible, blended finance solutions are sought by leveraging strategic partners that deploy concessionary funding.

Select investments in the portfolio

PIC-financed businesses and funds seek to grow beyond South Africa's borders and form international partnerships that will fly the South African flag abroad and commercialise and scale local intellectual property across the globe.



PIC-financed businesses and funds seek to form international partnerships to commercialise and scale local intellectual property across the globe.

A WOMEN-LED CAPITAL CATALYST



CASE STUDY

The PIC has allocated R175 million to the IDF Innovation Fund to enable it to continue supporting startups across the country through its fund manager, IDF Capital. Headed by a black woman CEO, IDF is 100% black-owned, with women ownership at 80%, 100% black management and 50% women management.

It proactively invests in innovative and technology-enabled businesses that drive growth at both top and bottom lines through a proactive gender lens investing strategy that aims to achieve commercial returns alongside social returns. The latter includes diversity, equity and inclusion, and a forward-thinking ESG strategy.

IDF Capital boasts one of the larger venture-capital teams in the industry through the number of funds it runs and its use of both equity and debt instruments.



OWNERSHIP BY RACE



MANAGEMENT TEAM SPLIT BY GENDER



The PIC has allocated **R175 million** to the IDF Innovation Fund



Proactively invests in **innovative** and **technology**-enabled businesses



IDF Capital use both **equity** and **debt** instruments



Aims to achieve **commercial** alongside **social** returns



Social returns includes **diversity, equity** and **inclusion**

FUNDS ON FIRE



A R250 million PIC allocation is igniting Fireball Capital's market impact in South African-developed technologies, particularly fintech, edtech, healthcare and data platforms. The company is the fund manager of Fireball Fund I, which is fuelling direct investments targeted at pre-series A to series C investment stages and indirect funding for seed, early-stage and late-stage (series B) ventures.

Fireball Fund I is headed by a black woman CEO and Fireball Capital is 52% black-owned. The Fireball fund has 100% black management and 33% women management.

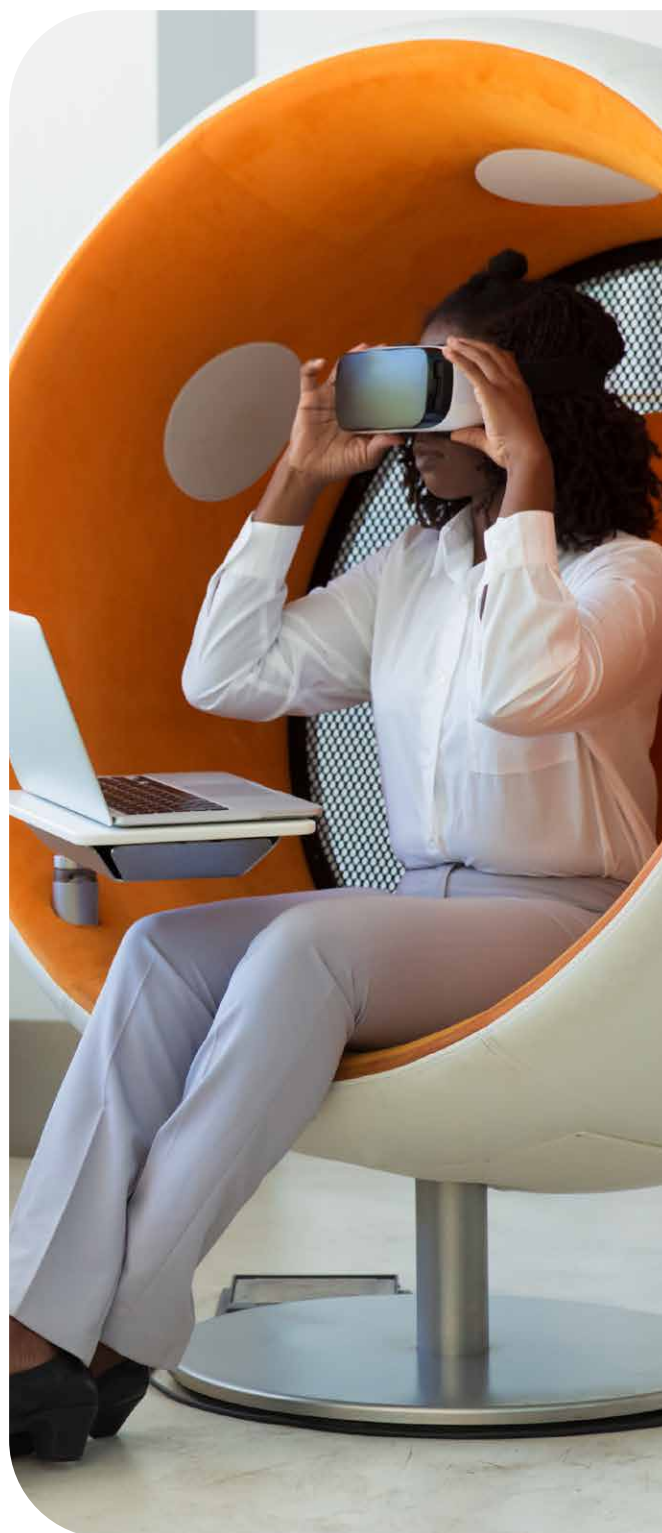
OWNERSHIP BY RACE



MANAGEMENT TEAM SPLIT BY GENDER



The PIC has allocated **R250 million** to boost Fireball Capital's market impact



CASE STUDY

FUELLED BY PIC FUNDS, BAMBILI GROWS AND THRIVES



Strengthening the quest for sustainable energy sources in line with the transition to low-carbon economies, the PIC enabled Bambili Energy, a manufacturer of fuel cells and their components, to acquire 77% of Hyplat. Bambili – which is 100% black-owned, 75% women owned and has a black woman at the helm – provides energy solutions to business and property developments using locally developed intellectual property, locally sourced input materials and manufacturing capacity. Fuel cells, which harness the chemical energy of hydrogen to generate electricity with zero emissions and high energy reliability, offer a promising alternative to conventional combustion technologies. With the Corporation's support, the company is commercialising Hyplat's intellectual property on the manufacture of tailor-made membrane electrode assembly and catalyst products.

Since 2020, it has deployed 15 fuel cell systems across South Africa, co-developing the nation's first hydrogen valley with Anglo American, the government and ENGIE and its first hydrogen corridor with fuel industry corporates.

Plans are underway to deploy a customised 2MW hydrogen fuel cell power system to provide electricity at Anglo-American's Rosebank, Johannesburg, headquarters.

Bambili's work will create manufacturing companies in the value chain, jobs, value-added products for exports and energy security.

The PIC's investment will enable it to facilitate 150 direct jobs and 650 indirect jobs at full capacity.

The PES Fund's strong pipeline of investment opportunities currently exceeds allocated funds, which demonstrates the extent of potential impact the PIC can achieve through investing in projects that, among others, create new industries, drive fresh innovation and support job creation.

The PIC is committed to funding women-led and -owned businesses and those that are black-owned and -managed. The organisation is charting a course of excellence by playing a leading role in providing capital to entrepreneurs and has attracted other institutional investors into the venture capital asset class, thereby accelerating the growth of new businesses and ultimately driving economic growth and job creation.

The PIC will continue to fundraise with existing and potential clients to enable the country to alleviate its economic growth and socio-economic hurdles through enterprise development.

OWNERSHIP BY RACE



MANAGEMENT SPLIT BY GENDER



Since 2020, it has deployed **15** fuel cell systems across South Africa



The PIC's investment will enable it to facilitate **150** direct jobs



The PIC's investment will enable it to facilitate **650** indirect jobs

6

PART SIX

Sustainability and Responsibility

TR²A I²L
VALUES

TRANSPARENCY

RESPECT | RESULTS-DRIVEN

ACCOUNTABILITY

INNOVATION | INTEGRITY

LEAD BY EXAMPLE

ENVIRONMENTAL, SOCIAL AND GOVERNANCE – LISTED INVESTMENTS

Section 10 of the PIC Amendment Act requires that the PIC, *'as far as possible, seek to invest to ... (d) promote sustainable development'*. ESG integration is, therefore, aligned with the PIC's vision of impactful investing and lie at the core of its investment processes.

This is further supported by Regulation 28 of the Pension Funds Act, 1956, and the requirement that before and during investing, the PIC must consider any factor that may materially affect the sustainable long-term performance of the asset, including ESG.

The PIC's commitment to responsible investing and ESG includes alignment with best practices and support for both local and international frameworks and guidelines. Thus, it remains a signatory to the United Nations Principles for Responsible Investing (UNPRI) and the United Nations Global Compact (UNGC). The PIC continues to endorse the Code for Responsible Investing in South Africa (CRISA), including CRISA 2.0, which was launched in September 2022.

More ESG-related laws and regulations are being promulgated locally, including those governing carbon tax, energy efficiency and a national minimum wage. The Climate Change Bill, approved by the National Council of Provinces and awaiting Presidential promulgation, will guide South Africa's response to one of its biggest and most pressing global environmental concerns.

PIC policies

The PIC's ESG policies incorporate ESG principles in all investment processes and active stewardship. During 2023/24, the PIC reviewed these policies to ensure alignment with best practice and legislation. Proxy voting guidelines are published on the PIC website for transparency. The exercise included a focus on the independence of Non-Executive Directors, which has been adapted in line with the King IV™ nine-year tenure rule. This obviated the PIC's

previous 12-year tenure rule that was intended to allow investee companies more time for succession planning but which, in practice, hampered the attainment of gender and race diversity targets.

Diversity was considered with the undertaking that if investee company boards do not adequately address Non-Executive Director independence, the PIC, in consultation with the investee company, will propose directors for consideration by company nominations committees, to take through for election at a shareholders' meeting. This approach is aligned with the PIC Transformation Charter and would follow after a skills and diversity gap analysis was conducted of an investee company's board.

During the policy review, the PIC affirmed its stance to vote against external audit firms with a tenure exceeding 10 years – excluding banks regulated by the South African Reserve Bank – on the grounds that they are no longer sufficiently independent. This followed a Supreme Court of Appeal ruling on 1 June 2023 that the Independent Regulatory Board for Auditors does not have the power to mandate audit firm rotation.

ESG integration framework

The PIC's in-house ESG scoring metric is supported by third-party data providers that confirm internal assessments. With extensive experience in measuring and monitoring ESG considerations in investee companies, the PIC believes that ESG factors can pose a material risk to investment and that sound ESG practices can bring sustainable long-term returns.

The environmental metrics assess climate change, energy and water scarcity and usage, biodiversity, destruction of natural habitats, pollution and waste management. Social issues examined include conditions of employment, minimum wages, diversity, health and safety, corporate social investment and broad-based black economic empowerment (B-BBEE). Governance includes corporate governance, board and management oversight, executive remuneration, strategic direction, compliance, prevention of bribery and cybersecurity. Assessments are followed by engagements with investees.

During the year under review, the ESG team assessed the functionality, terms of reference and focus of the social and ethics committees of investee companies to establish if these committees were optimally exercising their oversight authority since the Companies Act affords them the legislative standing of an audit committee. The PIC commends investee companies that have started voluntarily to implement Clause 14 of the Companies Amendment Bill 2021, which proposes the appointment of the social and ethics committee at

the annual general meeting and that the committee and remuneration reports be presented at that meeting.

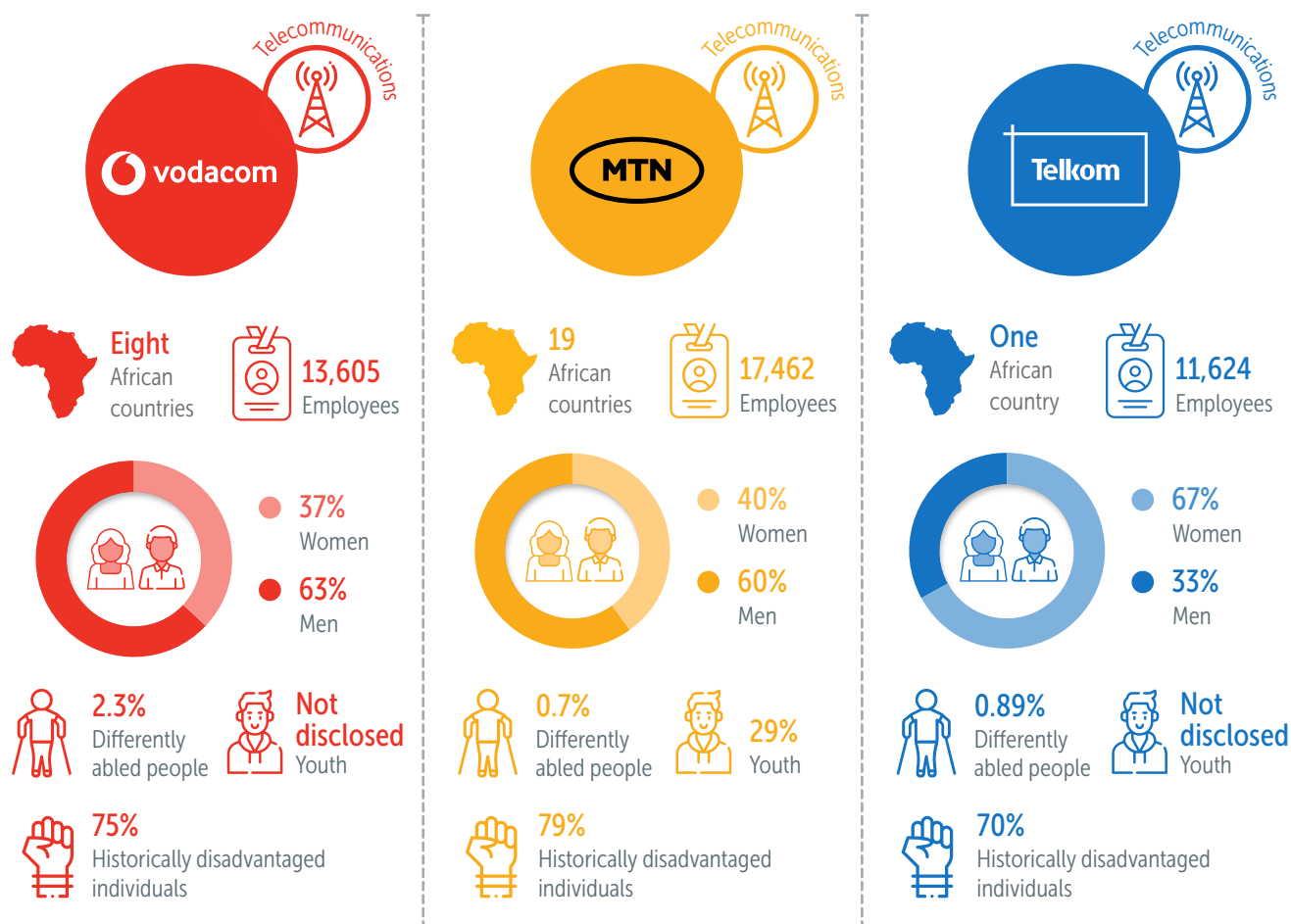
Should the reports not be approved, the committee must engage with the dissenting shareholders and must publish an engagement statement within four months, outlining the process and outcome to be tabled at the next annual general meeting or other shareholder meetings.

Following the approval of the PIC Transformation Charter, greater emphasis has been placed on encouraging boards of investee companies to drive transformation and inclusivity as a strategic priority. Investee companies consulted during the year included MTN, Telkom and Vodacom, where discussions focused on the employment of persons living with disabilities, historically disadvantaged individuals, women and the youth. Engagements focussed on the inclusion of these designated groups on the board and in executive management, and retention, development and succession planning for such individuals.

To realise the full benefit of transformation, diversity, equity and inclusion (TDEI), investee companies need to clearly define their vision, develop strategic plans and a framework, and measure key metrics to track the impact and effectiveness of their programmes.



During the year under review, the PIC engagement programme with its three investees promoted the following objectives:



Engagement objectives		Focus areas	Vodacom	MTN	Telkom
Operating governance	Disclosure of TDEI governance framework	Diversity/transformation policy/framework or similar	Yes	Yes	Yes
		TDEI governance structure	Yes	Yes	Yes
		Remuneration policy linked to TDEI	Yes	Yes	Yes
		TDEI linked to succession planning	Yes	Yes	Yes
TDEI in leadership	Disclosure of diversity target in leadership	Board	No	Yes	Yes
		Executive management	Yes	Yes	No
TDEI in workforce	Disclosure of diversity in the workforce	Racial diversity	Yes	Yes	Yes
		Women diversity	Yes	Yes	Yes
		People living with disabilities	Yes	Yes	Yes
		Youth	No	Yes	No
		Recruitment policies	Yes	Yes	Yes
		Employee survey	Yes	Yes	Yes
TDEI in procurement	Disclosure of TDEI plans in procurement	Black	Yes	Yes	Yes
		Women	Yes	Yes	Yes
		Youth	No	No	No
		Differently abled people	No	No	No

MTN engagement



Key observations

TDEI governance structure and framework

- › MTN has a diversity, equity and inclusion strategy and is committed to transformation.
- › The group board is ultimately accountable for TDEI objectives and priorities, which are driven and overseen, through delegation, by its social, ethics and sustainability committee.
- › The remuneration policy and succession planning are linked to TDEI.

Diversity in leadership and workforce

- › MTN has a gender diversity target of 50% women representation on the board by 2030. It is currently 38%.
- › The target for women in management roles is 35% by 2030. It is currently 28%.
- › MTN increased persons with disabilities representation by 0.2% in 2022, to 0.7% in 2023.
- › MTN is committed to achieving gender equity by no later than 2030, with a target of 50% women in the workforce, from a 2021 base of 39%. It also strives for higher representation of women in technology roles, with a goal of at least 30% by 2030, off an existing base of 20%. It intends to close gender pay gaps across its businesses.

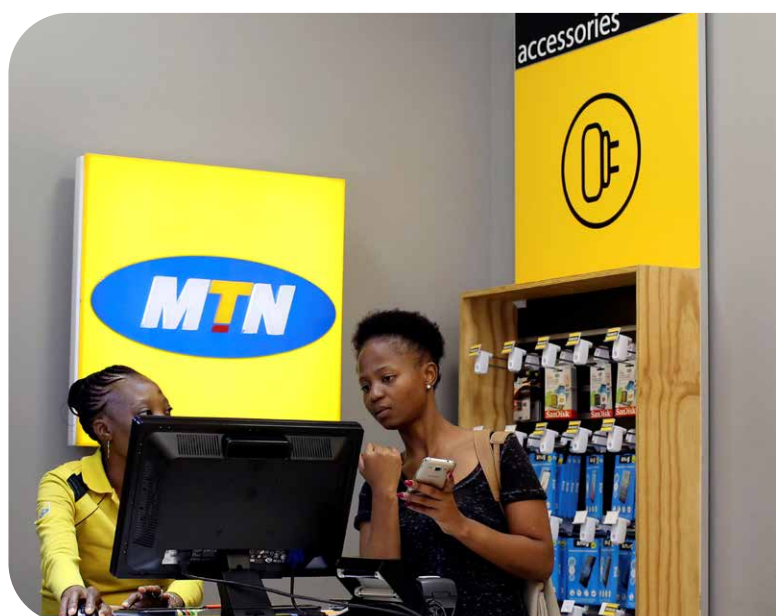
TDEI procurement plans

- › Although the company has disclosed its plans for procurement from black- and women-owned enterprises, plans for youth and people living with disabilities have not been disclosed.



Positive progress

- › Women representation on the board increased from 33% in 2022 to 38% in 2023.
- › Sixty-seven percent of board members are historically disadvantaged individuals, which is in line with the PIC Transformation Charter.
- › Black representation at executive management level is 64%, which is in line with the PIC Transformation Charter.
- › The company was rated a level 1 B-BBEE contributor for the second consecutive year.
- › Procurement from more than 50% black-owned suppliers.
- › Procurement from more than 30% black-women suppliers.



Telkom engagement



Key observations

TDEI governance structure and framework

- › Telkom has no diversity/transformation policy, but diversity is espoused in various key documents governing the company.
- › The board's social and ethics committee has ultimate accountability and oversight and is regularly engaged on progress against transformation key performance indicators.
- › The remuneration policy is linked to the TDEI, as is succession planning.

Diversity in leadership and workforce

- › The company has set a gender diversity target of 50% women representation on the board by 2026. The target for executive management is not clear.

TDEI procurement plans

- › Although the company has disclosed its plans for procurement from black- and women-owned enterprises, plans for youth and people living with disabilities have not been disclosed.



Positive progress

- › Women executive manager numbers increased from 16% in 2022 to 33% in 2023.
- › Fifty-six percent of board members are historically disadvantaged individuals, which is in line with the PIC Transformation Charter.
- › Black representation at executive management level is 83%, which is in line with the PIC Transformation Charter.
- › The company's B-BBEE contributor status improved from level 2 in 2022 to level 1 in 2023.
- › The company procured from 321 black- and women-owned enterprises, which is 30% of total suppliers, with spending 34% of total spend.



Vodacom engagement



Key observations

TDEI governance structure and framework

- › Vodacom has a TDEI investment philosophy that ensures that TDEI is reflected across various policies and principles, including the code of conduct and fair pay principle. A diversity policy applies to the board.
- › The social and ethics committee is responsible for the implementation of TDEI commitments in line with the Companies Act, 71 of 2008.
- › The remuneration policy and succession plan are linked to the attainment of TDEI indicators.

Diversity in leadership and workforce

- › Vodacom SA: 79% of employees are black:
 - Ten on the board – 80% (eight) are black, 60% (six) are women, of which 50% (five) are black women and 40% (four) are men.
 - The South African exco is 80% black, 62.5% women and 37% men, which meets the PIC Transformation Charter targets.
 - The group exco comprises 12 members, seven non-South African, two are women 16% which they have increased to 25% through an additional woman appointee. This is an area of focus for Vodacom.
- › Vodafone Group Plc: The board has 12 members:
 - Five are non-executive directors, four of whom are black.
 - Two executive directors, a black male chief executive officer and a black female chief financial officer.
 - The board comprises 42% women and 58% men – 80% black and 20% white.
- › Siyanda Employee Trust units were allocated with a bias towards black women employees.
- › YeboYethu has 85 000+ black South African shareholders.

TDEI procurement plans

- › The company has disclosed its procurement of black- and women-owned enterprises, youth and small, medium and micro enterprises.



Positive progress

- › Vodafone Group Plc – women representation on the board increased from 33% in 2022 to 42% in 2023 and the 80% historically disadvantaged individuals on the board exceeded PIC Transformation Charter targets.
- › Vodacom Group exco is 67% black, which exceeds PIC Transformation Charter targets. Gender improvement remains a focus for the board and the percentage representativity should increase with new/replacement appointments.
- › Vodacom SA exco is 80% black and 62.5% female, exceeding PIC targets.
- › The target of 2% of people living with disabilities was achieved and there is a dedicated programme to build a pipeline.
- › B-BBEE contributor status of level 1 for three consecutive years.
- › Procurement from black and woman-owned qualifying small enterprises suppliers at 42%.
- › Procurement from black-owned qualifying small enterprise suppliers at 70%.



**Integration of youth and disabled persons in the workforce and their access to opportunities remain concerning across South Africa. Identified investee companies will be monitored closely for progress.*

FINANCIAL RETURNS AND SOCIAL IMPACT IN ACTION



Impala Platinum and the Royal Bafokeng Platinum acquisition

The PIC was approached by both Impala Platinum (Implats) and Northam Platinum (Northam) to sell its stake in Royal Bafokeng Platinum (RBPlat).

Implats was determined to have multiple operational synergies and capital efficiency improvement opportunities due to proximity of the assets of Implats to those of RBPlats. This would, over time, allow for a longer and more profitable asset life at the respective lease areas. For Implats the transaction would allow extraction of additional tail ounces, supporting a better-managed production and employment profile and consequently, longer-term sustainability in the region.

Both Implats and Northam tabled B-BBEE schemes that would benefit employees and surrounding communities, highlighting the need for positive social impact from the transaction.

Implats proposed a community and employee participation scheme in partnership with Siyanda Resources, which would reduce shareholder dilution given Siyanda would pay part of the transaction in cash up front. The plan also included the adjoining Rustenburg area assets lease and ownership of the group's processing operation in Rustenburg, which is unusual for most B-BBEE transactions. Implats management would enact the plan once it secured >50% ownership.



Being satisfied with the proposal, the PIC sold its RBPlats stake to Implats.

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VOTING STATISTICS: 1 APRIL 2023 TO 31 MARCH 2024

The PIC supports and enhances its investment rationale for companies through engagement and exercising voting rights. During the year under review, the PIC voted at all investee company meetings.

VOTING RECORD 1 APRIL 2023 TO 31 MARCH 2024


174

Separate meetings
voted at


2 990

Resolutions
voted on

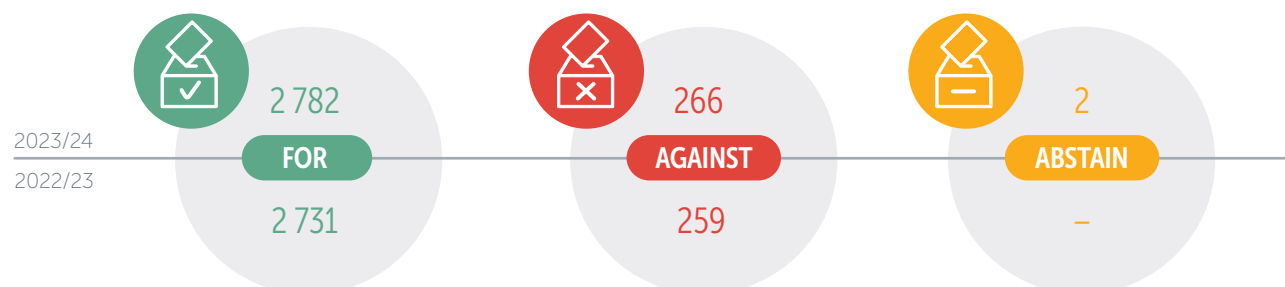

104

Engagements

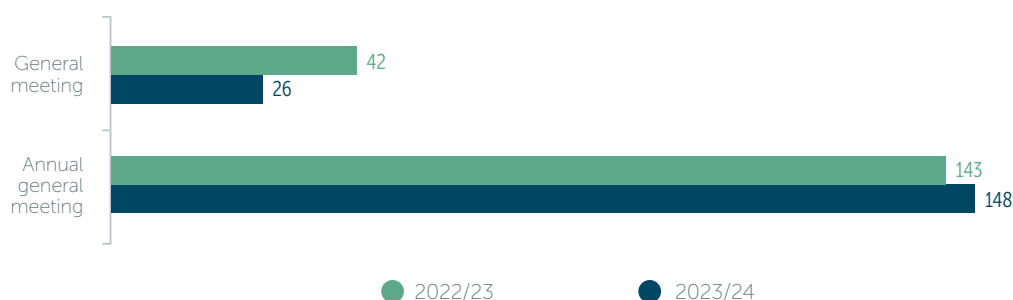

174

ESG engagements

PIC PROXY VOTING 2023/24



PIC PROXY VOTING 2023/24



ENGAGEMENTS PER PILLAR



10%
Environment



69%
Governance



10%
Social



11%
Transformation

ENGAGEMENT MATTERS



19%
Transformation



6%
Strategy



25%
Remuneration policy



6%
Succession planning



13%
Board composition



6%
Community development



5%
Climate change



13%
Other



7%
Corporate governance



MULTI-MANAGEMENT PUBLIC MARKETS – DOMESTIC AND GLOBAL

The information is for the 24 external managers – 21 local and three offshore – from 1 April 2023 to 31 March 2024. Stewardship reporting is confined to external managers that have been accorded equity mandates. One global manager's proxy voting data was excluded, as reflected below.

	Manager	Mandate	
1	Aluwani	E	FI
2	All Weather	E	HF
3	Argon	E	
4	Benguela	E	
5	Coronation	E	AE
6	Excelsia	E	
7	Lima Mbeu	E	
8	Mazi	E	P&AE
9	M&G	E	
10	Meago-Property	E	
11	Aeon	E	
12	Mergence	E	
13	Mianzo	E	
14	Prowess		FI
15	Oasis	E	FI
16	Sanlam	E	
17	Perpetua	E	
18	Sentio	E	
19	Umthombo	E	
20	Differential	E	
21	Ninety-One	E	

	Manager	Mandate	
1	Aberdeen		AD
2	Amundi		AD
3	BlackRock	E	FI
4	Cheyne Capital		FI
5	Enko Capital		AD
6	Goldman Sachs	E	FI
7	JP Morgan		FI
8	Robeco	E	AD
9	PIMCO		AD
10	World Bank		FI
11	Allianz GI	E	

DOMESTIC MANAGERS

VOTING RECORD
1 APRIL 2023 TO
31 MARCH 2024



1 222
Separate meetings
voted at

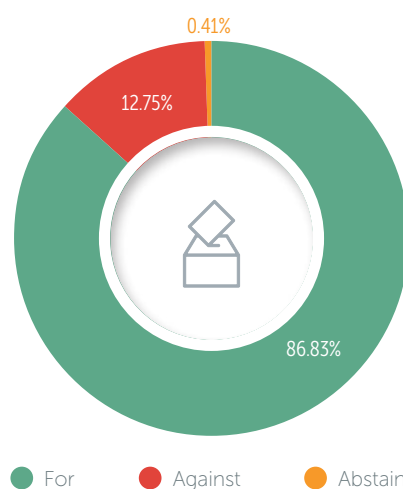


23 364
Resolutions
voted on

ANALYSIS OF MEETINGS PER TYPE: MEETINGS

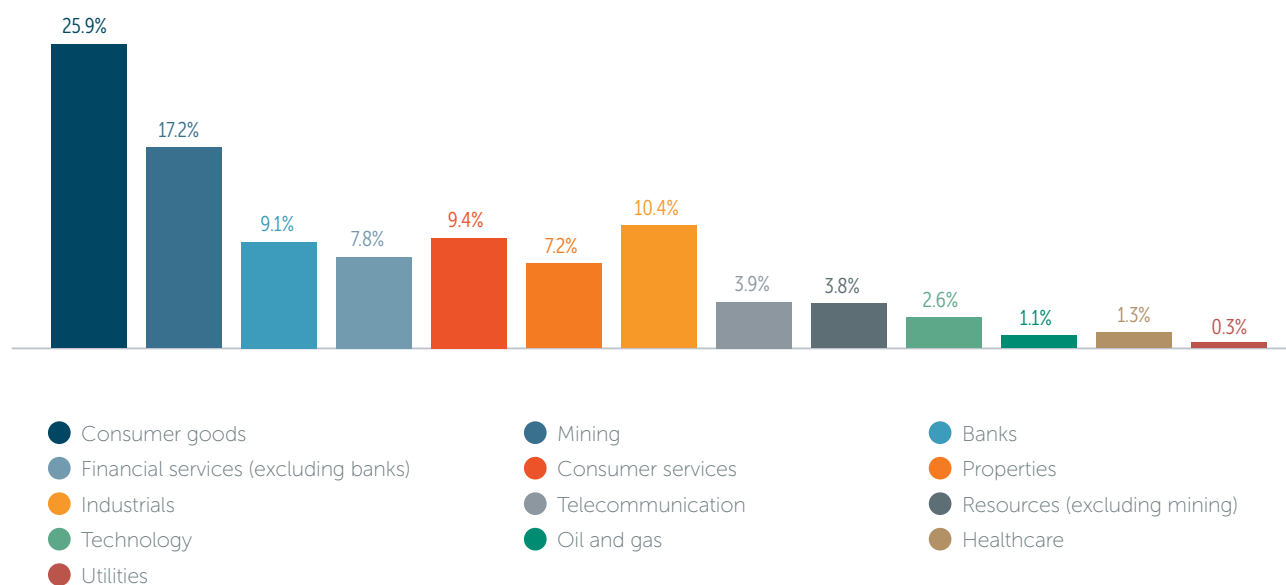


ANALYSIS OF 2023/24 VOTES: RESOLUTION

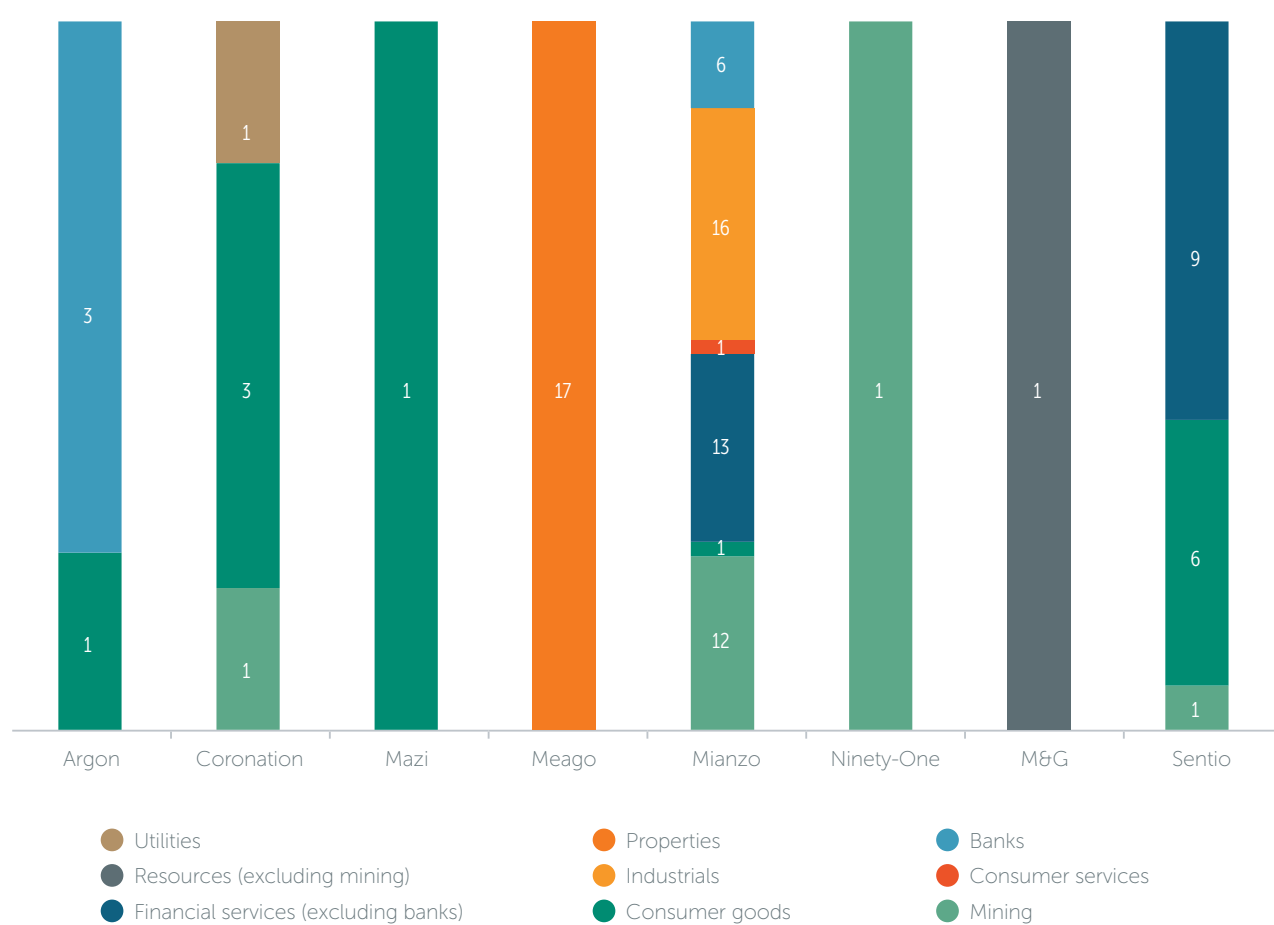


**Mandates accorded to PIC external managers are discretionary*

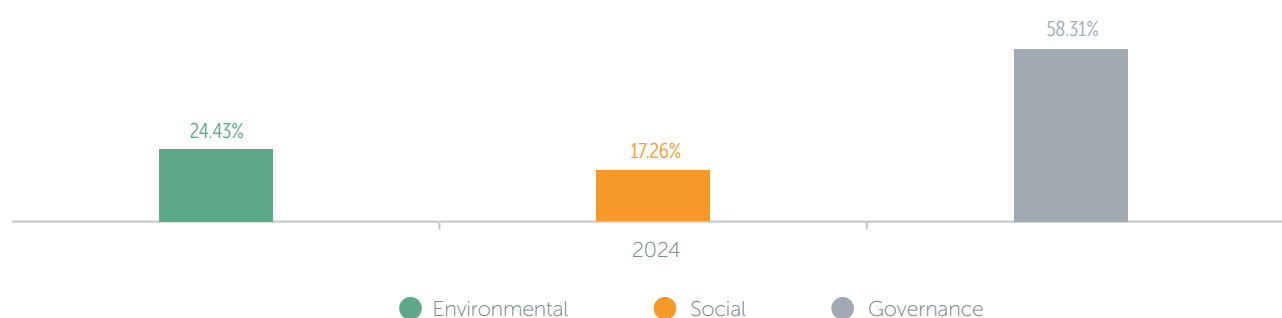
AGAINST VOTES PER SECTOR



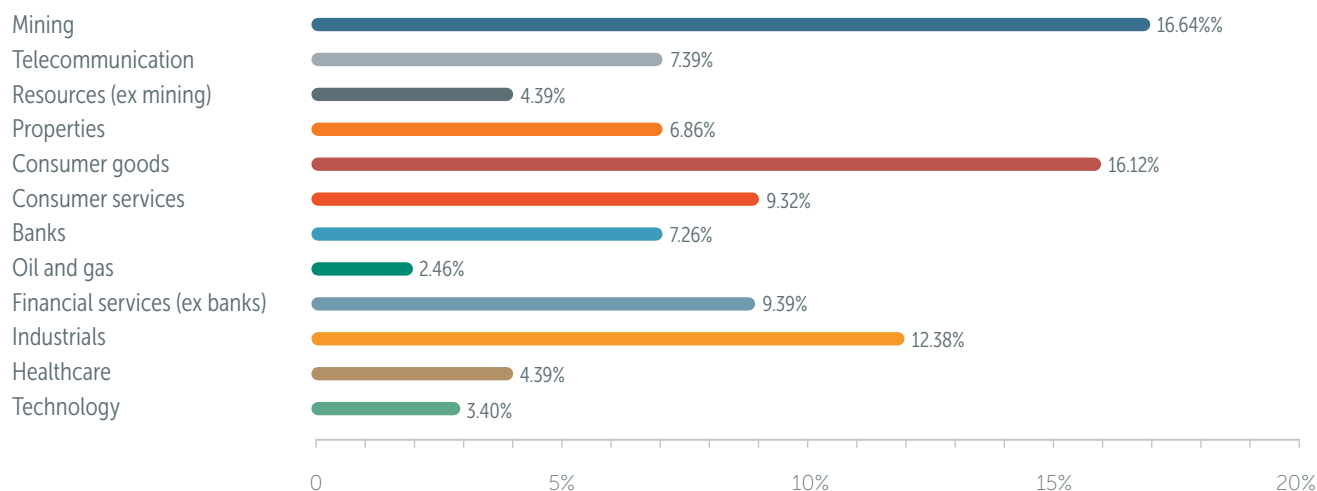
ABSTENTIONS PER MANAGER AND SECTOR



ENGAGEMENTS BY PILLAR



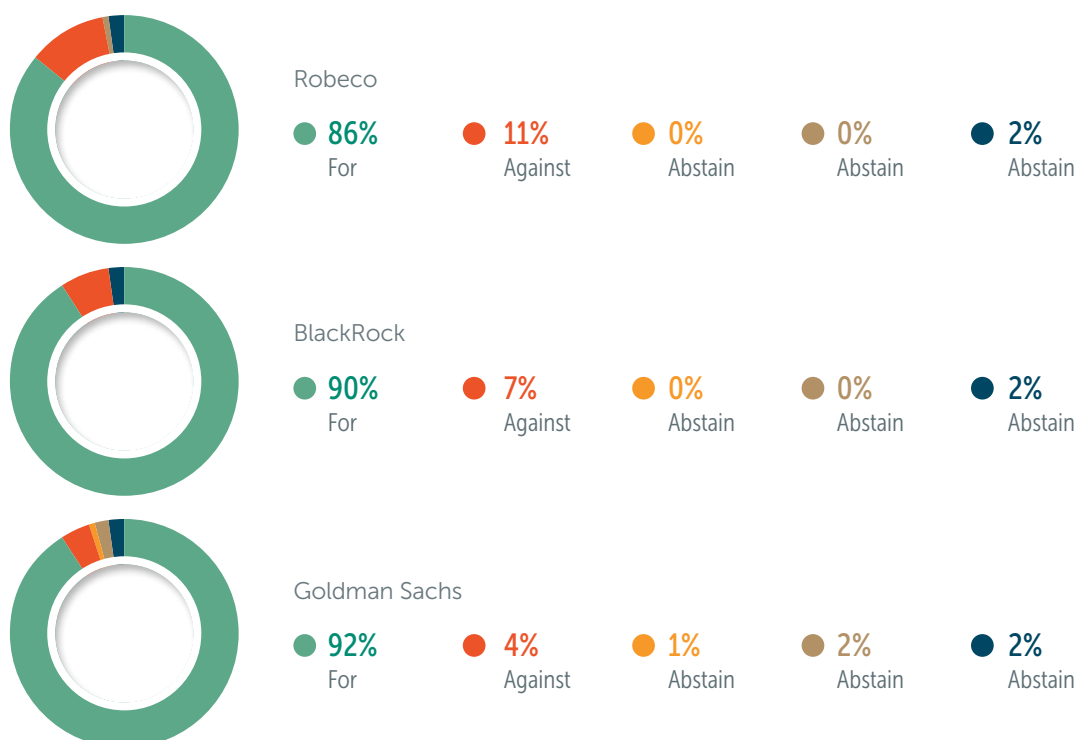
ENGAGEMENTS BY SECTOR



During 2023/24, the three offshore external managers – BlackRock, Goldman Sachs and Robeco – voted on 35 759 shareholder resolutions, employing a proxy voting system that differs from the local one, as indicated in the corresponding meanings below:

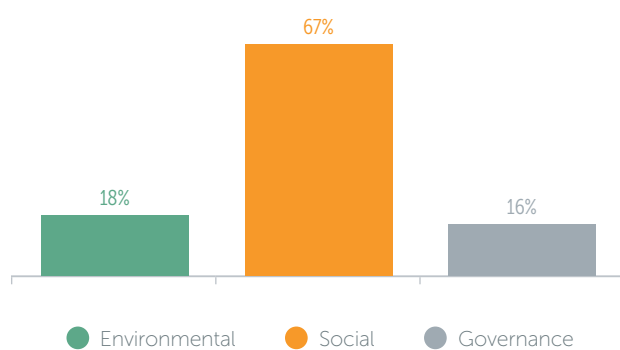
- › 'For' – in favour of the proposal.
- › 'Against' – not in favour.
- › 'Abstain' – do not wish to cast a vote.
- › 'Withhold' – similar to abstain and therefore needs only a single vote to earn a 'plurality'. In these cases, 'against' votes are meaningless, leaving the option to vote for or withhold.

PROXY VOTING: 2023/24

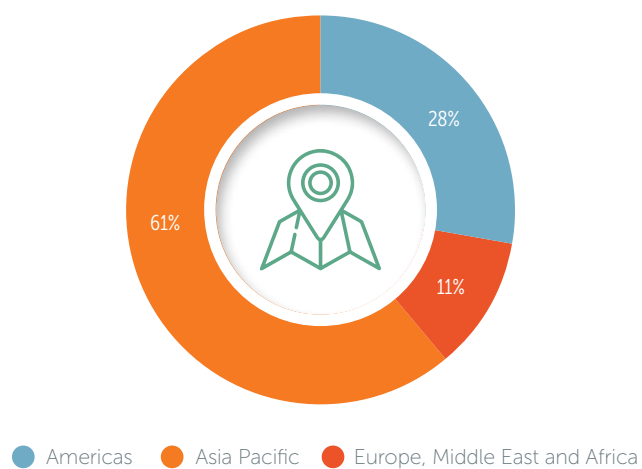


BlackRock

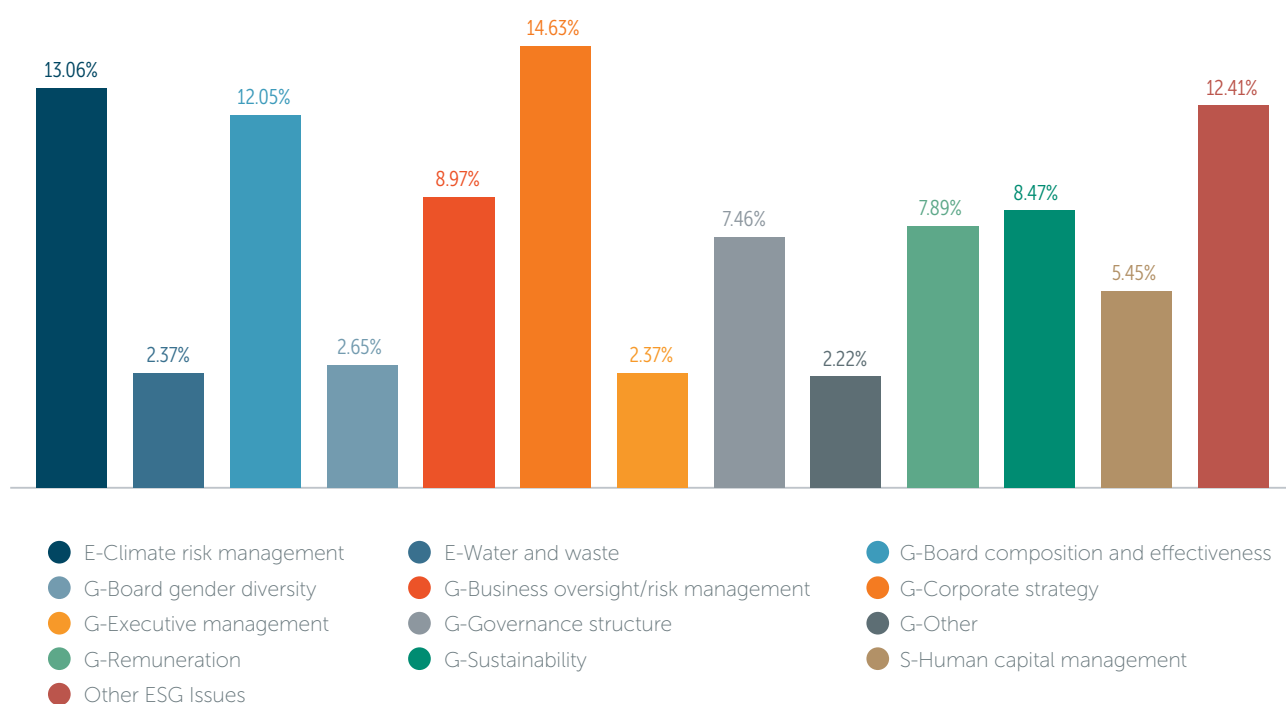
ENGAGEMENTS BY PILLAR



ENGAGEMENTS GEOGRAPHICALLY

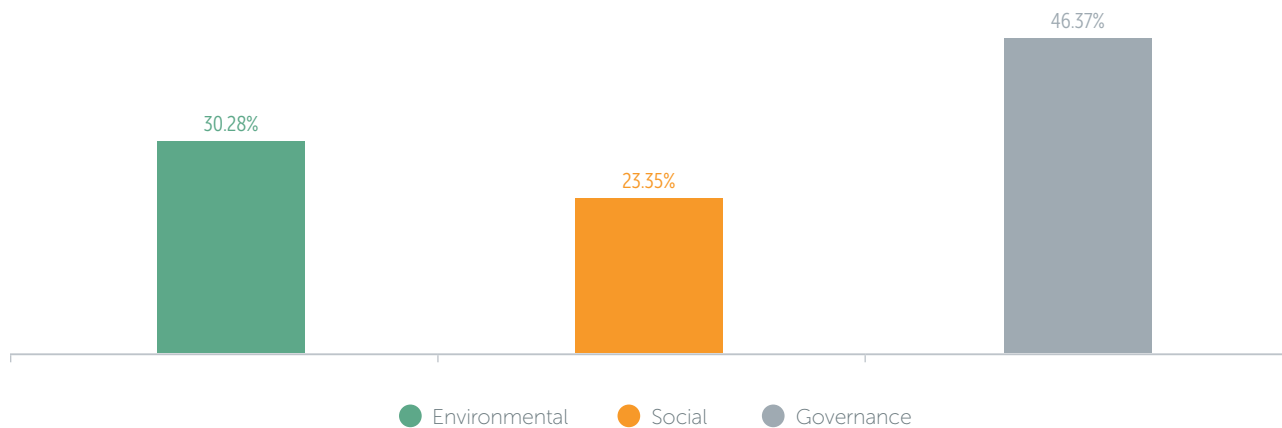


ENGAGEMENTS BY THEME

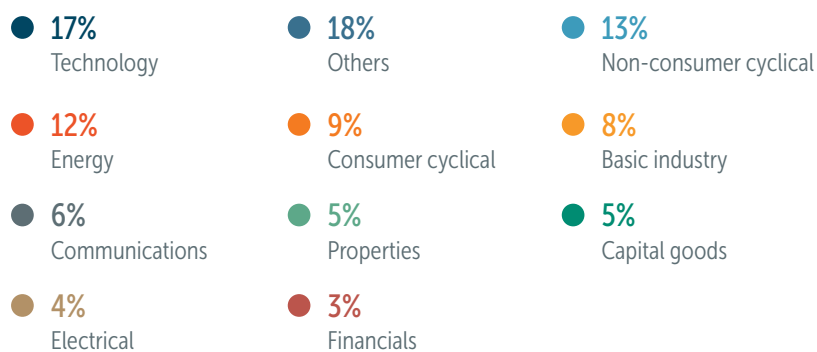


Goldman Sachs

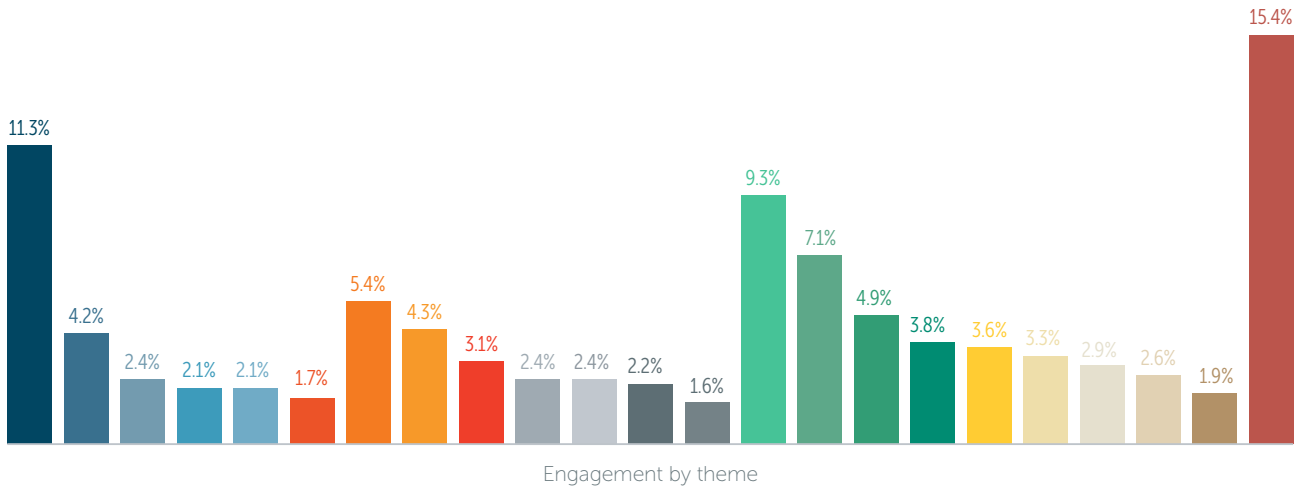
ENGAGEMENTS BY PILLAR



ENGAGEMENTS BY SECTOR



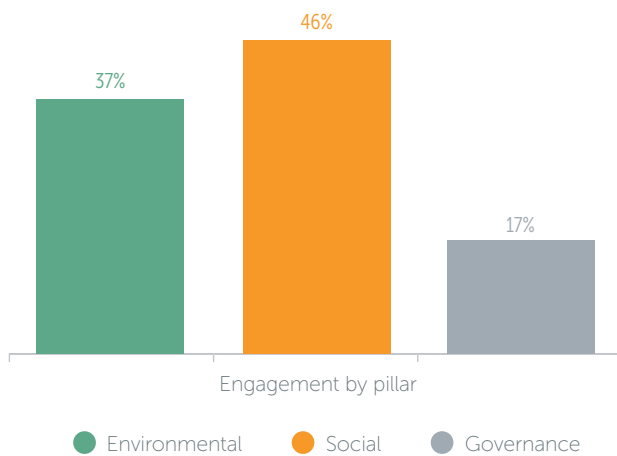
ENGAGEMENT BY THEME



- Greenhouse gas emissions
- Net zero – execution (quality of target)
- Cybersecurity and data privacy
- Health and safety
- Board composition
- Shareholder proposals
- Disclosure
- Energy management
- Employee diversity and inclusion
- Product quality and safety, and wellness
- Human and labour rights
- Capital allocation
- Anti-takeover measures/shareholder rights
- Board – gender diversity
- Net zero – execution (performance)
- Human capital and workforce management
- Supply chain management and materials sourcing
- Compensation
- Board – structures and committees
- Shareholder returns
- Other ESG issues

ROBECO

ENGAGEMENTS BY PILLAR



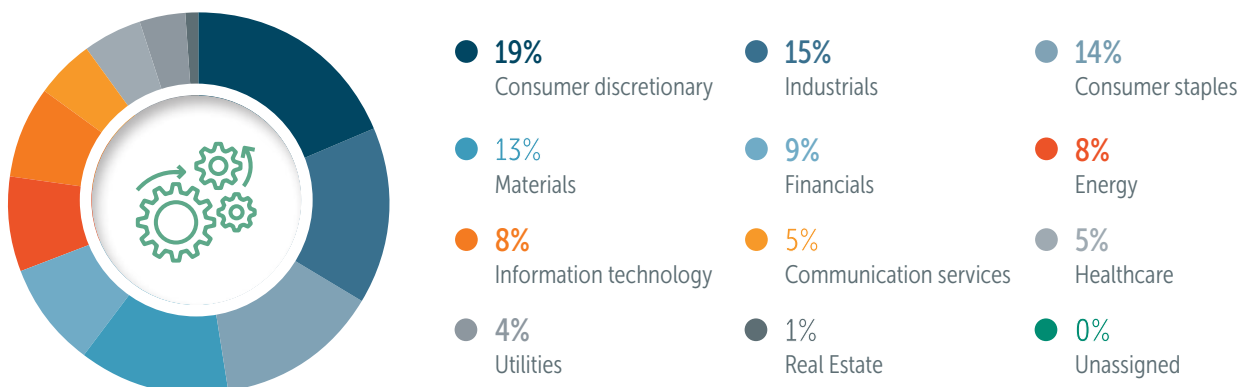
- Environmental
- Social
- Governance

ENGAGEMENTS GEOGRAPHICALLY

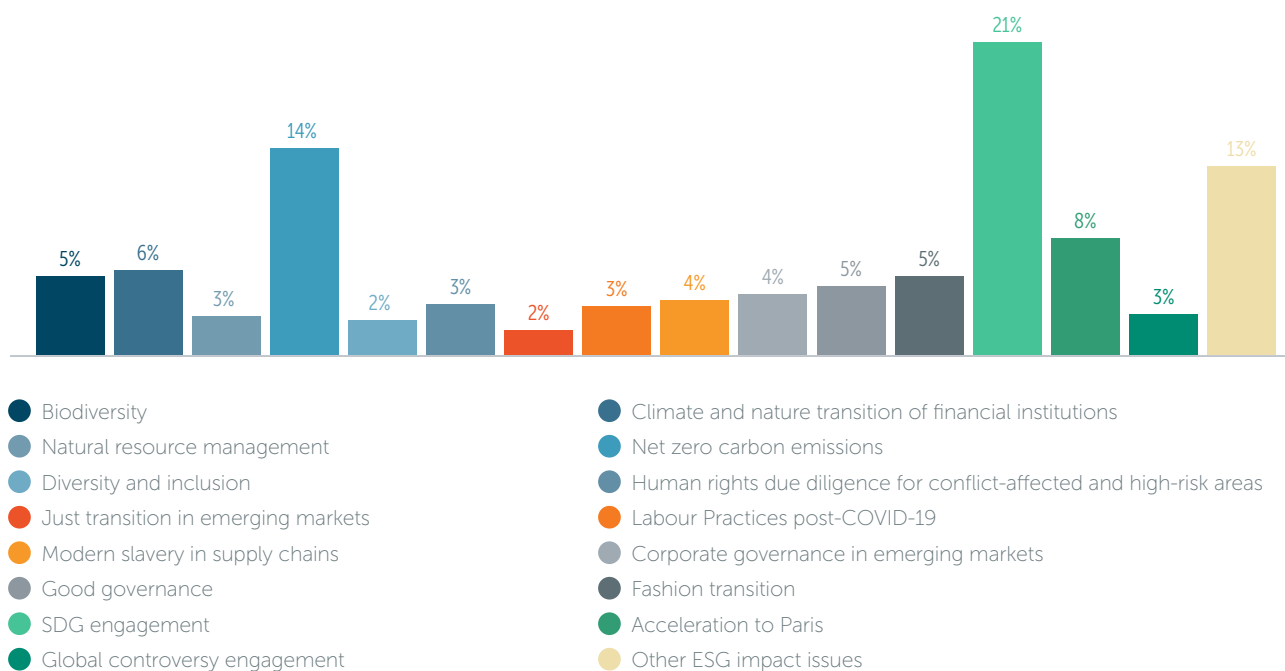


- 37% North America
- 17% Europe
- 23% Asia excluding Japan
- 23% Other

ENGAGEMENTS BY SECTOR



ENGAGEMENT BY THEME



ENVIRONMENTAL, SOCIAL AND GOVERNANCE – UNLISTED INVESTMENTS



Climate change

The PIC secured Board approval of its climate change position statement in August 2023, which envisages the achievement of net zero by 2050 and is aligned with South Africa's ambitions in the nationally determined contribution. This determination aims to limit global average temperatures to below 2°C above the pre-industrial average temperatures, limiting them to 1.5°C to mitigate the substantial and far-reaching effects of climate change.

The ESG team attended the 28th session of the Conference of the Parties (COP) to the UN Framework Convention on Climate Change, where an agreement was adopted to transition away from fossil fuels in energy systems in a just, orderly and equitable manner, accelerating action in this critical decade.

This was the first time that COP explicitly addressed ending the use of coal, oil and gas – the main drivers of the climate crisis. The agreement also calls for a tripling of renewable energy capacity, globally, by 2030 and the acceleration of technologies such as carbon capture and storage. The PIC is establishing a climate change strategy for implementation in the next financial year.

The PIC believes that a strong commitment to the highest standards of business ethics and sound corporate governance are essential to creating long-term value for clients. Accordingly, it requires all external fund managers to incorporate responsible ESG practices into their investment process and adhere to ESG policies aligned to the PIC and to best practices.

Generating social returns and enhancing diversity through transformation

Through the PIC Transformation Charter, the PIC has set ambitious transformation targets across its corporate and assets under management portfolios. The focus is on advancing inclusivity through investment funding, with representation evident in ownership and management by black women, people living with disabilities and youth, and enhanced equity across all levels of employment, particularly leadership. These targets exceed the minimum set by legislation through the unlisted black economic empowerment codes (sector-specific and generic). The PIC believes that gender equality and empowerment must advance under the enhanced recognition categories of black persons and the shared belief in the values espoused in the United Nations Global Compact's seven women's empowerment principles.

The PIC seeks ways to identify sustainable investments that offer financial returns, while sustaining and creating good-quality jobs and expanding infrastructure and social services. The ESG team constantly monitors the positive and negative effects of investments on society and the environment.



Employment opportunities

From inception to 31 March 2024, portfolio investees facilitated 190 258 jobs, including 79 500 in general sector-agnostic funds, 28 413 in agriculture and 18 738 in mining. Jobs occupied by women numbered 58 395 (compared to 51 816 in the previous year), representing $\pm 30,7\%$, with men accounting for 48.5% at 92 308 (compared to $\pm 51\%$ or 87 416 in the previous year). Gender data not disaggregated stood at 20.8% or 39 555 (compared to 18% or 31 732 in 2022/23).



Jobs facilitated
190 258



Jobs occupied by
women: **58 395**
(51 816 in 2023)



Jobs occupied by
men: **92 308**
(87 416 in 2023)

Through its investments since inception, the PIC, on behalf of its clients, has contributed meaningfully to the facilitation of **190 258 jobs** across the following sectors, compared to 170 964 in the previous year.



Agriculture

The PIC's support of agricultural, forestry and fisheries sectors aligns with crucial goals such as sustainable resource use, economic growth, job creation, food security and rural development. By investing in ventures including farms, processing plants, food production facilities and abattoirs, the Corporation contributes to various stages of the agriculture value chain. This not only boosts production and processing capacities but enhances the sector's overall resilience and competitiveness. Additionally, these investments are likely to have positive spillover effects on local economies, particularly in rural areas, by generating employment opportunities and stimulating economic activities.



In 2023/24, **28 413** jobs were
facilitated across the investments in the
agricultural sector (2022/23: 21 588).

The PIC engages with and encourage investees to remunerate employees in line with or beyond the minimum wage requirements, which, for farmworkers, increased in 2023 by 9.6%. The National Minimum Wage Act, 2018, protects low earners in South Africa to reduce inequality.

Activities that support the PIC's framework for inclusive growth and development in the agricultural sector concentrate on:

JOB CREATION:



Enabling employment opportunities to reduce unemployment and poverty in rural areas through the entire value chain, namely farming, processing and distribution.

SKILLS DEVELOPMENT:



Investing in education and training programmes to equip people with skills to participate in agriculture and related industries.

COMMUNITY EMPOWERMENT:



Supporting initiatives that empower local communities to participate actively in decision-making, benefit-sharing arrangements and sector development.

INFRASTRUCTURE DEVELOPMENT:



Investing in crucial infrastructure such as roads, irrigation systems and storage facilities to enhance agricultural productivity and market access for rural farmers.

SUSTAINABILITY AND RESILIENCE:



Promoting environmentally sustainable farming practices and resilience-building measures to mitigate the impact of climate change.

VALUE ADDITION AND MARKET ACCESS:



Supporting initiatives that add value to agricultural products through processing and packaging, and facilitating access to domestic and international markets.



PIC investments are aligned with the SDGs, which address pressing global challenges and pursue economic development. The focus on SDG 2: 'Zero hunger' by 2030, SDG 12: 'Responsible consumption and production' and SDG 13: 'Climate action' reflects the PIC's understanding of the interconnectedness among agriculture, food security, sustainable production and climate resilience. SDG 2-aligned initiatives include supporting smallholder farmers, implementing efficient irrigation techniques, adopting climate-smart agricultural practices and investing in research and development for resilient crop varieties. Contributions to SDG 12 include promoting sustainable practices in the agricultural value chain, such as reducing food waste and optimising resource use. SDG 13 recognises the need to mitigate greenhouse gas emissions and build resilience to climate-related impacts.

One of the PIC's investments has initiated three trusts for farmworkers and employees and one for emerging farmers. Each trust has at least a 10% equity stake in the farming operation. This approach not only diversifies ownership but empowers the historically marginalised. Providing access to ownership and decision-making fosters greater economic participation and resilience in communities.

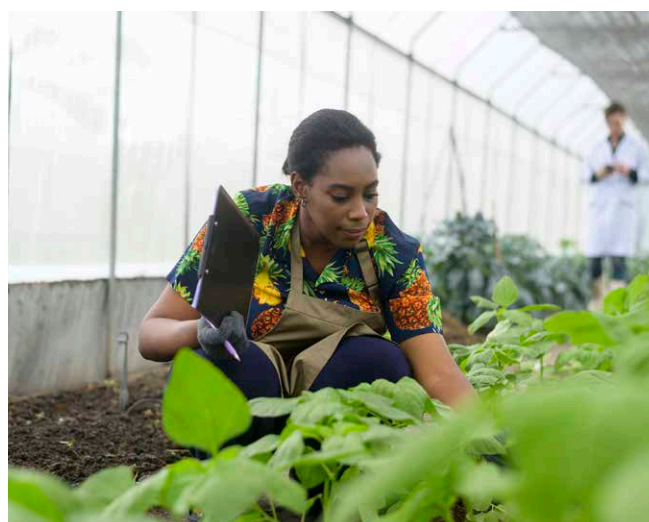
GROWING CROPS, WEALTH AND SELF-WORTH



The World Food Programme (2024) highlights that about 80% of the world's food is produced by small-scale farming. Despite the fact that in developing countries women occupy about 43% of jobs in this sector, available data indicates that they produce 20% to 30% less than men farmers, as they face several hurdles – as both smallholder farmers and as women. Equalising this gap could boost agricultural output and decrease global hunger by 17%. The PIC has invested in Export Trading Commodities Group, which has demonstrated strides in equalising the gender gap in this sector. The investee has been actively empowering women within the agribusiness supply chains by, among others:

- › Strengthening women's entrepreneurship skills and enhancing their agribusiness employment opportunities;
- › Developing and implementing strategies that enhance the skillset and investment readiness of economically active women cooperatives;
- › Identifying the structures and systems that determine women's positions in society, the barriers they face and sociocultural dynamics as a basis for appropriate projects based on best practices; and
- › Identifying and selecting financial institutions and other stakeholders as partners to improve access to finance and other services for beneficiaries.

Through PIC investments, entities such as Daybreak, Southern Farms and Lona have introduced water-smart strategies on their farms and operations to mitigate the impact of droughts and water scarcity on farming.



Investees such as Africa Food Security Fund have implemented climate-hazard mapping to track areas of heavy rainfall to ensure employees exercise caution when travelling to work and that assets are stored safely. Investee AFGRI has allocated an agronomist to each farm owner to advise on climate change patterns, soil health and diversification of crops. Another investee, Alzu, has installed solar panels to reduce greenhouse gas emissions.

The PIC intends to focus on investment in early warning systems and emergency response mechanisms in the year ahead to help farmers cope with and recover from disasters such as floods and wildfires. Further focus will be placed on research and development to create climate-resilient crop varieties, pest and disease management strategies and climate-smart agricultural technologies.



80% of the world's food is produced by small-scale farming



Equalising the gender gap could boost agricultural output and decrease global hunger by **17%**



Alzu installed **solar panels** to reduce greenhouse gas emissions



The PIC intends to focus on investment in **early warning systems** and **emergency response mechanisms**



Daybreak, Southern Farms and Lona have introduced **water-smart strategies** to mitigate the impact of droughts and water scarcity on farming

4 QUALITY EDUCATION



Education

The PIC continues to support social impact initiatives to improve the quality of education, a fundamental driver of socio-economic development; and individual and community empowerment. SDG 4: 'Quality education' underscores the critical role of education in sustainable development, poverty eradication, social inclusion and economic prosperity.

During the review year, the PIC provided more than R500 million worth of education loans to students from disadvantaged backgrounds to access higher education and pursue their academic goals. Access to higher education can break the cycle of poverty and enable individuals to reach their full potential. By covering costs such as tuition fees, device loans and accommodation, the PIC is removing financial barriers to education for individuals and contributing to societal development and economic empowerment.

Investments in education have long-term benefits, including higher earning potential, improved social mobility and enhanced human capital development.



In 2023/24, **1 815** jobs were facilitated across the investments in the education sector (2022/23: 1 700).



The PIC has provided more than **R500 million** worth of education loans to students from disadvantaged backgrounds.

By covering the following costs the PIC is removing financial barriers to education:



Tuition fees



Device loans



Accommodation

FUNDING FOR IMPACT



The Schools and Education Investment Impact Fund South Africa recorded a stellar 2022/23 year, with an increase in the number of empowered black professionals and, importantly, black women professionals in teaching.

The PIC allocated more than R800 000 for training these individuals, an initiative that enhances their career prospects while strengthening the quality of education

delivery. A further R60 million went to black economic empowerment advancement, promoting entrepreneurship, enterprise development and wealth creation within black communities, contributing to inclusive economic growth and empowerment. Through such investments, the fund can contribute more meaningfully to building a more inclusive and equitable education system, ultimately benefitting individuals, communities and society.

Energy

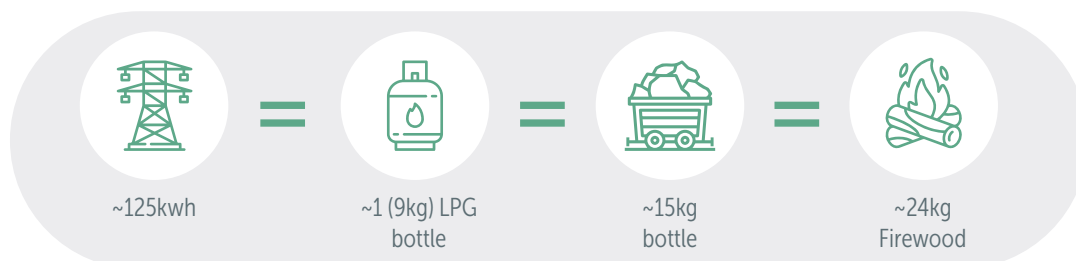
The PIC continues to counteract the impact of electricity supply disruptions through investments in the energy sector. It has supported development of over 2100MW capacity, 1800MW of which is the product of renewable energy projects across wind (683MW), photovoltaic (613MW) and concentrated solar power (525MW). This capacity will power around 1.2 million average-sized homes.¹ The PIC's support of the Renewable Energy Independent Power Producers Procurement Programme has also positively contributed to social impact in areas adjacent to powerplants.

During the year under review, contributions to economic development by projects with PIC exposure amounted to R41 million and socio-economic development to R147 million. Social initiatives vary from bursary and internship programmes to early childhood development and school-building projects.

1. 1MW can supply around 650 average homes. Source - https://www.eskom.co.za/wp-content/uploads/2021/03/GI_0097WhatIsMegawatt.pdf

Oil and gas

Liquefied petroleum gas (LPG) is a versatile and clean alternative energy source to traditional polluting fuels such as coal and wood. Further to this, LPG has improved access to energy, particularly in rural areas.



LPG energy equivalents²

The PIC has funded an LPG terminal at the Port of Saldanha operated by Sunrise Energy under an exclusive concession granted by Transnet National Ports Authority. It is an important infrastructure asset for the region, promotes economic development in the area and drives energy security in the country. An adjacent cylinder facility supplies LPG to the domestic market. Sunrise Energy has designed the terminal to expand alongside the market for the next 30 years under the current concession.

Over the last six years, the company has donated, annually, two-plate cookers to between 100 and 200 beneficiaries without access to electricity or for whom LPG is cost-effective and/or safer. Priority is given to single mothers or grandmothers caring for young children, households with disabled members, the elderly, soup kitchens and early childhood development centres.



Sunrise Energy's social impact initiatives³



To date, **685 jobs** have been created across the three PIC investments. Most (**92%**) are at TotalEnergies Marketing South Africa, through debt funding to Tosaco, which has a **25% shareholding** in the energy entity.

2. Source: Euronuclear website <https://www.euronuclear.org/glossary/coal-equivalent/>

3. Source: Sunrise Energy website <https://www.sunriseenergy.co.za/community-2/>

Housing

Housing is considered a fundamental human right protected by the country's Constitution. The NDP proposes mixed housing strategies and increased urban development to improve access to services. It seeks to enhance living standards by providing low-income housing in well-located urban areas, accompanied by service delivery. Further, provincial and local government housing policies promote affordable housing in larger mixed-use housing developments.⁴

The high rate of urbanisation continues to exert pressure on basic services and spur informal settlement growth. Urbanisation is expected to reach 72% by 2030, with demand for affordable housing having already outstripped supply due to the rising cost of living, weak economy and unemployment. More than 2.4 million households registered on the housing needs register for 2023. This backlog and the misalignment between housing costs and household income are creating a crisis of housing affordability.⁵

The PIC facilitates the development of integrated human settlements, offering affordable rental housing and housing finance. It also provides alternative options for those who cannot access subsidised housing or prefer to live closer to economic centres rather than in peripheral subsidised housing projects.

Over the past decade, the PIC has collaborated with other asset managers, commercial banks and leading development finance organisations to develop inner-city residential rental properties – and, in the process, supported numerous property entrepreneurs.

Prompted by the continuing short supply of affordable housing, the PIC continues to advance South Africa's contribution to SDG 11: 'Make cities and human settlements inclusive, safe, resilient and sustainable'.



The PIC has invested in several companies in this sector, which employ **1 546** people.

INVESTEES COMPANY

UNITS BUILT/SOLD/RENTED

Trust Urban Housing Finance	47 000 units increased due to 14 new buildings being financed (2022/23: 43 911)
Johannesburg Housing Company	4 468 units fewer due to a decrease in the number of buildings managed from 36 to 31. This was part of the 2023/24 Johannesburg Housing Company strategy to sell a part of its non-performing portfolio. Nine buildings have been identified (2022/23: 4 513)
Housing Impact Fund South Africa	24 677 6 500 rental units transferred (2022/23: 17 500)
Gauteng Partnership Fund	11 690 social and affordable housing units (2022/23: 17 000)
Royal Bafokeng Resources Properties	1 575 units built (2022/23: 1 575)

4. Source: Website: [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://housingfinanceafrica.org/app/uploads/2023/11/SOUTH-AFRICA.pdf](https://housingfinanceafrica.org/app/uploads/2023/11/SOUTH-AFRICA.pdf)

5. Source: Website: [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://housingfinanceafrica.org/app/uploads/2023/11/SOUTH-AFRICA.pdf](https://housingfinanceafrica.org/app/uploads/2023/11/SOUTH-AFRICA.pdf)

Financial services

Traditional banks continue to dominate this sector and account for 82.47% of the total value of credit granted. Non-bank financiers (6.09%), retailers (4.15%) and other credit providers (7.29%) share the remaining credit value. It is expected that emerging fintech companies will accelerate development, either operating independently or eventually being absorbed by traditional banks. Across the African continent, access to mobile phones is greater than access to bank accounts and basic mobile money services have the potential to transform economies. Fintech innovation, with increased mobile and internet penetration, could lead to a net improvement in financial inclusion.

The PIC supports sectors of the economy previously underserved by traditional banks. Investees in this sector include Bayport Financial Services, African Bank, AfreximBank, TCI Tiso and Resultant Finance.

PIC research indicates that more than 200 fintech companies operate in South Africa and their growth is expected to be supported by innovation hubs and technological advancements. The PIC's investments includes direct and indirect investment in microproduct providers, especially those offering digitised platforms.

Additionally, the PIC invests in and scales smaller players, contributing to small and medium enterprises growth and expanded market share. **Two additional investments** were made during the period under review:



A **R200 million debt facility** to Enable Capital, a specialised finance provider serving small, medium and micro enterprises that supply or subcontract to large corporates; and



A **R400 million debt facility** to Finance Africa, a black-woman-owned asset-based finance retail company that operates in and grows the rental finance business off and on the company's balance sheet.

Investments in various aspects of the financial sector, which include fintech, banking, development finance, investment services, asset finance, mortgage finance and small and medium enterprises finance have sustained 11 747 jobs – 400 more than in the previous year.



INVESTEES COMPANY



11 747

Total Jobs



6 748
Women

4 999
Men

Source: PIC Research, Barclays
Source: Stellenbosch University, PIC R&PD

Information and communications technology

The South African information and communications technology (ICT) sector continues to evolve rapidly, driven by advancements in digital technologies such as 5G connectivity, artificial intelligence, cloud computing and the internet of things.

The growing demand for internet connectivity, mobile services and digital solutions presents opportunities for expanding network coverage, upgrading infrastructure and enhancing service offerings. South Africa's startup ecosystem is gaining traction, with rising numbers of tech entrepreneurs driving innovation and disrupting traditional industries.

Despite this, the sector faces skills shortages, digital divide disparities, cybersecurity threats and infrastructure constraints. In response, the PIC invested in Digital Infrastructure Consortium, a special-purpose vehicle with an indirect shareholding in MetroFibre Network. The Corporation's continued partnership with Convergence Partners has yielded the following:

- Installation of more than 47 600km of fibre in Africa;
- 1 million homes were passed;
- Employment of more than 2 300 people on the continent at a cost exceeding US\$444 million; and
- 800 schools were passed, reducing barriers to entry to education opportunities.

Mining and beneficiation

During the year under review, mining production increased by **6.7%** in November 2023 according to Statistics South Africa, the largest contributors being platinum group metals at **15.2%**, coal at **10.6%** and iron-ore at **10.6%**.⁶ Notwithstanding pressures, mining remains vital to job creation and economic growth, particularly reducing unemployment through the employment of unskilled workers. According to the Minerals Council, employment numbers have increased. The PIC, through its unlisted investments portfolio and on behalf of its clients, is **involved in seven mining initiatives** that increased job numbers in 2023/24 by **22%** to **18 738** (2022/23: 14 575).

Mining operates in a tough environment, characterised by increased energy costs, high inflation and decreased commodity prices. This is compounded by electricity supply disruptions and logistics bottlenecks.

6. Statistics SA – Statistical Release P2041- Mining: Production and Sales (Preliminary) November 2023 chrome-extension://efaidnbmninnibpcjpcgclclefindmkaj/https://www.statssa.gov.za/publications/P2041/P2041November2023.pdf

Properties

During the review period, direct commercial real estate investments in South Africa rose by 3%, with notable growth in Gauteng and KwaZulu-Natal and a drop in Western Cape. Industrial property investments dominated the market, retail showed signs of recovery, the office sector was under pressure and alternative areas such as healthcare gained traction.

The PIC unlisted property strategy seeks to increase exposure to rural and township retail as this asset class is resilient. However, the portfolio is currently skewed towards offices and regional shopping centres through indirect holding in Pareto and V&A Waterfront, with concentration largely in metropolitan areas. Two sizeable investments were added during the year under review:



A **20% equity stake** in REImagine Social Impact Retail Fund, which focuses on properties and greenfield developments with potential to balance social and environmental impact with sustainable returns for investors; and



A **R1.34 billion Investment** alongside Nthoese in a newly established company (Shenge) with a seed portfolio of office and retail assets and a strong future focus on acquiring and developing rural and township retail properties.

The unlisted property portfolio is worth more than R50 billion, comprising more than 170 directly held and 13 indirectly held properties, including in the rest of Africa. During the review year, the portfolio sustained 4 628 jobs, 1 036 jobs fewer than in the previous year due to the completion of the Oceans Umhlanga development.



INVESTEES COMPANY



4 628

Grand Total



1 927
Women

2 701
Men



Source: South African Reserve Bank, Prudential Authority, Banks, SiFi Bank = Systemically important financial institution. Absa, Standard Bank, FirstRand Bank, Nedbank, Investec and Capitec Bank



Student accommodation

Demand continues to grow for higher education, fuelling the need for high-quality student accommodation near universities and colleges, especially in urban centres and major academic hubs.

Emphasis is growing on sustainable building practices, energy efficiency, waste management and social responsibility in student housing developments. Through its investments, the PIC strives to create jobs, contribute to a conducive learning environment and advance black ownership and management in the property sector.

The PIC has facilitated 24 000 beds, including student beds under management and refurbishment. These investments cover Gauteng, Western Cape, KwaZulu-Natal, Limpopo and Eastern Cape.

These investments created more than 1 400 construction and operational jobs (2022/23: 1 300).



INVESTEES COMPANY



1 402

Grand Total



334
Permanent

1 068
Temporary

Road infrastructure, transport and logistics

Transport can serve as a catalyst for economic development. Recognising this fact, the government published the White Paper on National Transport Policy in 2022. It aims to *'provide safe, reliable, effective, efficient, environmentally benign and fully integrated transport operations and infrastructure that will best meet the needs of freight and passenger customers, improving levels of service and cost in a fashion that supports government strategies for economic and social development whilst being environmentally and economically sustainable'*.⁷

The PIC has been supporting these goals, as evident from several investments in this sector. Some of the key assets include:

- The N3 Toll Concession, Bakwena Platinum Corridor Concession and N4 TRAC. The N3 starts at Cedara interchange in KwaZulu-Natal and ends at Heidelberg South interchange in Gauteng;
- The Bakwena concession manages 90km of the N1 from Tshwane to Bela-Bela and 295km of the N4 from Tshwane through Rustenburg and Zeerust to the Botswana border. N4 TRAC manages the N4 toll route from Solomon Mahlangu offramp in Tshwane to Maputo harbour in Mozambique;
- The African Infrastructure Investment Fund, which affords PIC an indirect exposure in Umoya Energy, N4 TRAC and N3 Toll Concession (it has direct and indirect exposure to N4 and N3);
- Shareholding in RTT Holdings, a national logistics network for business-to-business clients supplying logistics and supply chain expertise in fashion and lifestyle, a pharma-distribution network, domestic and international express courier service and an on-demand last-mile service; and
- Equity investment in Lanseria International Airport.

In 2023/24, the PIC's investments supported 10 041 positions, with 92% being occupied by black individuals (2022/23: 9 507). Of these, 1 642 are women, 80% of whom are black.



Construction

The construction sector is crucial to economic upliftment, infrastructure improvement and employment creation. The NDP states South Africa's intention to increase public infrastructure investment to 10% of GDP by 2030, with key areas being energy, transport and water. However, this investment has declined and averaged only 5.4% between 2021 and 2022.⁸ Additionally, private sector development has slowed.

From December 2022 to December 2023, construction lost 19 000 jobs – 13 000 full-time and 6 000 part-time.⁹ However, a compound annual growth rate of 5.8% is forecast between 2023 and 2027, with construction output said to reach R276 million by 2027.¹⁰

The PIC's investment support this, having created 2 364 job opportunities (2022/23: 2 187).

7. White Paper on National Transport Policy 2021, Pretoria, 2022

8. Construction Industry Development Board (2024), Construction Monitor April 2024. <https://www.cidb.org.za/resource-centre/downloads/1/#45-89-wpfd-april-1619776569>

9. T Shomolekae (2024), Decline in formal sector employment for 2023 Q4 – Stats SA. <https://www.polity.org.za/article/decline-in-formal-sector-employment-for-2023-q4-stats-sa-2024-03-26>

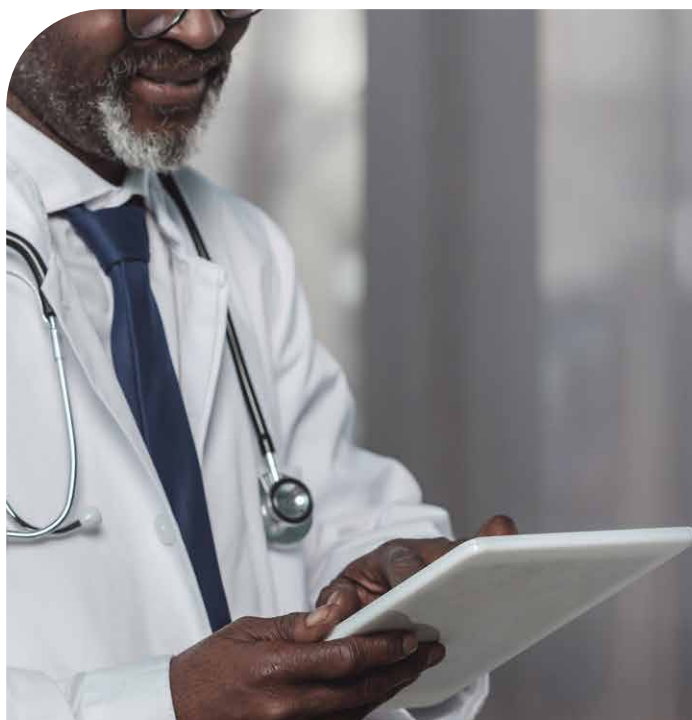
10. Research and Markets (2023), South Africa Construction Industry Report 2023: Output is expected to reach ZAR 276,797.9 million by 2027. <https://www.globenewswire.com/en/news-release/2023/03/03/2620168/28124/en/South-Africa-Construction-Industry-Report-2023-Output-is-Expected-to-Reach-ZAR-276-797-9-Million-by-2027.html>

Multi-management private markets (Fund of Funds)

The multi-management private markets (Fund of Funds) structure has given the PIC indirect access to several sectors of the economy through investments in funds in the unlisted space. As a limited partner in these Funds, the PIC may co-invest directly in portfolio companies alongside the fund.

During the review period and, following scrutiny of ESG integration, the PIC invested in three generalist funds – Old Mutual Private Equity Fund V, Sanlam Private Equity Mid-Market Fund I and Sanari 3S Growth Fund.

The transformation imperative prompted the Sanari arrangement. Sanari is a women-founded and -led private equity firm investing in South African and African growth companies. Sanari partners with portfolio company management to build sustainable, scalable and saleable businesses.



Healthcare

Provision of quality healthcare is crucial to South Africa's development, with both the government and private sector playing roles. Major healthcare market developments include government's advancement of universal healthcare coverage, through the National Health Insurance scheme, to provide equitable access to good-quality healthcare services for all South Africans. Additionally, in recent years, the trend has grown towards consolidation in private healthcare, driven by factors such as economies of scale, increased bargaining power with suppliers and enhanced services. Evolving medical technology and digital healthcare solutions present attractive prospects, with the local sector embracing telemedicine, electronic health records and artificial intelligence – driven diagnostics. Investing in innovative healthcare technologies could yield substantial returns while addressing key healthcare delivery challenges.



The facilities have **5 000** beds across South Africa. The PIC supported more than **7 500 jobs** in 2023/24 (2022/23: 8 400).

The PIC is aligned with the mandate of the National Health Insurance through investment in health infrastructure, support of healthcare services and staff training and development at the 45 hospitals and medical centres and three clinics in which it has directly and indirectly invested.

Manufacturing

A contribution of 12.27% to GDP in 2023, as reported by Statistics South Africa, underscores the significance of manufacturing to the South African economy. Through investments in manufacturing, the PIC promotes industrial development, enhancing productivity and fostering innovation. This contributes to realisation of SDG 8: 'Decent work and economic growth' and SDG 9: 'Industry, innovation and infrastructure'.



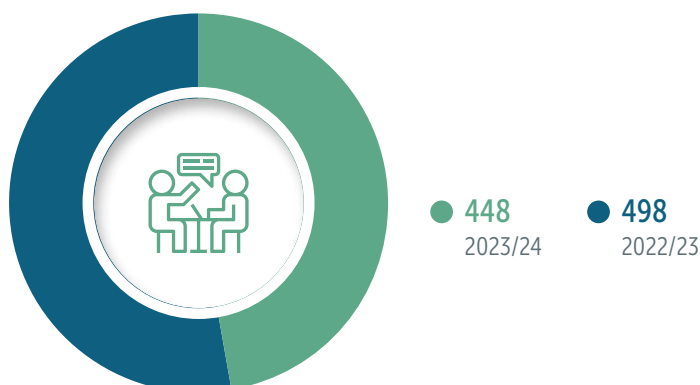
In 2023/24, the PIC secured **3 963 jobs** (2022/23: 5 866)

Unlisted investments engagements and proxy voting

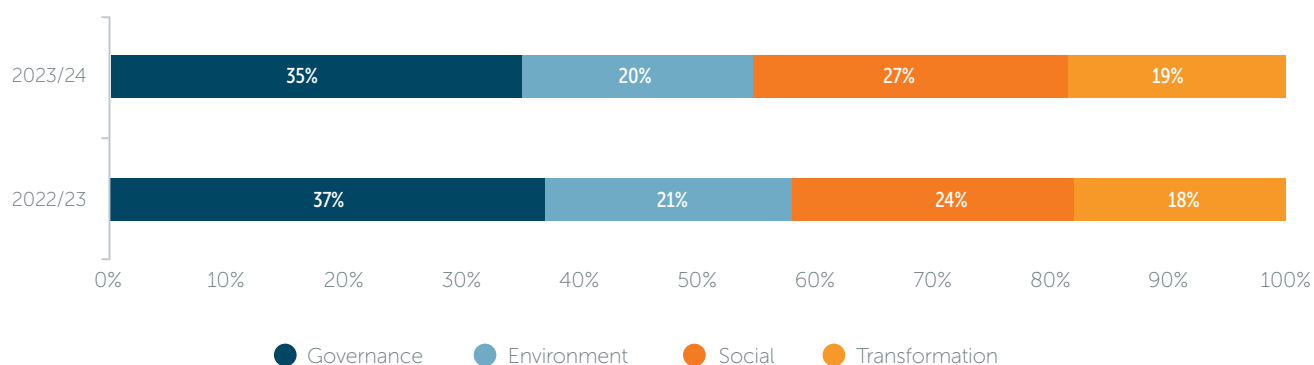
Engagements by pillar 2023/24

During the financial year under review, the PIC engaged across all pillars on 448 ESG matters (compared to 493 the previous year). Data were collated from 85 investee companies (2022/23: 84), excluding those that are in business rescue, liquidation or litigation. Areas of engagement were as follows: Governance 35% (2022/23: 37%), environment 20% (2022/23: 21%), social matters 27% (2022/23: 24%) and transformation 19% (2022/23: 18%).

ENGAGEMENTS



ENGAGEMENTS COMPOSITION TREND



Voting record period: 1 April 2023 to 31 March 2024

The PIC's well-established approach to responsible investing and shareholder activism includes:

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



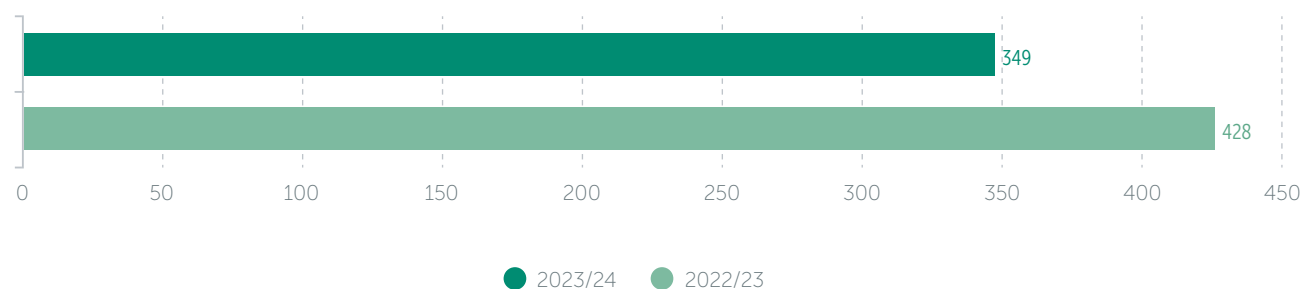
During the review under review year, the PIC voted on **428 resolutions** compared to 349 in 2022/23 resolutions at 49 companies (2022/23: 42).



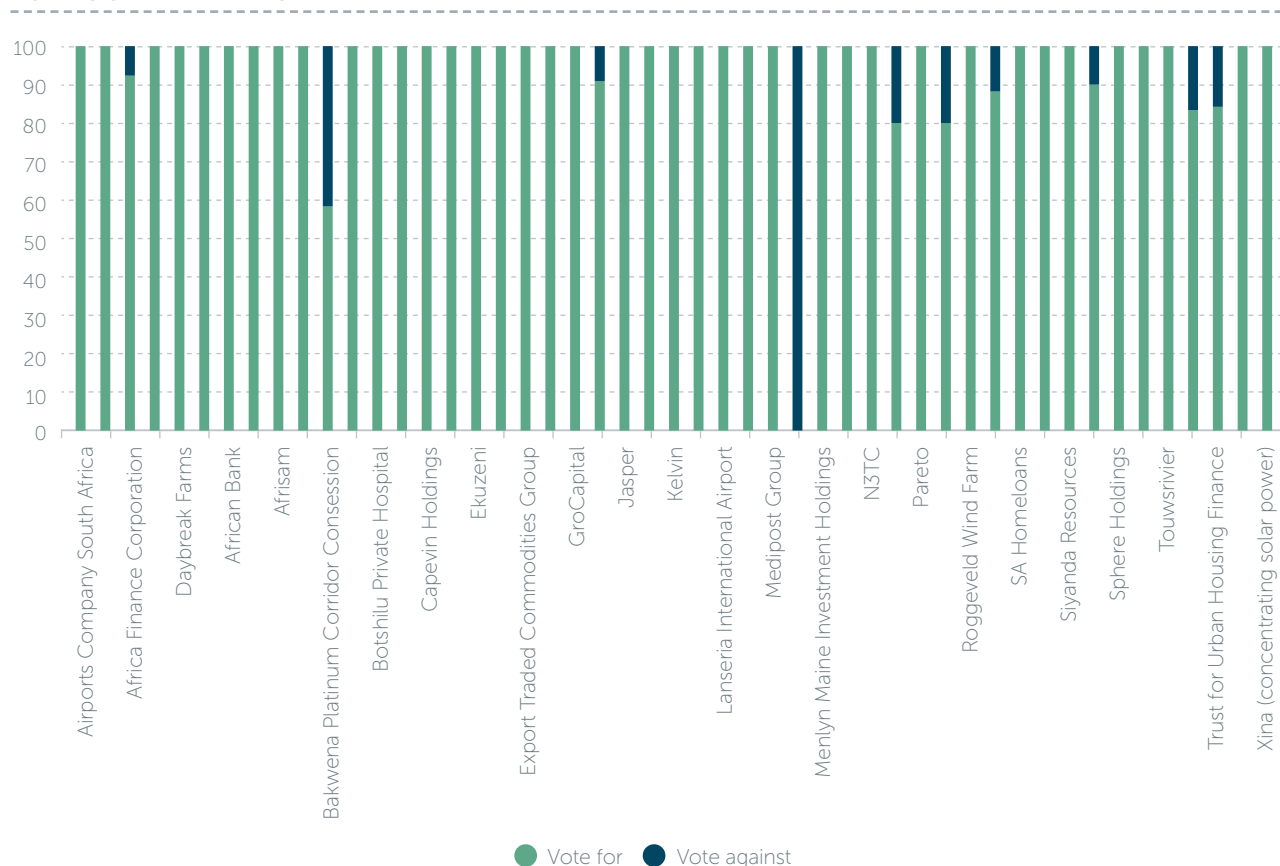
The table and graph below show proxy voting trends:

Voting pattern	2019/20	2022/21	2021/22	2022/23	2023/24
Voted for	221	256	344	315	402
Voted against	14	17	21	33	26
Abstained	9	1	6	1	-
Companies voted on	60	34	69	42	49
Total resolutions	244	274	371	349	428

NUMBER OF RESOLUTIONS VOTED ON



VOTING SPLIT PER INVESTEE



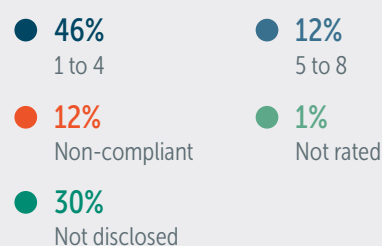
Transformation performance

Diversity and inclusivity are strategic imperatives for many global entities, the PIC included.

The PIC's focus is on appointment of persons with disabilities, historically disadvantaged individuals, women and youth across the company and at its board and executive management levels. Further to this, the PIC advocates retention, development and succession planning for these individuals.

In addition to its own goals, the PIC encourages boards of investee companies to drive transformation and inclusivity as strategic priorities. Transformation is monitored in investee companies, which are required to compile a three- or five-year transformation plan, maintain B-BBEE performance ratings from levels 8 to 1 and report regularly on progress. Poor performers are urged to achieve level 3 at a minimum.

B-BBEE PERFORMANCE RESULTS FOR 2023/24:



CORPORATE SOCIAL INVESTMENT REPORT

Through its corporate social investment (CSI) initiatives, the PIC reinforces its status as a responsible corporate citizen and an organisation sensitive to South Africa's socio-economic realities.

Providing opportunities to develop disadvantaged individuals and communities, especially women, people living with disabilities and the youth, and particularly those beneficiaries in rural areas, are the fundamental principles of the PIC's CSI approach. The CSI programme encourages employee participation

and explores joint efforts with PIC clients and investee companies to advance the objectives of the National Developmental Plan (NDP), the United Nations (UN) Sustainable Development Goals (SDGs), as well as observance of the King IV™ Code on responsible corporate governance.

The PIC's CSI strategy rests on three pillars



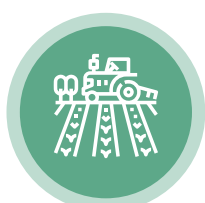
Education and training

Improving personal development of prospects through knowledge and skills training.



Socio-economic development

Promoting sustainable growth and upliftment in underserved communities.



Agriculture, conservation and the environment

Contributing to a greener and more sustainable South Africa.

Engaging in a CSI project

Projects originate from PIC research or from external sources. Project proposals are assessed against a set of criteria, followed by due diligence to ensure that beneficiary organisations are legal entities in good standing, with proven governance practices and financial management. Chosen projects are implemented in line with the PIC delegation of authority and progress is reported regularly to the Social, Ethics and Transformation Committee and Exco.

THE PIC'S FLAGSHIP PROJECT: TACKLING BARRIERS TO EDUCATION

Inadequate infrastructure and resources in rural schools hinder the learning ability of young pupils. The lack of sanitation and hygiene facilities, in particular, poses significant risks to the health of children and teachers. Therefore, the PIC identified as its flagship project the supply of sanitation infrastructure and sanitary packs to rural schools. The intention is to channel 50% of PIC CSI funds over the next five years into this initiative to ensure its social impact is scaled up.

During the 2023/24 financial year, Baranuka Secondary School in Lulekani, in Ba-Phalarborwa Municipality in Limpopo was the selected beneficiary. The school's 1 587 learners (grades 8 to 12) previously had to use four pit latrines while flushing sanitation facilities were reserved for the educators. Learners had to wait in long queues during daily school recesses and girls were often absent from school during their menstrual cycles. Post-Grade 10 dropout rates are alarmingly high.

The PIC funded the construction of 16 flushing toilets, 12 washbasins and four flushing urinals. Hygiene care packs were supplied to 200 learners in Grade 12, packaged in branded drawstring bags and also containing essential items for personal hygiene.

The construction of the ablution unit provided job opportunities for local residents and the PIC insisted on indirect empowerment by engaging local suppliers. The work at Baranuka follows a similar sanitation infrastructure investment in the previous financial year that was delivered to Poelano Secondary School in Dr Kenneth Kaunda District in North West.

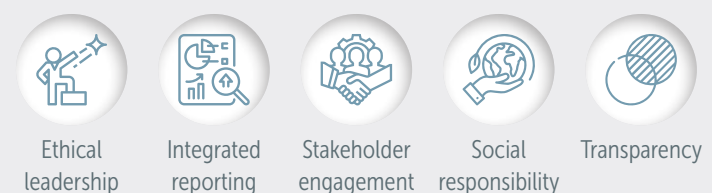
Sustainable Development Goals



National Development Plan



King IV™ principles



The PIC also conducted the following CSI initiatives during 2023/24:

Socio-economic development



Gauteng



Nelson Mandela Day: In supporting Mandela Month, on 18 July 2023, the PIC packed 16 129 meals in just 67 minutes to honour the former president's legacy. This was inspired by Madiba's immortal words: 'What counts in life is not the mere fact that we have lived. It is what difference we have made to the lives of others that will determine the significance of the life we lead'.



Sustainable Development Goals supported



National Development Plan outcomes supported

- Addressing educational disparities
- Youth skills development
- Rural and township development
- Broad-based black economic empowerment
- Preparation for future challenges



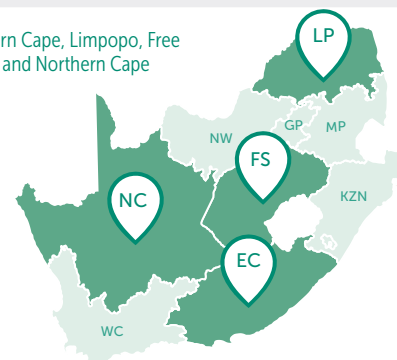
King IV™ principles advanced

- Ethical leadership
- Sustainability
- Stakeholder inclusivity
- Corporate citizenship
- Transparency

Education and training



Eastern Cape, Limpopo, Free State and Northern Cape



In a strategic partnership with Primestars EduGate, the PIC was involved in the 2023 mathematics and science revision programme for matriculants across schools in Eastern Cape, Limpopo, Free State and Northern Cape.

Termed the 'Private tutor to public education', Primestars identified schools across rural areas and townships needing support. More than 27 000 learners benefitted from the tutor programme, which uses multiple platforms, including cinema and digital engagement. Learners were provided with textbooks containing practical exercises and exam papers from previous years.

The PIC assisted up to 600 students (98% black learners) across four schools in four provinces.



Sustainable Development Goals supported



National Development Plan outcomes supported

- Addressing educational disparities
- Youth skills development
- Rural and township development
- Broad-based black economic empowerment
- Preparation for future challenges



King IV™ principles advanced

- Corporate citizenship
- Ethical leadership
- Inclusive growth
- Integrated thinking
- Stakeholder engagement



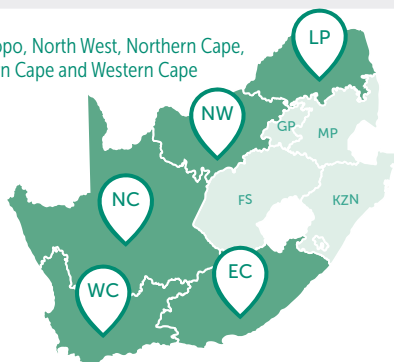
Education and training



Socio-economic development



Limpopo, North West, Northern Cape, Eastern Cape and Western Cape



In contributing to combatting gender-based violence, the PIC supported the 'What About The Boys' programme. Under the direction of Primestars, the programme fosters positive behavioural changes and societal shifts, particularly among boys in township and rural schools.

With this initiative, the PIC acknowledges the need to nurture, through education, a generation of young men who are emotionally intelligent, empathetic and active advocates against bullying, discrimination, gender-based violence and inequality.

The programme raised awareness of healthy sexual relations, consent and HIV/Aids among more than 1 300 students across five schools in Limpopo, North West, Northern Cape, Eastern Cape and Western Cape. The awareness was particularly pertinent on World Aids Day, 1 December 2023, under the theme 'Let communities unite'.

The Primestars partnership entails the screening of educational videos in a cinema-like setting at schools, the distribution of 'good men's guides' to learners, mentorship sessions and a commitment to a #DoBetter pledge. This methodology teaches boys to manage anger and conflict, share and express emotions in a healthy and safe environment, accept and connect with others, stand up and speak out against bullying and inequality, and break free from rigid stereotypes.



Sustainable Development Goals supported



National Development Plan outcomes supported

- Social cohesion and safe communities
- Health and wellbeing
- Quality education
- Partnerships for impact
- Gender equality



King IV™ principles advanced

- Ethical leadership
- Stakeholder inclusivity
- Strategic objectives and performance
- Transparent reporting
- Responsible corporate citizenship



Education and training



KwaZulu-Natal



The PIC launched a coding and digital technology project for women in KwaZulu-Natal, 'WeThinkCode'.

Founded in 2015, WeThinkCode strives to democratise education and level the playing field for aspiring technologists. Eligible candidates are evaluated on aptitude for solving problems and logical reasoning rather than formal qualifications. Through this programme, students undergo an intense two-year journey of learning and experience in programming digital computer languages, software development and other in-demand technical skills.

The PIC donated 20 desktop computers and is sponsoring 16 months of tech training for black female students from KwaMashu township. This sponsorship covers tuition fees and a stipend. On completion of the training, the students will receive a National Qualifications Framework 5 certificate.



Sustainable Development Goals supported



National Development Plan outcomes supported

- Addressing skills shortages
- Promoting gender equality
- Supporting youth empowerment
- Encouraging innovation
- Enhancing access to quality education



King IV™ principles advanced

- Ethical leadership
- Stakeholder inclusivity
- Strategic risk management
- Transparent reporting
- Integrated sustainability



Education and training



North-West



The PIC partnership with Mina Foundation, initiated in 2022/23, continued donations of menstrual cups to schools to help young girls during their menstrual cycles. During 2023/24, the PIC reached 1 078 Grade 8 girls and boys – 95% of whom are black – in four schools across North West. This is exponential growth compared to the prior year where 708 students from Eastern Cape benefitted.

Over and above the menstrual cups, the girls received "Mina happy packs", which include soaps, toothbrushes, face towels and journals – fostering a sense of empowerment and wellbeing among learners.

Participating boys attended a life orientation workshop and received their own care packs. This inclusive approach was deemed crucial in breaking down societal taboos and fostering a supportive environment for girls. Educating boys about menstruation and personal hygiene encourages empathy, care and understanding.



Sustainable Development Goals supported



National Development Plan outcomes supported

- › Education and skills development
- › Gender equality
- › Health and wellbeing
- › Social cohesion
- › Sustainable development



King IV™ principles advanced

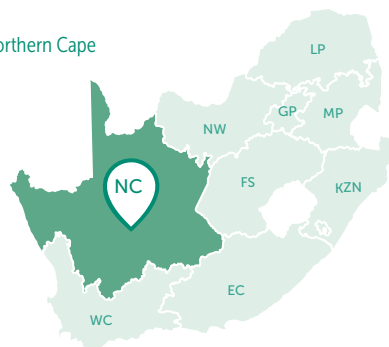
- › Ethical leadership
- › Corporate citizenship
- › Stakeholder inclusivity
- › Integrated thinking
- › Transparency and accountability



Socio-economic development



Northern Cape



Available data suggest that some 600 000 children with disabilities struggle to access education due to a lack of appropriate assistive devices.

The PIC joined forces with the National Council for Persons with Disabilities to run a project in Northern Cape to supply 15 custom-made wheelchair devices to empower individuals to become active participants in the country's economy.



Sustainable Development Goals supported



National Development Plan outcomes supported

- › Education and skills development
- › Social protection
- › Healthcare
- › Inclusive growth
- › Rural development



King IV™ principles advanced

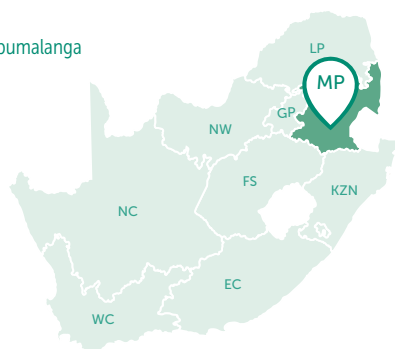
- › Ethical leadership
- › Sustainable development
- › Stakeholder inclusivity
- › Governance
- › Value creation



Education and training



Mpumalanga



The PIC supported Arise and Shine Educare Centre in Kwamhlanga, Mpumalanga to develop a high-quality early learning centre.

The centre provides a nurturing environment for 15 children aged two to four years, providing daycare services and preparation for Grade R.

The PIC's support included essential resources, upgrading infrastructure, educational toys for indoor and outdoor activities, providing sanitation facilities to replace the previous pit toilet, water, playground equipment and technology tools. Local businesses and professionals were brought on board, promoting community involvement and ownership of the initiatives.



Sustainable Development Goals supported



National Development Plan outcomes supported

- Quality education
- Human development
- Social protection
- Economic participation
- Community involvement



King IV™ principles advanced

- Ethical leadership
- Sustainability
- Stakeholder inclusivity
- Performance and value creation
- Responsibility and accountability



STAKEHOLDER AND CLIENT ENGAGEMENTS

The PIC continually seeks to identify, explore and understand meaningful relations and the concomitant environment in which they operate. The PIC's engagements with key stakeholders are guided by the Board-approved Stakeholder Management Framework and the News and Media Policy, which seek to enhance the PIC's ability to obtain value from its stakeholder and client relationships.

Engagement is a systematic, logical and practical process by which the PIC identifies all its stakeholders, their interests in the PIC and their level of influence and their trust in the integrity of the organisation. This is done in terms of the Stakeholder Management Framework and also a guideline to prioritise stakeholder engagements. It is a dedicated, strategic and coordinated approach to stakeholder management that ensures that all stakeholders are treated in a coordinated, fair and transparent manner.

Stakeholder management is also informed by principle 16 of King IV™, which argues for 'a stakeholder-inclusive approach that balances the needs, interests and expectations for material stakeholders in the best interests of the organisation over time'.

In terms of the PIC's Stakeholder Engagement Framework, the following engagements occurred during the financial year. (Other detailed engagements with listed and unlisted investee companies are contained in the ESG report section from pages 104 to 137).



FINANCIAL SECTOR CONDUCT AUTHORITY

Onsite inspection conducted to assess compliance with the FAIS Act and client mandates



1
In-person onsite inspection



SOUTH AFRICAN RESERVE BANK

- › Investments in foreign jurisdictions
- › Workshop on role and mandate of the PIC as an asset manager
- › Significant ownership applications in respect for financial stocks



5
Virtual meetings



NATIONAL TREASURY

Investments in foreign jurisdictions and low-tax jurisdictions



5
Virtual meetings

The above excludes media releases and media responses by the PIC to media queries.

● Stakeholder category and engagement matters

● Engagement channels and number of engagements



NATIONAL TREASURY (MINISTER OF FINANCE AS SHAREHOLDER)

Annual general meeting



1
In-person meetings



MINISTRY AND DEPUTY MINISTRY OF FINANCE AS WELL AS NATIONAL TREASURY

Media and parliamentary matters



16
Bi-weekly Virtual meetings



CLIENT SITE VISITS TO INVESTEE COMPANIES

- › Daybreak Farms (Mpumalanga)
- › Dew Fresh (Mpumalanga)
- › Kleentech Student Accommodation (Limpopo)
- › Oceans Mall (KwaZulu-Natal)
- › Malvern (KwaZulu-Natal)
- › Amalooloo (Gauteng)
- › Khatu Solar Park (Northern Cape)
- › De Aar Solar Capital (Northern Cape)
- › Mpudulle (Gauteng)
- › Agri Fund (Western Cape)
- › AFGRI (Gauteng and Mpumalanga)
- › Adowa (Western Cape)
- › Heineken (Western Cape)
- › Kiaat Private Hospital (Mpumalanga)
- › Concor (Western Cape)
- › Lona Coega (Eastern Cape)



16
In-person meetings



STAFF

- › Revitalising the PIC, Brilliant Basics and Beyond: 2023/24 performance management workshop
- › Revitalisation: The PIC Way launch
- › Organisational redesign
- › Wellness day and wellness assessments
- › Launching of Integrated Annual Report and Financial Statements
- › Embarking on a TR²AI²L of transformation: Unveiling the new PIC values



6
In-person meetings



MEDIA

- › Financial Mail
- › Bloomberg
- › Launching of Integrated Annual Report and Financial Statements



4
In-person meetings

The above excludes media releases and media responses by the PIC to media queries.

● Stakeholder category and engagement matters

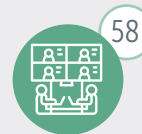
● Engagement channels and number of engagements



CLIENTS

Ongoing client portfolio performance engagements at:

- › Board-to-board
- › Investment committee-to-investment committee
- › Client investment committees
- › Client board committees
- › Executive committee co to executive committee
- › Management committee to management committee
- › Various liaison committee meetings (i.e., investment, financial, communications, ESG, risk, legal)
- › Ad-hoc engagements



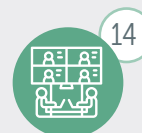
In-person and virtual



CORPORATE SOCIAL INVESTMENT

Community and school engagements:

- › Primestars EduCate: maths and science revision programme for matriculants across schools in Eastern Cape, Limpopo, Free State and Northern Cape
- › 16 Days of Activism for No Violence against Women and Children: 'What About The Boys' programme for learners across schools in Limpopo, North West, Northern Cape, Eastern Cape and Western Cape
- › Digital technology project for women in KwaZulu-Natal, 'WeThinkCode'
- › Mina Foundation: Donations of menstrual cups to schools in North West
- › National Council for Persons with Disabilities: Northern Cape Province
- › Early childhood development: Arise and Shine Educare Centre in Kwamhlanga, Mpumalanga
- › Construction of sanitation facilities at Baranuka Secondary School in Lulekani, Limpopo



In-person and virtual



JOHANNESBURG STOCK EXCHANGE

The offsite inspection was conducted to assess compliance with the Financial Markets Act, FICA and JSE listing requirements



In-person meetings

The above excludes media releases and media responses by the PIC to media queries.

● Stakeholder category and engagement matters

● Engagement channels and number of engagements

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

The Social, Ethics and Transformation Committee (SETCO) is pleased to present its report for the financial year ended 31 March 2024.



SETCO's functions are outlined in its Board-approved terms of reference and include oversight and reporting on organisational ethics, ethical culture, transformation, responsible corporate citizenship, sustainable development, stakeholder relationships, and safety, security, health, environmental, social, labour and employment practices. Additionally, it oversees ethics and reputational risks referred by Board committees, such as those responsible for investment, human resources, internal audit and risk. These committees provide reports to SETCO that enable it to monitor the PIC's ethics-related activities and reputational risks.

SETCO functions, composition and meetings

SETCO is a statutory committee under sections 72(4) to (10), read with Regulation 43, of the Companies Act No 71 of 2008; Section 7 of the Public Investment Corporation Act No 23 of 2004, as amended principle 8 of King IV™.

Leading by example, the Board drives good corporate governance by ensuring that SETCO's composition remains appropriately balanced and has the attributes needed to support the PIC's strategic priorities. The skills of members are, thus, varied and appropriate, ensuring that deliberations are comprehensive and robust. Members' qualifications and experience are detailed on pages 26 to 30 of this report.

The standing invitees to SETCO include the CEO and representatives from ESG division, risk management, human capital and corporate affairs departments and the ethics office. During the year under review, there were seven SETCO meetings, including two special meetings.

Essentially, SETCO is mandated by the Board to monitor and review the PIC's governance documents and policies on ethics, social development, good corporate citizenship, sustainable development, stakeholder relationships and transformation.

Key focus areas for the year ended 31 March 2024

During the period under review, SETCO reviewed its terms of reference in accordance with the PIC Delegation of Authority Framework and approved the revised workplan. The focus was also to cultivate an ethical culture in PIC business practices as this area had been found wanting by the Mpati Commission. This report provides more details on the activities of the ethics office.

The establishment of the ethics office and ethics management structure was recommended by the Board and implemented under the supervision of SETCO three years ago (2020) and is now fully integrated into the business of the Corporation. An ethics code continues to guide the PIC in maintaining the highest standards of ethical behaviour, upholding ethical standards in all activities and complying with laws.

The following policies and guidelines were considered and recommended to the Board for approval:

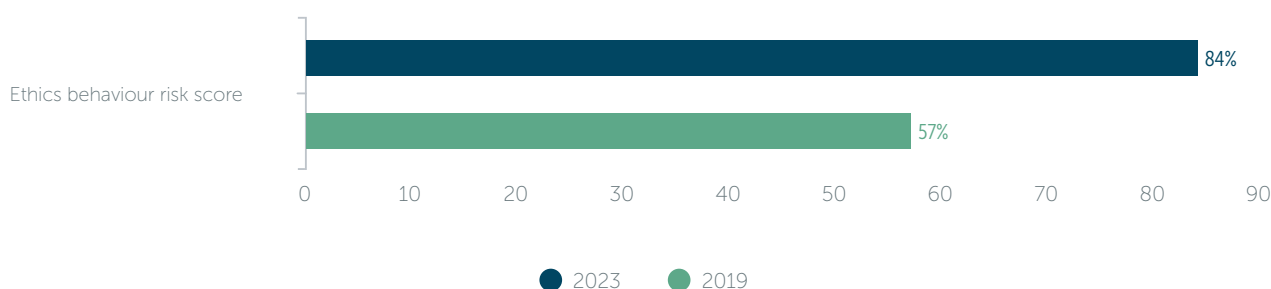
- PIC Ethics Charter;
- Process for Referral to SETCO in relation to Ethics and Reputational Risk identified in Investments;
- Stakeholder Management Framework;
- Client Relations Policy,
- Gifts Policy;
- Conflict of Interest Guideline;
- PIC Code of Ethics,
- Treating Customers Fairly Policy,
- Client Complaint Resolution Policy; and
- News and Social Media Policy.

SETCO's oversight and monitoring function ensures transparency, accountability and integrity in all investment decisions and interactions with PIC stakeholders and in the daily operations of the PIC.

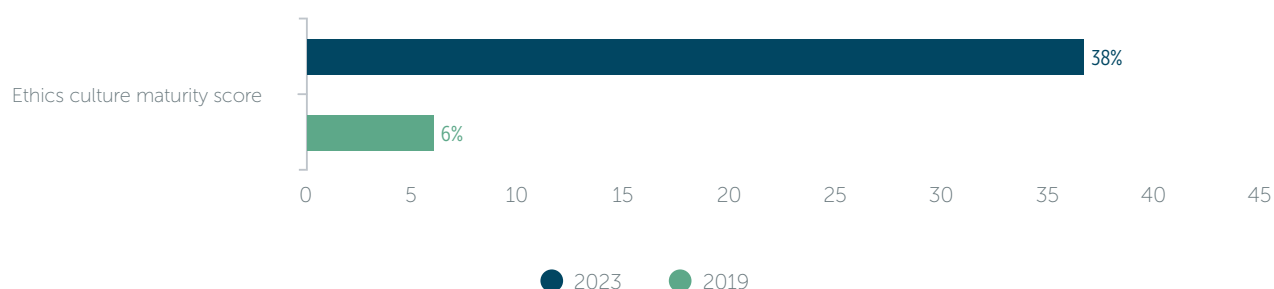
Ethics interventions in the year under review:

- New PIC values launched on 31 January 2024 following a democratic process of employee voting to ensure ownership and buy-in. Employees pledged, at the launch function their commitment to upholding the values.
- All directors signed an ethics pledge committing to abide by the codes of conduct and ethics.
- Forty-five ethics and reputational risks assessments, including for potential investments, conducted by the ethics office (see figure below) and 11 high-risk cases referred to SETCO for further review and recommendations.
- With 88% of actions emanating from the ethics risk assessment of January 2020 having been implemented, a follow-up assessment was conducted between July and December 2023, including workshops and an independent anonymous survey to determine whether the ethics strategy actions already implemented have yielded results, and to identify and mitigate new and existing ethics risks. The 2023 ethics risk assessment showed an improvement. The response rate rose from 34% in 2020 to 57% in 2023, a pleasing upward trajectory.

ETHICS BEHAVIOUR RISK RATING

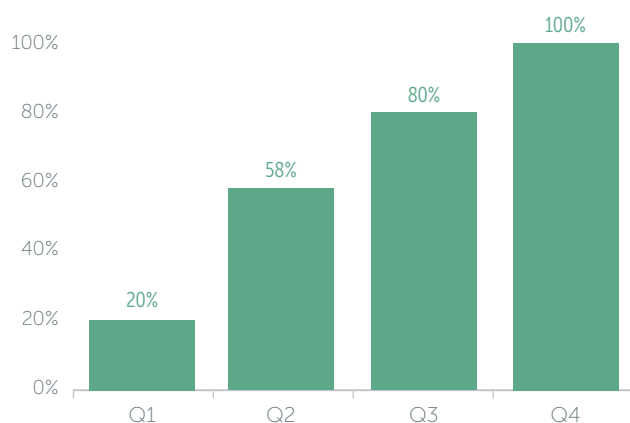


ETHICS CULTURE MATURITY RANKING

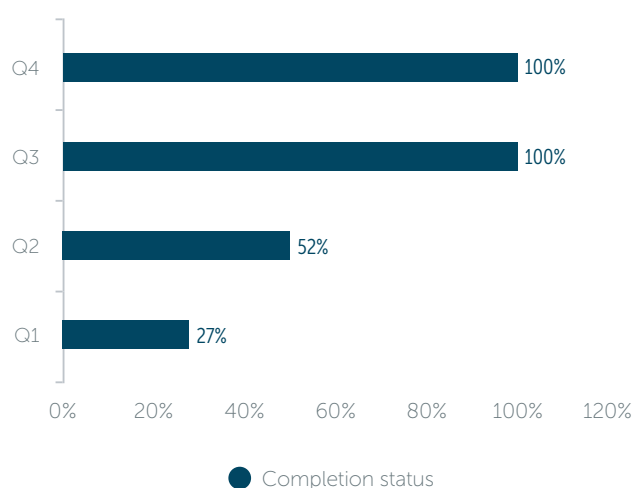


- The overall ethics behaviour score improved significantly from 2019 to 2023, shifting from a high risk to a moderate risk level. All dimensions of ethical behaviour showed progress, but some areas require improvement.
- Ethics awareness at the PIC improved by 75 ranking points (2023: 84 points vs 2019: 9 points), indicating interventions were implemented to ensure employees know about ethical behaviour. An ethics strategy and management plan will be developed to address the areas that need attention.
- Ethics risk registers were monitored quarterly to evaluate the effectiveness of ethics control measures. The current risk rating for ethics risk is low.
- The ethics office conducted an employee declaration of interest exercise, the final ethics-related action from the Mpati Commission.
- SETCO monitored quarterly the results of the compulsory ethics training and the declaration of interests. By 31 March 2024, 100% of employees had been trained and had declared their interests on the online platform.

ANNUAL ETHICS TRAINING TRACKER



ANNUAL DECLARATION OF INTERESTS TRACKER

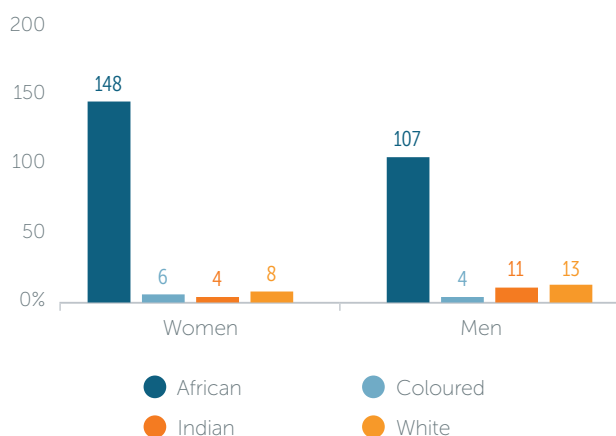


The whistleblower hotline and AskEthics channels recorded 14 allegations, eight internal and six for investee companies. Two investigations were completed, three were closed with recommendations and nine are still in progress.

RECORDED ETHICS CONCERNS



TRAINING – RACE AND GENDER

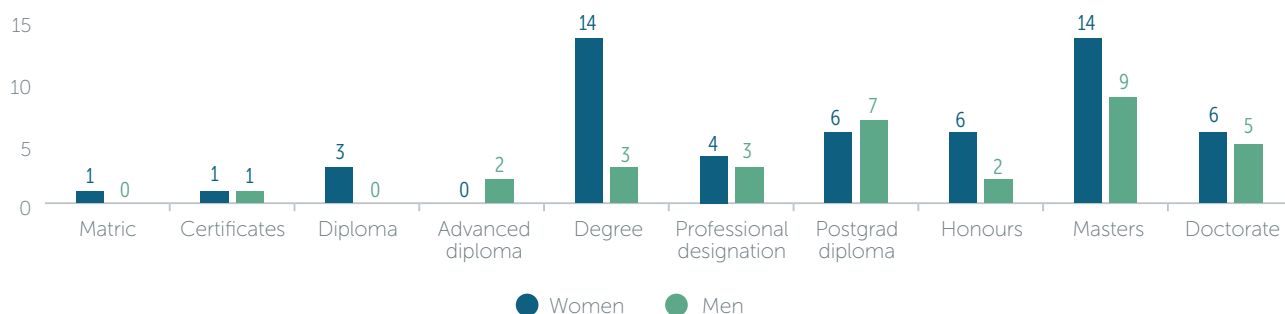


Human capital

SETCO continues to monitor employment practices to ensure that they are fair and respectful to employees. The committee was kept apprised of the revitalisation initiative to improve organisational effectiveness and the culture survey. Learning and development interventions continued to focus on employee and young talent development, with an increase in training for women.

Skills development spend for 2023/24 was R17.8 million compared to R18.6 million in the previous year. This was due to more organisational development training organised for PIC staff. Employee development accounted for R7.9 million, with R7.6 million on black employees, R3.7 million of which was on black women. Bursaries worth R3 million were disbursed to 87 employees, 77 of whom are black. Among these are 55 women, 53 of whom are black. Fifteen black employees completed the Gordon Institute of Business Science management and leadership development programme, seven of whom are women. Exco members enrolled on the Henley Business School executive development programme.

EMPLOYEE BURSARIES



Sixteen of the 21 graduate development programme candidates (76%) were absorbed within the PIC and externally (50% were black women), contributing to the country's pool of investment and asset management professionals. Overall, 11 of the 16 graduates were absorbed into the organisation (69%).

Safety, health and environment

The safety, health and environment office identifies, manages, monitors and reports risks quarterly to SETCO. The office has ensured that the PIC complies with all safety and health regulations and has provided this assurance to SETCO, including regular servicing of fire equipment, conducting emergency drills and training staff on all aspects of safety, health and environmental requirements.

Stakeholder relationship management

The diversity of the PIC stakeholder base of clients, regulators, investee companies, the government and the public makes relationship management increasingly important. SETCO received quarterly reports on stakeholder engagement and communication strategies, referring these to the Board.

SETCO received quarterly media monitoring reports analysing the level, frequency and reputational risk of the PIC's media exposure.

Board approval was sought during the year on an internal communications standard operating procedure to facilitate effective, proactive communications among internal stakeholders and a CSI implementation plan to effect the approved CSI strategy.

For more on stakeholder engagement see pages 144 to 146 of this report.

Corporate social investment

At the PIC, CSI is regarded as a strategic intervention that correlates with the objectives of the NDP and SDGs. The Corporation donates 1% of net profit after tax to these activities.

The CSI strategy addresses pressing social challenges and aims to contribute to the upliftment of disadvantaged individuals and communities in targeted areas. Key focuses include education and training, socio-economic development, agriculture and environment conservation, with particular emphasis on empowering women, people living with disabilities and the youth. In some rural schools, PIC CSI projects have included the installation of flushing toilets to uphold the dignity of learners and teachers as well as improve the health and safety of all concerned.

The five-year CSI strategy and implementation plan was approved in May 2023. It seeks to benefit non-profit, non-governmental and public benefit organisations and will focus on improving sanitation at rural schools and addressing hygiene and education challenges.

A detailed overview of CSI initiatives appears on pages 138 to 143 of this report.

Transformation

The PIC Transformation Charter was considered by SETCO and approved by the Board in August 2022. The committee approved the transformation implementation plan during the year under review, which details business unit activities and alignment to the charter principles. Progress was monitored quarterly.

The PIC continues to prioritise transformation through diversity and equality among investee companies, which must also demonstrate a commitment to creating entrepreneurial opportunities for businesses led by women, the youth and people living with disabilities.


It encourages 50% women in board composition, as diversity contributes to overall board effectiveness and is a sign of an effective nomination process.

The 50% target also applies to the top management of investee companies, with at least 30% of women from historically disadvantaged backgrounds. Untransformed and poorly transformed investee companies will be required to set targets and definitive timelines for monitoring by the PIC.

SETCO monitors transformation in investee firms through quarterly listed and unlisted ESG stewardship reports.

PIC investments on behalf of clients have a strong focus on socio-economic development by stimulating sustainable economic growth, increasing productive employment, reducing poverty and inequality and generating sustainable financial returns. Investments must also advance economic transformation and contribute to building an inclusive economy that provides meaningful participation and opportunities for all citizens.

The PIC Transformation Charter seeks to advance its transformation agenda among other stakeholders and internally, in line with the Employment Equity Act, the B-BBEE Act and codes of good practice.



During the year in review, SETCO's advocacy, oversight and monitoring role contributed greatly to the PIC's success in advancing social development and transformation, entrenching ethics, promoting fair labour practices and embedding responsible ESG principles.

Accelerating impact in 2024/25

Meaningful transformation initiatives will be continuing priorities.

Ethics processes will be embedded in employee vetting.

Procedures will be put in place to prevent bribery and ensure alignment with the Prevention and Combatting of Corrupt Activities Act 12 of 2004, including the new amendment.

The ethics strategy and management plan for 2024 to 2027 will be developed, taking into account the recommendations of the ethics survey undertaken during the year. Other recommendations will be implemented during 2024/25 and monitored by SETCO.

Capacity building of SETCO members and Board members in ethics.

Capacitation of the ethics office.

Automation of ethics processes to optimise efficiencies.

Conclusion

During the year in review, SETCO's advocacy, oversight and monitoring role contributed greatly to the PIC's success in advancing social development and transformation, entrenching ethics, promoting fair labour practices and embedding responsible ESG principles.

In conclusion, I wish to thank the Chair of the Board Dr D Masondo and the Board for their support in taking seriously the role of SETCO. My thanks also go to fellow SETCO members for their commitment and valuable contributions to the work of the committee throughout the year as this has enabled SETCO to discharge its duties as set out in its terms of reference. Finally, my thanks go to the ethics office for the constant support to SETCO, the Company Secretariat management and the office of the CEO.



Barbara Watson

Chairperson: SETCO

7

PART SEVEN

Risk Management

TR²A I²L VALUES

TRANSPARENCY

RESPECT | RESULTS-DRIVEN

ACCOUNTABILITY

INNOVATION | INTEGRITY

LEAD BY EXAMPLE

RISK MANAGEMENT AND MITIGATION STRATEGIES

Risk management is central to the PIC's ability to deliver on its investment mandate, to its own sustainability and the sustainability of its clients' portfolios. King IV™ Principle 11 states that, 'the governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives'. Although the PIC Board ultimately has to ensure the effective management of risk, it has delegated oversight of the risk function to the Chief Risk Officer.

Risk management is concerned with identifying, assessing, measuring, prioritising and responding to risks that may affect the achievement of the PIC's strategic, investment and operational objectives. This approach minimises the probability of negative events and maximises the potential for credible investment opportunities.

Strategic risks identified by the Board and Exco are monitored quarterly to ensure an appropriate risk profile for the organisation. Through risk identification and measurement, suitable responses are developed, continuously updated and enhanced in line with a changing business environment.

Enterprise-wide risk management

In a complex financial services environment, risk management processes and strategies evolve and are regularly reviewed and modified. The PIC subscribes to an enterprise-wide approach to managing risk, defined in its Enterprise Risk Management Framework (ERMF). The ERMF stipulates that risks are to be identified, measured, managed, reported on and monitored constantly.

The ERMF, based on robust risk management and a strong governance structure, echoes the principles of King IV™, the ISO 31000 and the Committee of Sponsoring Organisations of the Treadway Commission frameworks. It guides the definition of risk appetite and tolerance, focusing on a risk-aware culture and on the development and implementation of policies and processes to identify, assess, mitigate, monitor and report on existing and emerging risks.

Through the ERMF, the PIC uses both top-down and bottom-up approaches to risk identification, assessment and mitigation. In terms of the top-down approach, the Board, as the governing body, takes the lead. It entails conducting risk workshops with the Board, Exco, Risk Committee and other Board committees. The bottom-up approach involves conducting risk assessments in every division and function within the PIC. Both these approaches identify key risks that may impede the achievement of the PIC's strategic objectives.

The ERMF process is set out below:



A combined assurance approach optimises the assurance coverage obtained from three lines of defence to ensure that prioritised risks at all levels are mitigated through effective operating controls. The first line of defence comprises line management, the second consists of risk management, compliance and ethics office, and the third consists of internal and external assurance providers including internal audit, external audit and International Standard on Assurance Engagements 3402 auditors.

The PIC's principal risks listed below are continuously monitored to assess the extent to which they influence strategic objectives. Controls to manage principal risks are embedded in the business units and functions to ensure that strategic objectives are met.

PRINCIPAL RISKS



RISK APPETITE STATEMENT



STRATEGIC RISK

Making inappropriate strategic choices or being unable to successfully execute selected strategies or adapt to changes in the external business, political or socio-economic environment.



The PIC has low-risk appetite and tolerance for:

- › Inability to execute and achieve the strategy and outcomes aligned with the corporate plan;
- › Inability to safeguard the stability and sustainability of the organisation;
- › Ineffective or inefficient decision-making processes; and
- › Inability to evolve, adapt and remain relevant as one of the biggest asset managers on the continent.



CREDIT RISK

Including risk due to the probability of failure of the borrower and/or counterparty(ies) to meet its/their financial obligations. Credit risk further includes risks stemming from impaired or distressed assets.



The PIC has low tolerance for credit risk-taking beyond client-specified credit risk parameters and the PIC's investment philosophy and criteria.

The PIC invests only in investment-grade, credit-quality exposures according to client mandates. In the unlisted portfolio (excluding property), the PIC invests in companies with an implied probability of default lower than 20% and will take collateral to reduce the loss given default. The PIC will be biased towards credit exposures that are rated in low- to moderate-risk categories.



LIQUIDITY RISK

A listed asset becomes illiquid (unable to be sold at the desired value) when the client needs to sell it in the future.



Tolerance is low for risk-taking beyond client-specified risk parameters. In the absence of parameters, it will strive to liquidate 30% of the total client portfolio value within 10 business days.

PRINCIPAL RISKS



RISK APPETITE STATEMENT

**MARKET RISK**

Mark-to-market impact on the value of a portfolio, instrument, or investment increasing or decreasing as a result of volatility, correlations and unpredicted movements in market valuations due to changes in equity prices, interest rates, credit spreads, foreign exchange rates, commodity prices and other indicators whose values are set in a public market.



The PIC has low tolerance for risk-taking beyond client-specified risk parameters. In the absence of these parameters, the absolute risk (volatility) of the portfolio should not exceed 50% of the absolute risk of the reference index, implying a maximum volatility ratio of 1.5 to the reference index.

The PIC has low tolerance for risk-taking beyond tracking error limits articulated in client mandates. Accordingly, the PIC will manage the portfolio by rebalancing it to ensure that the tracking error remains below the upper limit. In addition, the portfolio is rebalanced in line with the Corporation's research framework.

The PIC will not accept credit quality and credit rating limits below what is prescribed by client mandates and that have no risk tolerance in breaching modified duration as stipulated in the mandates. The PIC rectifies any breaches within its control immediately.

**INFORMATION TECHNOLOGY AND CYBER-RISK**

Financial loss, disruption or damage to the PIC's reputation from failure of information technology systems.



The organisation has a low appetite for:

- Unavailability of systems that support its crucial business and investment functions;
- Damage and interruption to its assets through threats arising from malicious attacks;
- Legacy applications incapable of coping with dynamic cybersecurity threats, client and stakeholder expectations; and
- Solutions and systems that do not adhere to approved architecture standards and policies.

Appetite is high for:

- Innovation and use of tried-and-tested technologies to improve investment processes and revenue; and
- Business solutions that enable business/investment objectives while aligning with international standards.

PRINCIPAL RISKS



RISK APPETITE STATEMENT

**OPERATIONAL RISK**

Loss from inadequate or failed processes, people and systems or external events.



The PIC has zero appetite for:

- › Non-continuation of business operations following a disaster;
- › Internal and external fraud by employees and other stakeholders;
- › Injuries on duty;
- › Unauthorised disclosure of client information;
- › Fraud, bribery and corruption by both employees and third parties;
- › Delayed and inaccurate communication of decisions after meetings;
- › Non-compliance by the PIC with statutory requirements; and
- › Failure to sign non-disclosure forms/confidentiality forms.

The PIC expects its staff to conduct themselves with great integrity, to strive for excellence in the work they perform and the outcomes they achieve and to promote the interests of all stakeholders. The appetite for behaviours that do not meet these standards is very low.

In addition, there is:

- › Zero tolerance for non-compliance with labour legislation;
- › Low tolerance for non-compliance with human capital policies;
- › Low tolerance for failure to comply with the integrated talent management guideline (talent development, performance management, succession planning and promotion); and
- › Zero tolerance for disrespectful misconduct towards other employees.

Appetite and tolerance are low for late and inaccurate disbursement and payment of service providers, late and inaccurate management fee calls and non-compliance with internal processes and policies.

**REPUTATIONAL RISK**

The risk of loss of credibility due to internal or external factors related to or resulting from other categories of risk.



The PIC takes reputational risk and client satisfaction very seriously and it has zero risk appetite for:

- › Comments to the media that are damaging to the PIC brand; and
- › Inadequate client query management processes resulting in late responses to client queries.

Tolerance is low for reporting to clients outside of the approved service level agreement.

PRINCIPAL RISKS



RISK APPETITE STATEMENT

**LEGAL AND REGULATORY RISK**

Loss due to actual or proposed changes to and/or non-compliance with laws, regulations, rules, mandatory industry practices and internal policies and procedures.



The PIC has zero tolerance for:

- Failure to abide by contractual obligations; and
- Failure to comply with court orders and processes.

The PIC has zero appetite and tolerance for loss of its Financial Advisory and Intermediary Services licence.

The PIC has a low appetite and tolerance for:

- Non-compliance with laws, regulations, policies and other requirements imposed by regulatory bodies; and
- Compliance breaches that may cause financial loss or penalties and imprisonment related to non-compliance.

Tolerance is low for mandate breaches unless approved or noted by the client. The PIC will not invest with managers who do not meet qualitative criteria for:

- Organisational stability (management, sustainability, regulatory compliance etc);
- Skilful investment team (depth and experience);
- Sound investment processes;
- Sound operational environment; and
- Adequate risk management and support functions.

**ESG RISK**

PIC's inability to identify, measure and monitor ESG and climate risks in line with global practices.



The PIC's tolerance is low for risk-taking beyond that of clients' mandates.

**MODEL RISK**

The potential loss the PIC may incur from decisions based principally on the output of models, due to errors in the development, implementation or use of such models.



The PIC has low appetite for model errors and non-compliance with the Model Risk Policy.

CONTROL ENVIRONMENT ASSESSMENT

A Committee of Sponsoring Organisations Framework-aligned methodology exists to assess the robustness and effectiveness of internal controls. The control environment describes the standards, processes and structures for carrying out internal control assessments. The assessments cover the following areas:



GOVERNANCE

Effective and ethical leadership by governing forums to achieve defined outcomes, which include organisational performance, ethical culture, legality and sound internal controls.



INTEGRITY AND ETHICS

Ability to exercise honesty and strong moral values within the organisation.



OVERSIGHT AND MONITORING

Incorporating and optimising assurance services from regulatory compliance and internal audit to enable an effective control environment and support the integrity of information used for internal decision-making by management and Board committees.



ORGANISATIONAL STRUCTURE, RECRUITMENT AND STAFFING

How management establishes, with Board oversight, structures, reporting lines and appropriate authorities and responsibilities in pursuit of objectives and commitment to attracting, developing and retaining competent individuals.



RISK IDENTIFICATION AND MANAGEMENT

How the organisation identifies risks and analyses these to determine how they should be managed.



ADDRESSING CHANGES

Identification and assessment of changes that could significantly affect internal control.

RISK PROFILE SUMMARY

Key strategic risks identified by Exco and approved by the Board are monitored throughout the year and adjustments are made as and when risks migrate. In the year under review, The Board and its committees continuously reviewed the principal risks to ensure that appropriate controls were in place. The risk matrix below depicts various levels of residual risks.

LIKELIHOOD	RESIDUAL RISK RATING				
5 Almost certain >90%	5 ESG/climate risk Technology risk Anti-bribery and corruption risk Information and cybersecurity risk	10 Investment performance risk	15	20	25
4 Highly probable 51% – 70%	4	8 Financial sustainability risk Reputational risk Governance risk Ethics risk	12 Human capital risk	16	20
3 Possible 31% – 50%	3 Compliance risk	6	9	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



EMERGING RISKS

As part of the enterprise risk management process, the PIC operating environment is continuously scanned to identify, assess and ensure proactive management of potential threats. Emerging risk identification is led by the risk department, receiving input from Exco, Board committees, the Board and the Economic Research team. Once identified, risk mitigation measures are formulated and each emerging risk is allocated to a risk owner (Exco member).

Emerging risks are treated similarly to top risks in that Exco and the Board ensure they understand and oversee their management to foster a risk-aware culture that encourages proactive risk identification and management.

An emerging risk register identifies, analyses and tracks the impact of each emerging risk for the PIC. Risks are monitored quarterly and response plans are developed with risk owners and reported to Exco, the Risk Committee and other Board committees.



EMERGING RISK DESCRIPTION



Socio-economic and political instability globally and, in the case of South Africa, the outcomes of the 2024 general election.



Higher interest rates for longer.



Infrastructure risk exacerbated by:

- Eroding rail and road infrastructure impeding economic growth; and
- Poor service delivery by municipalities, inconsistencies in water supply, sanitation and housing and the poor state of roads.



Eskom risk, exacerbated by continued electricity supply disruptions and the likelihood that this will move beyond stage 6.



Climate change and severe weather events increasing and affecting lives and food security.

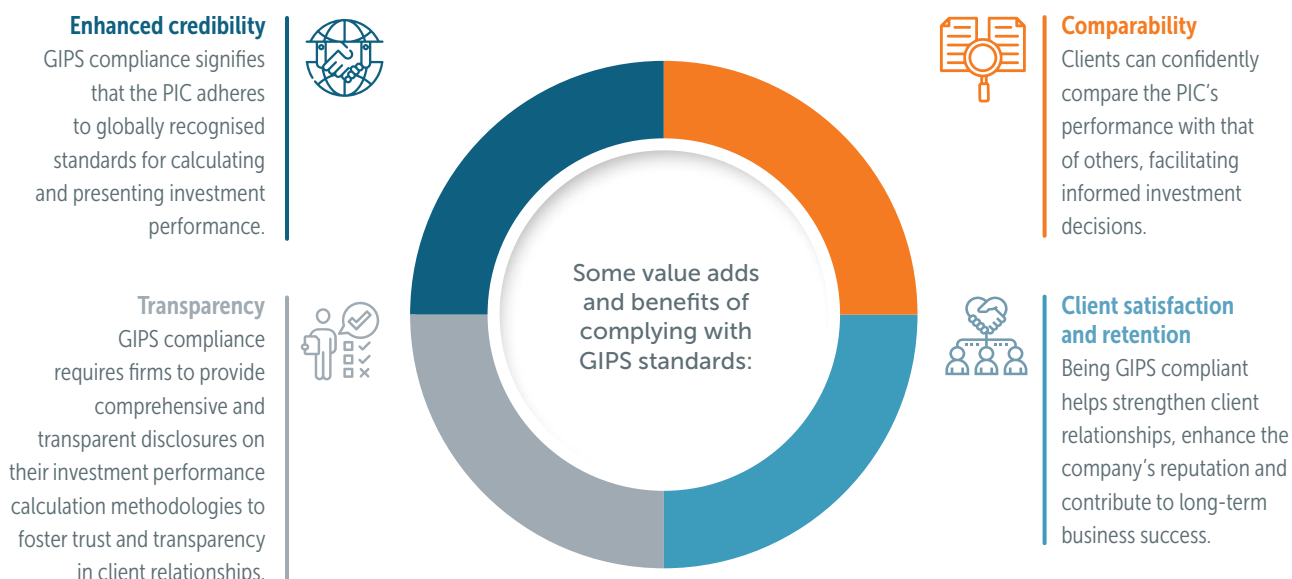


The cost-of-living crisis as a result of high food and fuel prices, coupled with increases in interest rates forcing households to make difficult financial decisions.

KEY DEVELOPMENTS IN THE YEAR UNDER REVIEW

During the year under review, the PIC voluntarily complied with the Chartered Financial Analyst (CFA) Institute's Global Investment Performance Standards (GIPS®), proving its dedication to international best practice. The PIC's exceptional governance and transparency requirements, which cover all its operations, include adherence to the GIPS criteria.

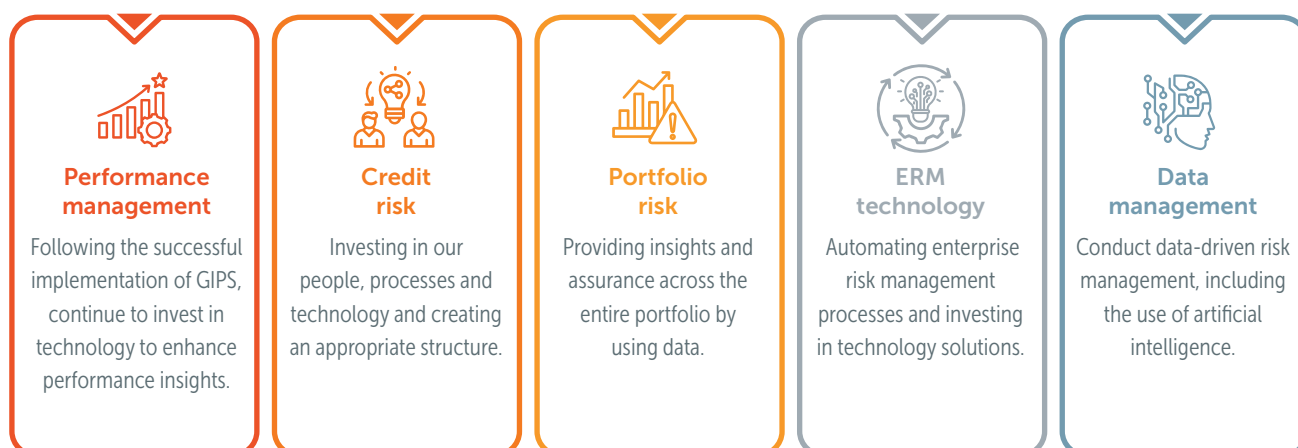
The global voluntary GIPS standards were first introduced in 1999 and are founded on the essential ideals of complete disclosure and accurate representation of investment performance. The GIPS standards are implemented globally by the CFA Institute, and over 1 700 companies and asset owners in 48 global markets have embraced them.



Achieving GIPS compliance demonstrates the PIC's commitment to upholding the highest standards of transparency and accuracy in investment reporting. The PIC is committed to providing stakeholders with reliable and trustworthy performance data, ensuring informed investment decisions with confidence.

Accelerating impact in 2024/25:

As part of PIC's commitment to proactive risk management, the risk department has identified key initiatives to improve risk management and contribute to the organisation's performance and long-term success. The following multi-year initiatives will be further embedded in the next financial year:



RISK COMMITTEE REPORT

Beverley Bouwer

Chairperson: Risk Committee

The Risk Committee was established in 2019 following the recommendations of the Mpati Commission of Inquiry. Previously part of the Audit and Risk Committee, the Risk Committee comprises five Independent Non-Executive Directors.

The members of the Risk Committee meet the independence requirements of Section 94 of the Companies Act and of King IV™. Members have an appropriate mix of knowledge and experience to carry out their duties. Each member's qualifications and experience are set out in their profiles on pages 26 to 30 of this report.

The Risk Committee Chairperson reports to the Board on the committee's activities and the matters discussed at each meeting, highlighting the status of the risk profile and any key items that the committee believes require action, and providing recommendations for their resolution.

Purpose of the Risk Committee

The Risk Committee is independent and does not assume the functions of management. It supports the Board in discharging its duties by approving the PIC's Enterprise Risk Management Framework and assists it in:

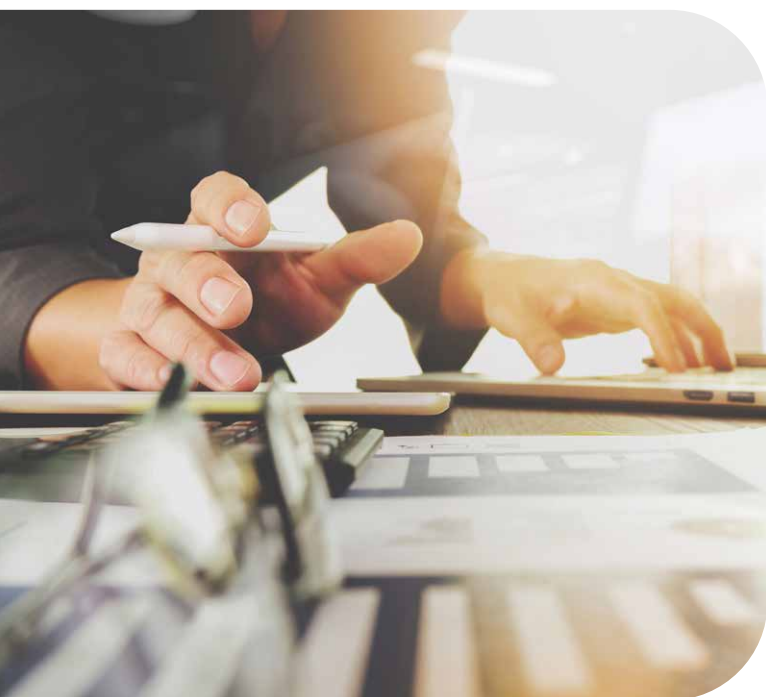
- › Overseeing that management has identified and assessed all PIC risks and has established a risk management infrastructure capable of addressing them;
- › Overseeing, with Board committees, strategic, financial, credit, market, liquidity, security, information technology, regulatory, reputational and other emerging risks that may arise from time to time;
- › Overseeing adherence to client mandates and regulatory requirements of the Financial Advisory and Intermediary Services Act, Public Finance Management Act and Financial Markets Act through management's quarterly reports; and
- › Overseeing and reporting quarterly the risk profile to the Board.



Key focuses for the year ended 31 March 2024

The Risk Committee met once quarterly and had one special meeting. It considered the risk profile of the organisation and provided oversight of PIC's risk appetite. As a result, the committee:

- › Considered and recommended for Board approval, the Model Risk Policy, the Operational Risk Management Framework, the Global Investment Performance Standards Policy, the Market Risk Policy, the Credit Risk Policy, the Performance and Attribution Policy, the Liquidity Risk Policy and the Stress Testing Framework. These policies are reviewed every three years;
- › Recommended the discontinuation of the COVID-19 debt repayment relief guidelines (now treated as business as usual under the credit risk policy), investment risk framework (covered under credit, market and liquidity risk policies) and collateral guidelines (duplication of existing policy);
- › As done annually, reviewed and recommended to the Board the ERMF and the Risk Appetite Framework;
- › Reviewed the top and emerging risks and ensured that mitigants are appropriate;
- › Monitored the risk appetite quarterly to ensure that the Risk Appetite Framework guides all assumed risks;
- › Considered the market/financial risk, liquidity risk, concentration of risk, portfolio and attribution, and operational risk reports quarterly;
- › Assessed and monitored impairments of assets-under-management;
- › Reviewed mandate compliance quarterly to ensure that PIC transactions adhere to approved client mandates;
- › Considered legal risk and received reports from the investment and corporate legal departments;
- › Received and considered reports providing insight into the reputational risk of the PIC;
- › Considered and approved the Chief Risk Officer's balanced scorecard; and
- › Reviewed the effectiveness of PIC internal controls and risk management processes, including the robustness of processes, systems and the control environment.



Conclusion

By overseeing and diligently monitoring the organisation's risk profile, the Risk Committee ensured that policies are sufficiently robust to identify and measure key risks. The PIC has set the tone at the top and fostered a risk-aware culture that encourages transparent risk-taking and maintains a balanced risk appetite.

The Risk Committee is confident that it has satisfactorily discharged the roles and responsibilities of its terms of reference. I thank members for their dedication and contribution during the year under review.

Beverley Bouwer
Chairperson: Risk Committee



PART EIGHT

Corporate Governance

TR²A I²L VALUES

TRANSPARENCY

RESPECT | RESULTS-DRIVEN

ACCOUNTABILITY

INNOVATION | INTEGRITY

LEAD BY EXAMPLE

GOVERNANCE AT THE PIC

The PIC Board considers good corporate governance essential to execute its fiduciary duties, achieve strong and sustainable performance and promote confidence and trust in the Corporation's work. The Board works proactively with executive management to foster a corporate culture of effective governance.



The PIC's governance framework, policies and practices ensure that the PIC Board and management fulfil their mandate and responsibilities with the highest integrity, ethics and accountability. Board-established standing committees regularly review and recommend to the Board, for approval, frameworks and policies in their domains. The Board ensures alignment with regulatory changes and developments in corporate governance practices.

The Board has adopted a stakeholder-inclusive approach, guided by its commitment to the principles of the King IV™ Report on Corporate Governance for South Africa, 2016. The PIC entrenches effective governance and pursues transformation in its own governance structures and those of its investee companies through its policies, terms of reference, procedures and processes.

The King IV™ 2023/24 compliance disclosure report is available on the website as an annexure to the annual report.

The duties and responsibilities of the Board, as individuals and as a collective, are determined by the Companies Act, 71 of 2008, as amended, the PIC's Memorandum of Incorporation, Public Finance Management Act, 1 of 1999, as amended, the Public Investment Corporation Act, 23 of 2004, as amended and common law.

The PIC is a financial services provider in terms of the Financial Advisory and Intermediary Services Act, 37 of 2002, as amended. As such and as custodian of considerable assets on behalf of its clients, the organisation conducts its business with prudence, diligence, integrity, transparency and ethical conduct. This requires it to do the right things at the right time and in the right way. Corporate governance remains integral to due diligence, efficient allocation of funds and post-investment monitoring and support for

investee companies. Investment activities and achievements contribute to the wellbeing of workers, pensioners present and future and their beneficiaries.

Parliamentary oversight

As a state-owned entity, the PIC's activities are overseen by various parliamentary committees. Among these is the Standing Committee on Public Accounts, which considers annual financial statements, business performance and ethical conduct of all executive organs of state, constitutional institutions and other public bodies. It reviews the PIC annual financial statements and audit reports submitted by the Auditor-General of South Africa.

Other committees, such as the Standing Committee on Finance in the National Assembly and the Select Committee on Finance in the National Council of Provinces, review non-financial information in the integrated annual reports, oversee service delivery and consider entities' performance against key performance indicators included in their corporate plans.

The role of the Minister of Finance

In addition to appointing Board members, the Minister of Finance annually concludes a shareholder's compact with the PIC, ensures that the PIC's annual performance plan and corporate plan align with its mandate and the government's priorities, and directs the development and implementation of strategic priorities and policies.

Board governance structure

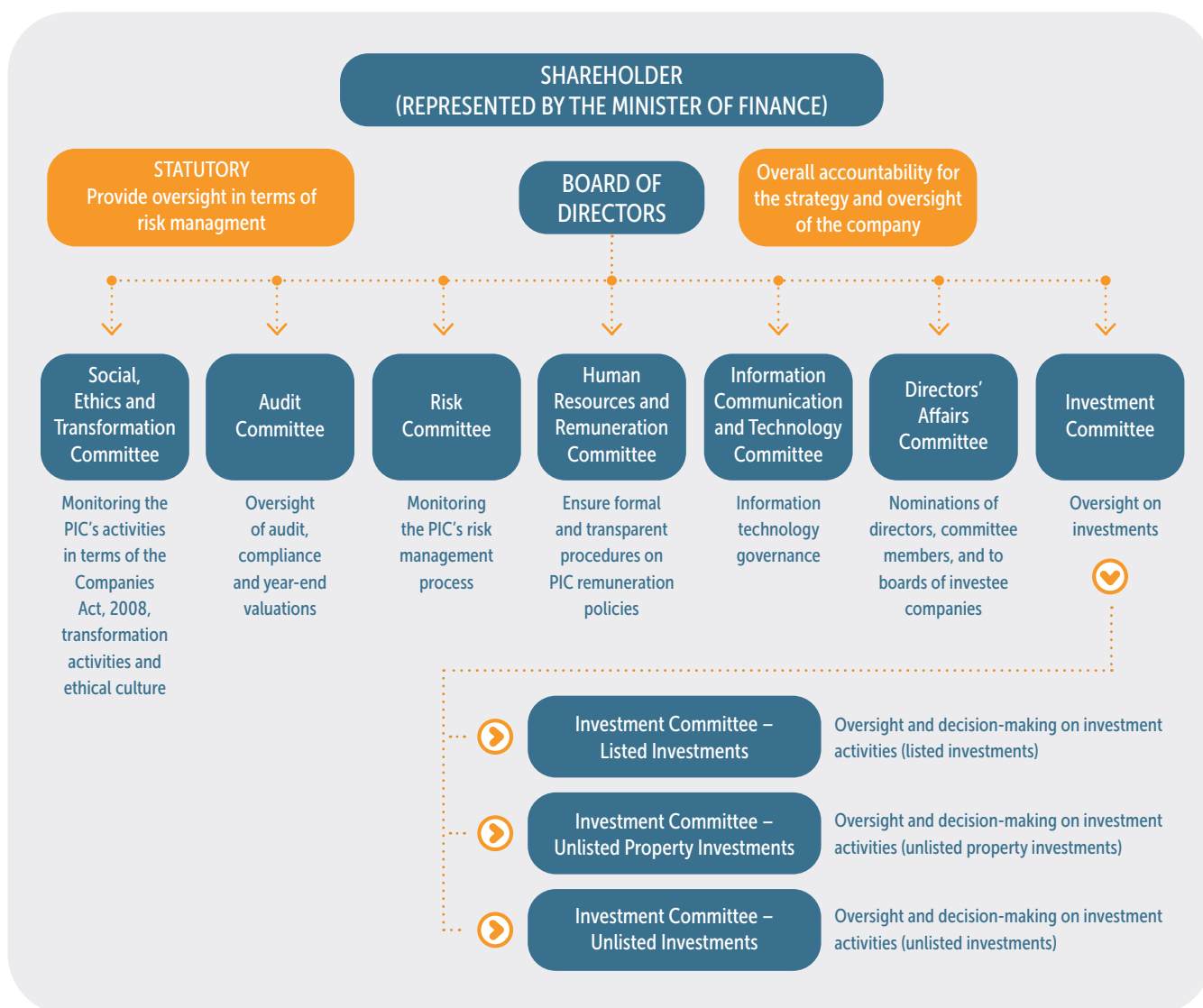
The PIC's constitution provides that its business and affairs must be controlled and managed by the Board.

The Board reports to the Minister of Finance, the shareholder representative on behalf of the South African government. Section 6(1) of the PIC Act requires the Minister, in consultation with Cabinet, to appoint Board members, including the Chairperson. Section 7 of the PIC Act authorises the Board to establish committees to assist it in discharging its responsibilities and duties.

The Board's standing committees assist in the efficient performance of its functions and the achievement of governance outcomes. The Board appoints committee members for their skills and experience. Each committee operates under Board-approved terms of reference, which outline delegated authorities and responsibilities. From time to time, the Board establishes committees for specific time-bound projects.



THE PIC'S GOVERNANCE FRAMEWORK



Purpose and role of the PIC Board

**DIRECTION:**

Steers the strategic direction of the Corporation

CONTROL:

Monitors the management of the Corporation

**SUPPORT AND
ADVICE:**

Advisory role

Company Secretary

The Company Secretary, through the Chairperson, is accountable to the Board on all matters relating to the proper functioning of the Board and its committees. Details about the Company Secretary's experience and qualifications appear on page 30 of this report.

Conflict of interest management, director independence and ethics

The PIC manages public funds, thus it is crucial that it maintains and is seen to maintain the highest standards of competency, ethics and integrity. The principles that govern the management of conflicts of interest are addressed in several governance documents, including the Board-approved Compliance Framework and Manual, the Code of Conduct, the Code of Ethics and the Conflict of Interest Management Policy. Collectively, these documents indicate when a conflict of interest may arise and set out procedures for managing it. They further obligate the Board and employees to act ethically, responsibly and lawfully, adhere to best practices, practice integrity, treat clients' assets with prudence and communicate with stakeholders fairly and honestly.

Section 75 of the Companies Act places a duty on directors to avoid conflicts of interest. Directors must ensure that their own interests, decisions and actions do not take precedence over the interests of the PIC. This is managed through the Code of Conduct and Conflict of Interest Management Policy, which set out the Board's responsibilities for identifying, avoiding, declaring and resolving actual, potential or perceived conflicts of interest. In accordance with the Companies Act and the Board Charter, PIC directors must not participate in any decision or action that prioritises their interests over those of the organisation.

While the responsibility for promoting ethics spans all governance and functional areas, primary management, oversight and coordination of ethics reside with the PIC ethics office. This office is overseen by the CEO and has direct, independent access to the Board through the Chairperson of SETCO.

Mpati Commission of Inquiry

The Board reported previously that, following the publication of the Mpati Commission Report in March 2020, it established an advisory panel, led by the late Justice Yvonne Mokgoro, to assist with the implementation

of its recommendations. The panel's term ended on 31 December 2021 and it submitted its final report to the Board on 31 January 2022.

As of 31 March 2024, the PIC had implemented 242 of the 243 recommendations, while the remaining recommendation had been partially implemented and is expected to be fully implemented by the end of quarter one of 2024/25.

Executive management

In accordance with the PIC Act and Mol, the executive management team, under the leadership of the CEO, is responsible for the day-to-day policy decisions and management of the PIC, except for areas entrusted to the Board and its committees.

In addition to the CEO, the executive management team comprises the Chief Financial Officer (CFO), Chief Investment Officer (CIO), Chief Technology Officer (CTO), Chief Risk Officer (CRO) and Chief Operating Officer (COO).

Stakeholder management

Stakeholder management is an important component of the PIC business model since stakeholders are key to its long-term growth and sustainability. The Board subscribes to Principle 16 of King IV™, which states: 'In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.'

The Board further endorses the principles of fairness, accountability, responsibility, appropriate transparency, integrity and competency in all dealings with stakeholders, as embodied in King IV™, to the extent that these align with the legislation governing the PIC.

The Board acknowledges that good corporate governance and effective communication are essential to delivering the PIC's mandate and protecting its brand, reputation and relationships with all stakeholders. SETCO oversees stakeholder engagement.

Guided by its Stakeholder Management Framework, the PIC maintained regular engagement with stakeholders throughout the year under review, as explained from page 144 of this report. Detailed information on engagements with listed and unlisted investee companies are contained under the ESG section on pages 104 to 137.

External audit and assurance

The Board, as the Accounting Authority and in accordance with Section 55 of the PFMA, prepares financial statements for each financial year and submits these to the shareholder within two months of financial year-end. The Companies Act further requires the PIC to appoint an auditor and to have financial statements audited.

The shareholder confirmed the reappointment of AGSA to perform the external audit for the financial year ending 31 March 2024, in accordance with the PIC Mol, during the 2022/23 annual general meeting. The Audit Committee, in line with Section 94(7) of the Companies Act, oversees AGSA's role in audit reporting, determines its terms of engagement and fees and assesses its effectiveness and performance. The Audit Committee also monitors the independence of the external auditors assigned by AGSA to perform the PIC's audit. AGSA attends all Audit Committee meetings and presents the final audit report and the implications of audit findings to the Board.

Details of AGSA's work are included in the Audit Committee report on pages 5 to 7 of the Annual Financial Statements.

The Board's commitment to executing its strategy

The Board oversees the affairs of the PIC, including strategy development and monitoring management's execution of the strategy. The Board is accountable for organisational performance and achieves this through reporting and disclosure.

The PIC has identified the following strategic drivers to achieve organisation-wide performance, which are cascaded in line with policies:

- Financial sustainability, with a focus on revenue enhancement and cost containment, diversification in new sectors and clients, and management fees;
- Improve, transform and optimise operations and how the PIC engages with stakeholders through information technology systems and digital capabilities;
- Improve investment performance by, among others, escalating deployment of funds in line with clients' mandates, setting up a pooled fund for some clients and consolidating industry costs;
- Be a catalyst for transformation and diversity;
- Improve stakeholder management;
- Focused, inspired, engaged and competent people;
- Enterprise-wide risk management; and
- Improve compliance, governance, ethics and culture.

All these drivers are mutually reinforcing and support investment performance, which, in turn, is driven by a clear investment strategy and a business model. The above drivers inform medium-term strategic goals and objectives.

The Board constantly monitors the implementation of the strategy.

The Board's key focuses and activities during 2023/24:

The Board received and considered detailed reports from management and the chairpersons of Board committees on PIC operational and financial performance and deliberations at meetings. In addition to routine matters during 2023/24, the Board:

- Approved the revised Board Charter and terms of reference of Board committees;
- Approved the PIC's annual performance report;
- Approved the 2023/24 PIC Integrated Annual Report;
- Approved the 2022/23 Audited Annual Financial Statements;
- Approved the 2024/25 shareholder's compact;
- Approved the 2024/25 to 2026/27 corporate plan;
- Considered employee relations matters involving executive management;
- Oversaw the implementation of the revised organisational structure and monitored the filling of crucial vacant positions such as heads of investment departments and spokesperson to the Board;
- Undertook the search for a permanent CFO;
- Approved the revised values for the PIC;
- Facilitated external evaluation of its committees;
- Approved an Investment Policy;
- Approved the revised corporate, unlisted investments, unlisted properties and listed investments delegations of authority;
- Ensured the holding of the annual general meeting;
- Adopted the principles of State-owned Enterprises Remuneration Guidelines (SOERG-18) and recommended to the shareholder for consideration and approval of a policy on Non-Executive Directors;
- Appointed a legal adviser to the Board;
- Considered the potential impact of the 'two-pot retirement system' on PIC assets under management (and sustainability);
- Received and considered progress reports by management on the deployment of the Government Employees Pension Fund R25 billion mandate;
- Received and considered progress reports on the PIC's performance against client mandates;

- › Received and considered progress reports by management on the implementation of the Mpati Commission recommendations;
- › Adopted forensic investigation reports by external investigators and approved the implementation of recommendations. Most of the investigations emanated from the Mpati Commission Report; and
- › Considered whistleblower reports raising allegations against executive management and, where required, authorised an independent investigation.

Accelerating impact in 2024/25

The Board will continue to work with executive management to:

- › Set the direction and tone for a workplace culture aligned with the PIC's purpose, values, strategy and mandate;
- › Promote ethical, responsible and lawful decision-making;
- › Promote an inclusive workplace, where the PIC holds itself to account;
- › Support a risk-based anti-bribery and corruption programme;
- › Declare and manage actual, potential or perceived conflicts of interest;
- › Create lasting social, environmental and economic value without risking returns for clients;
- › Streamline and automate investment processes;
- › Monitor implementation of client mandates;
- › Monitor cost containment and PIC sustainability; and
- › Improve the performance management system and monitor performance against key performance indicators.

Board composition and appointment

Board composition complies with the Mol and the PIC Act. The PIC Act decrees that:

- › The Board comprises 10 non-executive members and three executive members;
- › The Minister must designate the Deputy Minister of Finance, or in consultation with Cabinet, any other deputy minister in the economic cluster, as Chairperson of the PIC Board; and
- › The CEO or a person of similar designation shall be one of the Executive Directors.

The Deputy Minister of Finance, Dr David Masondo, was appointed Chairperson of the Board. Abel Sithole, CEO, Brian Mavuka, Acting CFO, and Kabelo Rikhotso, CIO, are Executive Directors in accordance with the PIC Mol.

Brian Mavuka's term of office as an Executive Director of the PIC automatically ended on 31 March 2024 following the appointment of a new CFO, Batandwa Damoyi. The shareholder appointed Ms Damoyi the CFO effective on 1 April 2024 and an Executive Director in accordance with Paragraph 7.3.1 of the PIC's Mol and Section 6(1)(b) of the PIC Act.

Skills, knowledge and experience

The skills of individual directors and the combined capabilities of the Board were externally evaluated in August 2023, with directors rated favourably. The Board remains satisfied that, as a collective, it is highly curated with a balance between Executive Directors and Non-Executive Directors and an appropriate mix of knowledge, skills, experience and power. The diversity encourages robust debate at Board and Board committee levels and ensures that there is a clear separation of responsibilities so that no individual has unfettered decision-making powers.

Supplementing skills and experience

The Board supplements its skills and experience with the expertise of management and external subject matter experts and advisers.

Board induction and development

On joining the PIC Board, directors participate in a comprehensive induction programme tailored to their backgrounds and the committee positions they will hold. In addition, newly appointed directors complete a skills-analysis form that helps the Company Secretary to develop training and development programmes for directors, individually and collectively. All directors may seek guidance from the Company Secretary, internal legal and independent external professional advice at the organisation's expense on any matter relating to the PIC and their duties.

Delegation of authority

The corporate DoA was reviewed and approved by the Board on 18 December 2023. During the year, the Board reviewed its charter and approved revised terms of reference for all committees to ensure focused oversight and alignment with the DoA and best practice.

Risk management

The Board is responsible for the governance of risk and internal controls, assisted by the Risk Committee and the Audit Committee and supported by the PIC's control functions, which include internal audit, enterprise and financial risk management and compliance functions. The Audit Committee reviews and monitors the internal control system, while the Risk Committee oversees the risk maturity level and integrated enterprise-wide risk management. All Board committees monitor risks according to their responsibilities and report any risks to the Board through the Risk Committee.

Risk management is reviewed at Board meetings. The Board has identified and evaluated the significant risks in the delivery of the PIC strategy and agreed on how each is to be addressed and what actions are to be taken.

In ensuring that the PIC's risk management and internal control systems are adequate and effective, the Board reviews and approves risk appetite and tolerance levels to ensure that they support the achievement of the strategy and business goals.

The risk management section on pages 154 to 164 of this report outlines strategic risks and mitigation strategies to address them.

The Board is confident in the PIC's integrated ERMF, which effectively identifies, assesses and measures risks, both current and emerging, and ensures their appropriate management.

Remuneration governance

The Board, in reviewing the PIC Remuneration Policy, considered the prescripts of King IV™, best practices in remuneration associated with SOERG. Remuneration principles include consistency, equity, fairness and transparency. The policy was approved by the shareholder on 2 June 2022.

Non-Executive Directors are not employees of the organisation and therefore do not have employment contracts or participate in any of its incentive schemes. Their fees are approved in line with Section 66(9) of the Companies Act and the Policy on Non-Executive Directors' Fees. The shareholder approved the fees for 2023/24 by special resolution at the annual general meeting on 28 November 2023.

Compliance governance

The Board views governance and compliance as inseparable and acknowledges its responsibility for compliance with laws and regulations. While governance sets the tone for the PIC's attitude to risk, ethics and business practices, compliance seeks to ensure that employees and stakeholders conform to norms, laws and regulations. The Board, through the audit, risk and investment committees, considers compliance reports quarterly. Throughout the financial year ending 31 March 2024, the Board believes that the PIC complied with all norms, laws and regulations.

Evaluating Board performance

Board evaluations typically determine the effectiveness with which roles are executed and whether members act in the best interests of the PIC to promote the highest standards of corporate governance.

The PIC performs a Board evaluation every second year. The Directors' Affairs Committee oversees the performance evaluation of the Board, its committees and individual directors. The evaluation for 2022/23 was conducted by the Institute of Directors South Africa (IoDSA) in August 2023 and the results were reviewed and considered by the Board at its meeting on 24 October 2023. Overall, the Board's performance was 'good' at 3.8/5.

The Board reviewed the IoDSA report in October 2023 and implemented its recommendation for enhancement.

Corporate performance and reporting

The Board, on recommendation of the Human Resources and Remuneration Committee, annually evaluates corporate performance and that of individual Executive Directors and approves performance scores of all Executive Directors. The performance of other executive management members is evaluated by the CEO as part of the employee performance review process.

The Board also considers the outcomes of the short-term and long-term incentive schemes based on the PIC's performance score and recommends awards to executive management to the shareholder for consideration and approval.

The Board also approved the 2024/25 scorecard, which will be rated during 2025/26. The scorecard is based on the key performance indicators agreed with the shareholder at the beginning of each financial year through the shareholder's compact and the corporate plan. It includes information on PIC performance objectives for financial sustainability, how

the organisation met the financial expectations of clients, improved ethical behaviour and leadership, transformation, ESG integration, staff turnover, the retention of critical skills and skills development impact.

To monitor progress against the scorecard, the Board receives quarterly management reports with detailed and comprehensive analyses of financial and operational performance, including variance between budgeted and actual figures, activities and prospects and management's performance against key performance indicators.

A detailed human resources report appears on page 192 of this report.

The Board is satisfied that it complied with its annual workplan-aligned duties and responsibilities during the reporting period.

Board and committee meeting attendance

Before the start of each financial year, the Board and committee meetings are scheduled in line with the key financial reporting dates, the Board Charter and committee terms of reference. A meeting pack is distributed to directors a week before each meeting containing the agenda, minutes of previous meetings, updates on matters arising from previous meetings and documents to be tabled.

All Board committees must establish an annual workplan for each financial year to ensure that all matters, including those in the committees' terms of reference, are covered by meeting agendas.

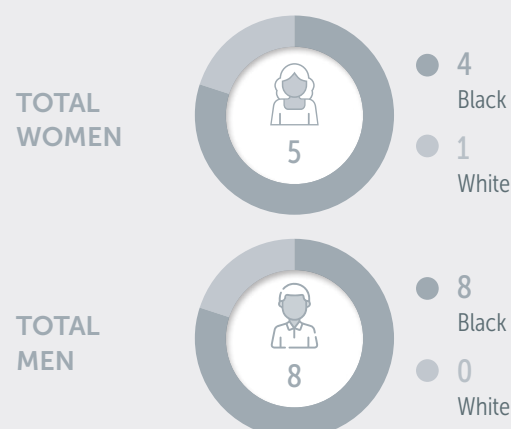
Additional meetings may be convened with approval of the Board, or a Board committee chairperson, or at the request of other committee members, or the Board Chairperson or for the Audit Committee, or the external or the internal auditors, subject to approval by the Audit Committee Chairperson. All committee members must receive fair and reasonable notice of such a meeting.

The Board chairperson and the chairpersons of each committee are responsible for the effective running of their meetings and must ensure that all directors/committee members play a full and constructive part.

For all Board and Board committee meetings, a quorum is achieved when most members are present in person or participate through teleconference, video conferencing or virtual platforms. However, a quorum cannot be established unless the Non-Executive Directors form the majority.

The Board

As of 31 March 2024, the Board comprised 10 Non-Executive Directors and three Executive Directors. The Board is diversified in gender, race and age.



Non-Executive Directors	DATE OF APPOINTMENT
Dr David Masondo, Chairperson*	1 November 2021
Ntombifuthi Mtoba, Deputy Chairperson*	1 November 2021
Barbara Watson*	1 November 2021
Prof Bonke Dumisa*	1 November 2021
Mugwena Maluleke*	1 November 2021
Tryphosa Ramano*	1 November 2021
Beverley Bouwer*	1 November 2021
Walter Hlase*	1 November 2021
Frans Baleni*	1 November 2021
Dr Lufuno Mulaudzi*	1 November 2021
Executive Directors	DATE OF APPOINTMENT
Abel Sithole*	1 November 2021
Brian Mavuka**	1 November 2021
Kabelo Rikhotso***	15 February 2023

*Members appointed from 1 November 2021 until 31 October 2024

**Member appointed until he ceases to be PIC Acting CFO. The member's term automatically expired on 31 March 2024 with the permanent CFO assuming duties on 1 April 2024

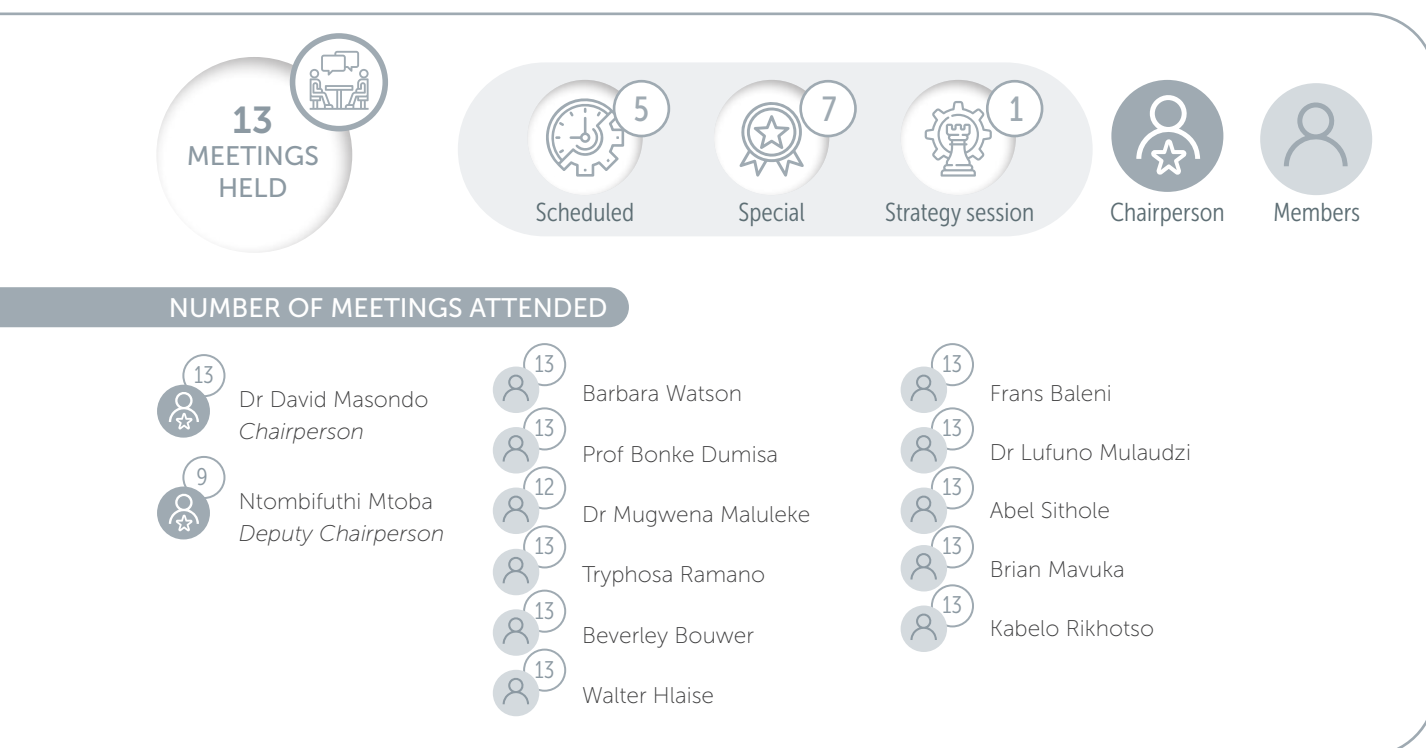
***Member appointed from 15 February 2023 until he ceases to be the PIC CIO

CHAIRPERSON

The Board acknowledges the recommended practice of King IV™ to appoint an independent Non-Executive Director as Chairperson. The Chairperson of the Board, Dr David Masondo, being the Deputy Minister of Finance, is not an independent director. His appointment is in accordance with Section 6(1A) of the PIC Act. The roles and responsibilities of the Chairperson are documented in the Board Charter and are separate from those of the CEO.

Meeting attendance summary

The Board ordinarily meets six times in a financial year and biannually with the boards of its major clients.



Board committees

The Board delegates certain roles and responsibilities to individual directors and to standing or ad hoc Board committees and Board sub-committees. The roles and responsibilities of the Board, committees and sub-committees are recorded in the Board Charter and the terms of reference for each committee.

During the year under review, the Board had seven Board committees, all of which were chaired by Non-Executive Directors. Composition, meeting attendance and activities for the reporting period are detailed from page 175.

AUDIT COMMITTEE

The Audit Committee was established in terms of Section 72 of the Companies Act and, as a statutory committee, in terms of Section 84(4)(c) of the Companies Act. Its statutory duties, in terms of Section 94(7) of the Companies Act, are to oversee internal financial controls and accounting systems, internal audit, external audit, annual financial statements and the integrated annual report.

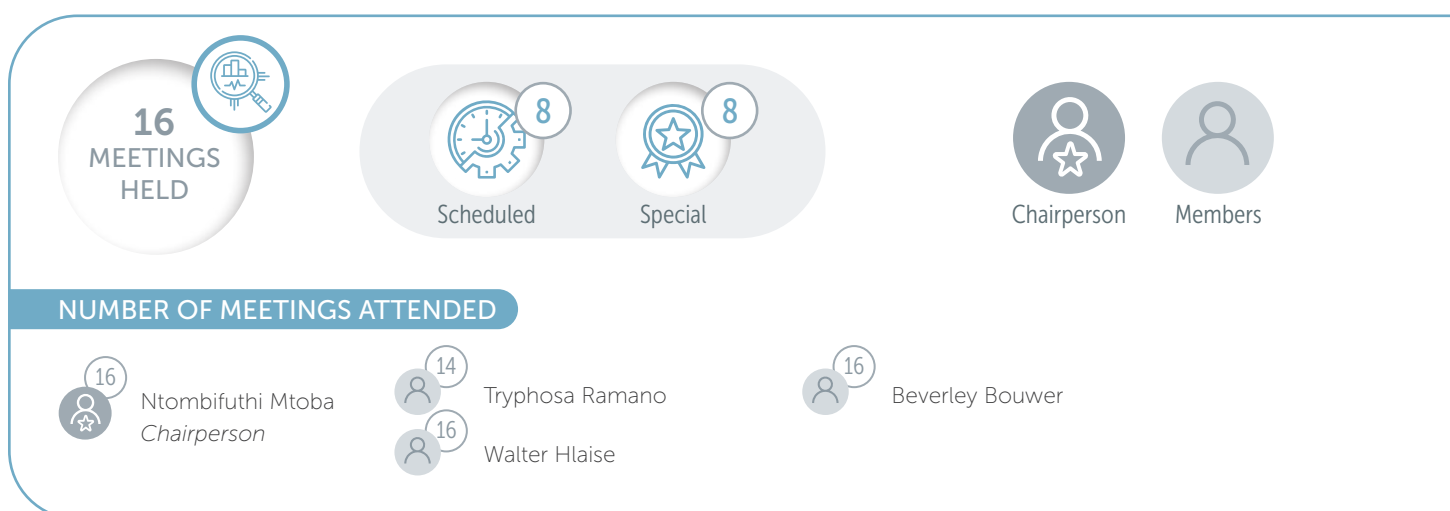
The committee's purpose, role and key activities during the reporting period are detailed on page 5 of the Annual Financial Statements.

Composition and meeting attendance summary

Members of the Audit Committee are appointed at the annual general meeting by the shareholder. All three members are required to be both non-executive and independent directors as per sections 94(2) and 94(4) of the Companies Act and paragraphs 14.1, 14.2 and 14.3 of the Mol.

Further requirements are that:

- › Members shall appoint a chairperson from among their ranks (Paragraph 14.4 of the Mol).
- › Most members shall be financially literate, with at least one having recent and relevant financial experience.
- › At least one member shall be a member of the PIC's Risk Committee.
- › The Chairperson of the Board shall not be eligible for membership.
- › The committee shall meet at least eight times in a financial year or more frequently if need be. Four of the eight scheduled meetings shall be for year-end valuations, while the others shall be held:
 - Before the start of the annual external audit;
 - After completion of the external audit; and
 - Before Board approval of the annual financial statements of the annual external audit.

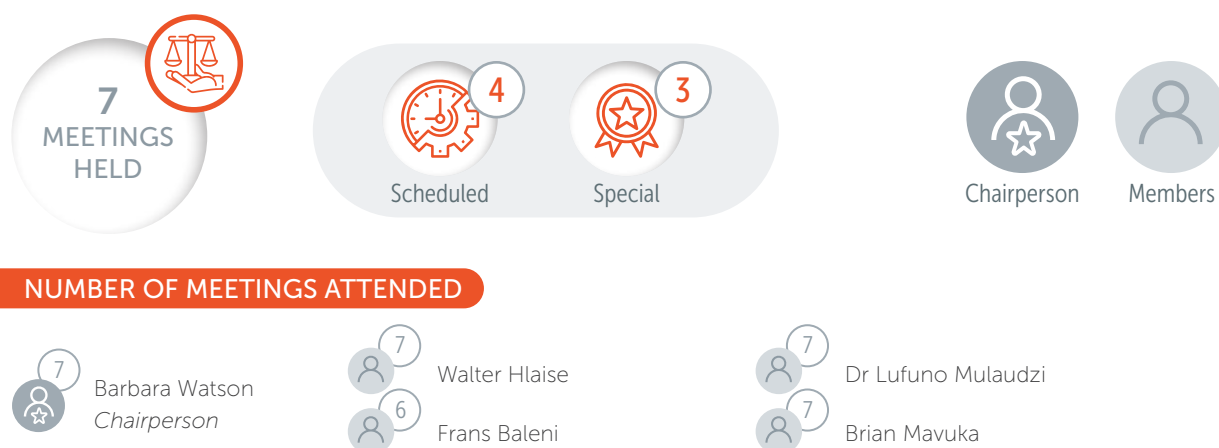


SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

SETCO was established in terms of Section 72 of the Companies Act and, as a statutory committee, in terms of Section 72(4) of the Companies Act, read with Regulation 43 of the Act. SETCO oversees and reports on the PIC's ethics, sustainable development and stakeholder relationships, and ensures that the PIC is and remains a good and responsible corporate citizen. To fulfil its dual mandate, the committee reports quarterly, or when required, to the Board and annually to the shareholder at the annual general meeting. SETCO's purpose, role and key activities during the reporting period are detailed on page 147 of this report.

Composition and meeting attendance summary

- › SETCO has a minimum of five members, consisting of Non-Executive Directors and Executive Directors, most being Non-Executive Directors.
- › The Board shall appoint a Non-Executive Director as SETCO Chairperson.
- › SETCO members must have sufficient qualifications, capacity, knowledge and experience.
- › The Board Chairperson may be a SETCO member but not its chairperson.
- › SETCO shall meet quarterly or more frequently if need be.



DIRECTORS' AFFAIRS COMMITTEE

The Directors' Affairs Committee was established in terms of Section 72 of the Companies Act and assists the Board in oversight of corporate governance, director evaluation and remuneration and the nomination of directors for appointment to investee company boards. The committee assists the Board to identify qualified individuals for nomination and appointment to the PIC Board or to investee company boards and must ensure that the nomination process is transparent.

Composition and meeting attendance summary

- The committee comprises the Chairperson of the Board, the chairpersons of Board committees and an Executive Director.
- The Board Chairperson shall be the committee Chairperson.
- Members must have sufficient qualifications, capacity, knowledge and experience.
- It shall meet at least quarterly or more frequently if need be.



NUMBER OF MEETINGS ATTENDED



Dr David Masondo
Chairperson



Ntombifuthi Mtoba



Tryphosa Ramano



Beverley Bouwer



Barbara Watson



Frans Baleni



Dr Mugwena Maluleke



Abel Sithole

INVESTMENT COMMITTEE – LISTED AND UNLISTED INVESTMENTS

The Investment Committee was established in terms of Section 72 of the Companies Act to ensure the integrity and efficiency of PIC investment processes, consider and approve new investments, consider the extension and disposal of existing investments and make recommendations to the Board about investments outside its delegated authority.

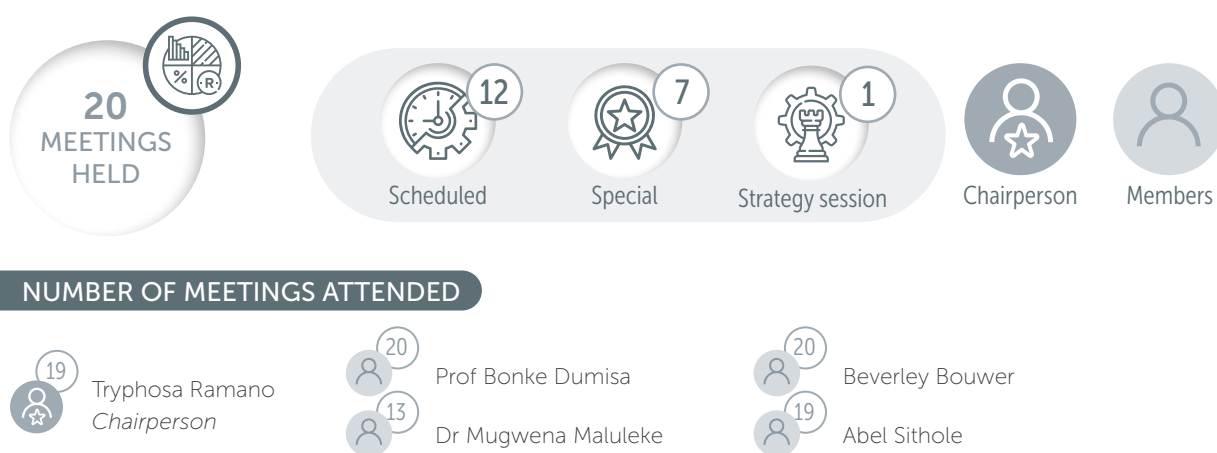
The committee has two sub-committees, one focused on unlisted investments and another on listed investments.

Investment Committee – Unlisted Investments

The Investment Committee – Unlisted Investments assists the Board to execute its statutory duties and its oversight of unlisted investment activities based on investment mandates and the Board-adopted investment strategy.

Composition and meeting attendance summary

- › The committee has a minimum of five members consisting of Non-Executive Directors and Executive Directors, most of whom shall be Non-Executive Directors.
- › The CFO is excluded from membership but may attend meetings as an invitee.
- › The Board shall appoint a Non-Executive Director as committee chairperson.
- › Members must have sufficient qualifications, capacity, knowledge and experience.
- › The committee shall meet at least six times in a financial year or more frequently if need be.

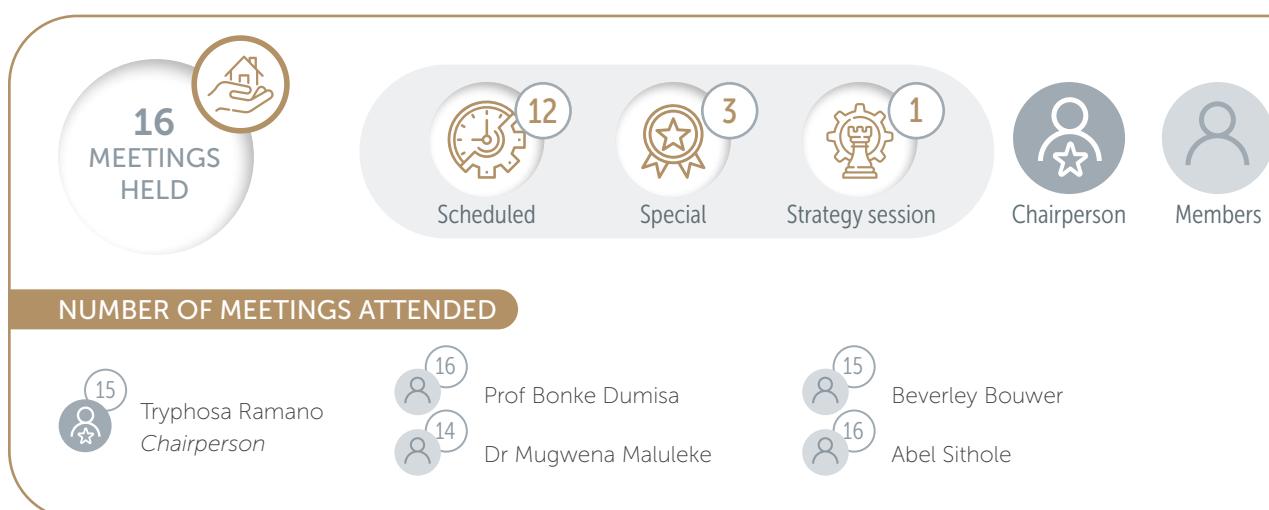


Investment Committee – Listed Investments

The Investment Committee – Listed Investments assists the Board to execute its statutory duties and its oversight of listed investment activities based on investment mandates and the Board-adopted investment strategy.

Composition and meeting attendance summary

- › The committee has a minimum of five members, consisting of Non-Executive Directors and Executive Directors, most of whom shall be Non-Executive Directors.
- › The CFO is excluded from membership but may attend meetings as an invitee.
- › The Board shall appoint a Non-Executive Director as committee chairperson
- › Members must have sufficient qualifications, capacity, knowledge and experience.
- › The committee shall meet at least six times in a financial year or more frequently if need be.

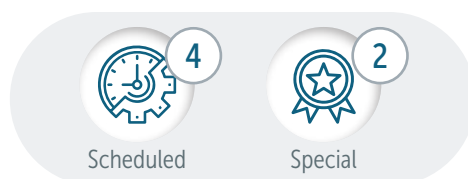


INFORMATION COMMUNICATION AND TECHNOLOGY GOVERNANCE COMMITTEE

The Information Communication and Technology Governance Committee was established in terms of Section 72 of the Companies Act and oversees technology and information governance. It also ensures that the PIC's technology and systems support the setting and achievement of strategic objectives to operate competitively. The committee assists the Board to oversee the development and implementation of the Information Technology Governance Charter and policies and processes to enhance the PIC's performance and sustainability.

Composition and meeting attendance summary

- › The committee has a minimum of four members, most being independent Non-Executive Directors.
- › The Board shall appoint a Non-Executive Director chairperson.
- › Members must have sufficient qualifications, knowledge and experience.
- › The committee shall meet at least four times in a financial year or more frequently if need be.
- › During the period under review, the committee was mandated by its terms of reference to have at least five members. A vacancy arose on 15 February 2023. In February 2024, the committee terms were revised to stipulate a minimum of four members.



NUMBER OF MEETINGS ATTENDED



Frans Baleni
Chairperson



Prof Bonke Dumisa



Dr Lufuno Mulaudzi



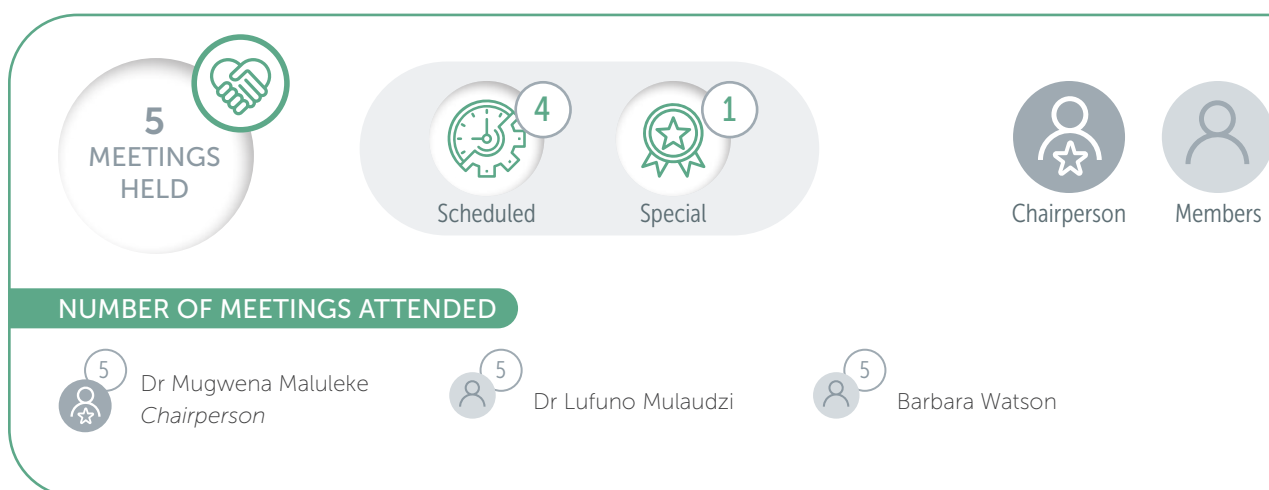
Brian Mavuka

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Human Resources and Remuneration Committee was established in terms of Section 72 of the Companies Act. The committee assists the Board to oversee the development and implementation of the Board-adopted human resources strategy and the governance of remuneration, including the establishment of a remuneration policy and setting remuneration principles and parameters.

Composition and meeting attendance summary

- › The committee has at least three members, all Non-Executive Directors.
- › The Board Chairperson may be a member of the committee but shall not be its chairperson.
- › The Board shall appoint a Non-Executive Director as committee chairperson.
- › Members must have sufficient qualifications, knowledge and experience.
- › The committee shall meet at least four times in a financial year or more frequently if need be.



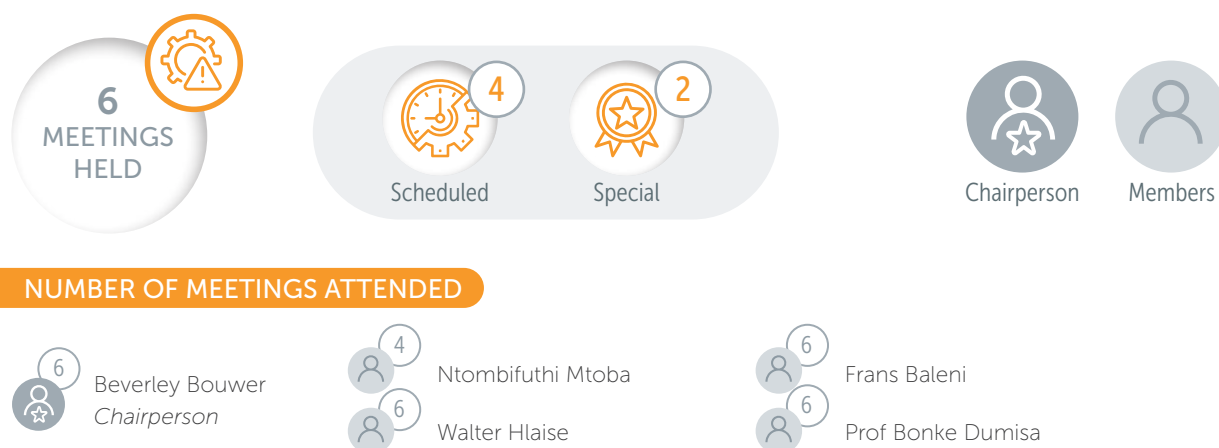
RISK COMMITTEE

The Risk Committee was established in terms of Section 72 of the Companies Act to assist the Board with oversight of current risk exposures and future risk strategy.

It assists the Board to oversee and approve enterprise-wide risk management practices and related matters.

Composition and meeting attendance summary

- › The Risk Committee has at least three members, all Non-Executive Directors.
- › At least one committee member shall be a member of the Audit Committee.
- › The Board Chairperson is not eligible to be a committee member.
- › The Board shall appoint a Non-Executive Director as the Risk Committee chairperson.
- › Members must have sufficient qualifications, knowledge and experience.
- › The committee shall meet at least four times in a financial year or more frequently if need be.



Activities post-31 March 2024

To enhance PIC efficiencies and strengthen governance, the Board reviewed the investments governance structure and operating model, implementing several reforms based on Mpati Commission recommendations and observations that arose during the Board evaluation. These included the establishment of a second layer of oversight on investment processes through:

- › Establishment of an Investment Committee and three investment sub-committees, namely Investment Committee – Unlisted Investments, Investment Committee – Unlisted Properties and Investment Committee – Listed Investments, with Board-approved terms of reference.
- › Establishment of a Portfolio Management Committee and three sub-committees, namely Portfolio Management Committee – Unlisted Investments, Portfolio Management Committee – Unlisted Properties, and Portfolio Management Committee – Listed Investments, under Exco, which approved the committees' terms of reference.
- › Review of the DoA to the investment and portfolio management committees.

The new investments committees held their first meetings in July 2024. Composition, meeting attendance and activities will be reported in the annual report for 2024/25.

KING IV™ 2023/24 COMPLIANCE DISCLOSURE REPORT

To demonstrate how good governance is implemented at the PIC, the King IV™ 2023/24 Compliance Disclosure Report is included in the Integrated Annual Report.

This report is to be read in conjunction with the rest of the Integrated Annual Report and Annual Financial Statements, in particular the corporate governance statement on page 166, the Audit Committee report on page 5 of the Annual Financial Statements, the SETCO report on page 147 and the human resources report on pages 192.

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP



Ethical leadership

The accounting authority should lead ethically and effectively.

- › Ongoing monitoring of compliance with the Code of Ethics Policy, Board of Directors Code of Conduct Policy, Declaration of Interest Policy and Guidelines and Gift Policy.



Organisational ethics, values and culture

The accounting authority should govern ethics of the organisation in a way that supports the establishment of an ethical culture.

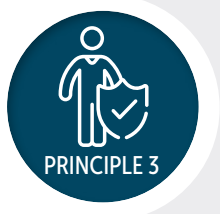
- › Directors set the overall tone for ethical leadership of the Board.
- › The PIC continued with the periodic review of its policies and governance document to ensure alignment of policies and compliance with legislation.
- › Periodic review of the Code of Ethics Policy, Board of Directors Code of Conduct Policy, Declaration of Interest Policy and Guidelines and Gift Policy to guide ethical conduct across all activities of the Board.
- › SETCO, through the ethics office, ensures that PIC ethics are managed effectively.
- › All directors and employees must sign an annual pledge to adhere to the Code of Ethics Policy.
- › Policies are published on the PIC website.
- › PIC employee contracts refer to all policies and attendance of training.
- › Suppliers must sign conflict of interest forms before entering into a contract with the PIC.
- › A fraud and whistleblowing hotline is in place: 0800 205 098;
<https://www.pic.gov.za/pic/links/whistle-blowers>.



0800 205 098



www.pic.gov.za/pic/links/whistle-blowers

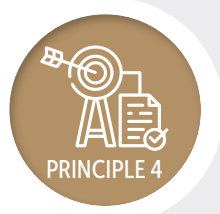


Responsible corporate citizenship

The accounting authority should ensure that the organisation is and is seen to be a responsible corporate citizen.

- › SETCO oversees the PIC's corporate citizenship performance.
- › The Board reviewed and approved the PIC's vision and mission in August 2023. The ethics office facilitated a review of PIC values.
- › A culture survey was conducted during the financial year and the results were presented to and adopted by the Board on 14 June 2024.
- › All investment transactions with a high reputational risk are assessed by the ethics office and SETCO.
- › A politically exposed persons register is in place and reviewed monthly.
- › The Board approved a transition and climate change position statement for the PIC on 26 May 2023.
- › Quarterly reports on PIC corporate social investment and community involvement are submitted to SETCO (see page 147).

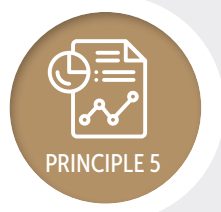
STRATEGY, PERFORMANCE, REPORTING AND VALUE CREATION



Strategy implementation and performance

The accounting authority should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process.

- › The Board oversees the PIC's strategy and its execution.
- › Annual management and Board strategic sessions are held to review strategic direction.
- › Key performance indicators are reviewed and approved annually by the Board, as is the corporate balanced scorecard.
- › The Minister of Finance annually concludes a shareholder's compact with the PIC, ensures that the PIC's annual performance plan and corporate plan align with the Corporation's mandate and the government's priorities, and provides direction on developing and implementing strategic priorities and policies.
- › The PIC submits quarterly reports on its performance against key performance indicators included in the corporate plan to National Treasury, in accordance with the PFMA.
- › Strategic risks are assessed quarterly by the Risk Committee and annually by the Board.
- › The Board oversees the risk management process, guided by the Risk Committee.
- › The Board takes account of the legitimate interests and expectations of its clients and broader stakeholders in decision-making in the best interests of the PIC.
- › PIC transformation needs are embedded in the strategic objectives of the PIC and reflected in its Employment Equity Plan.
- › The Board approved a Transformation Charter, which outlines how the PIC will actively advance transformation through its investment activities when executing its operational plans, investment strategies and policies.
- › A comprehensive communications strategy is in place and is supported by a Stakeholder Management Policy and Stakeholder Engagement Plan.
- › The Board, with assistance from the Audit Committee, performs annual solvency and liquidity tests.



Reporting and disclosure

The accounting authority should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects.

- › The PIC's integrated annual report sets out its strategic initiatives, business model, material matters and risks and opportunities.
- › The Audit Committee reviews the integrity of the report.
- › The Board approves the report, including the annual financial statements.
- › The report, annual financial statements and corporate governance disclosures (proxy reports) are published on the PIC website.
- › Regular meetings and quarterly reports facilitate engagement with shareholder, clients, external asset managers, investee companies and potential investors.

GOVERNING STRUCTURES, DELEGATION AND ADEQUATE AND EFFECTIVE CONTROL



Role and responsibilities of the accounting authority

The accounting authority should serve as the focal point and custodian of corporate governance in the organisation.

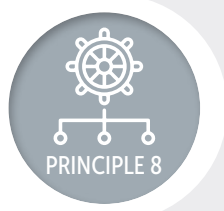
- › Corporate governance remains the responsibility of the Board.
- › The Board annually reviews the PIC's corporate plan.
- › An internal King IV™ gap analysis is conducted periodically and reviewed by the Audit Committee.
- › The Board Charter and annual workplan are reviewed annually. The last review took place in March 2024.
- › All Board committees operate under Board-approved terms of reference and the Board-approved Delegation of Authority Framework.
- › The number of Board and Board committee meetings and attendance of directors at these meetings are disclosed on pages 166 to 182.
- › All directors have the right to independent professional advice at the PIC's expense to ensure that they fulfil their governance roles.
- › The Company Secretary is pivotal to ensuring good corporate governance.



Composition of the accounting authority

The accounting authority should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

- › Directors are appointed by the Minister of Finance in consultation with Cabinet, in line with Section 6(1) of the PIC Act.
- › An assessment of directors' skills and competence is performed through thorough background checks before appointment.
- › Newly appointed directors are asked to complete a skills analysis form that assists the Company Secretary to develop an appropriate training and development programme for directors, individually and collectively.
- › The Board comprises 10 Non-Executive Directors and three Executive Directors, namely the CEO, CFO and CIO.
- › In line with the MoI, Non-Executive Directors shall hold office for three years, subject to annual review at or outside the annual general meeting and shall not serve more than three consecutive terms. A Non-Executive Director may be reappointed only if an independent assessment finds that the member is still independent.
- › Newly appointed directors receive a formal letter of appointment signed by the Minister of Finance.
- › Directors participate in a comprehensive induction programme when appointed to the PIC Board. This is tailored to their background and the committee positions they will hold.
- › All directors are required on appointment, and thereafter annually or whenever their disclosure circumstances change, to submit a declaration of interest form, disclosing all financial interests held by the director and/or related parties. This is a legal duty in terms of Section 75(4) of the Companies Act.
- › The Chairperson of the Board is appointed in accordance with Section 6(1A) of the PIC Act, while the Deputy Chairperson is elected by the Board.
- › The roles and responsibilities of the Chairperson are documented in the Board Charter and are separate from those of the CEO.



Committees of the accounting authority

The accounting authority should ensure that its arrangements for delegation within its own structures promote independent judgment and assist with the balance of power and the effective discharge of its duties.

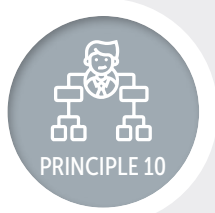
- › Appropriate governance structures are in place, namely Board committees.
- › The Board has delegated certain powers to the Board committees through the Delegation of Authority Framework. The corporate DoA was last reviewed in December 2023 and the investments DoAs in February 2023.
- › Board committees assist the Board in discharging its corporate governance responsibilities and report to the Board quarterly or when necessary.
- › The Audit Committee oversees the effectiveness of the PIC's assurance functions and services and the integrity of the annual financial statements and other external reports.
- › The composition, duties and responsibilities of the Board committees are set out in their terms of reference.



Evaluations of the performance of the accounting authority

The accounting authority should ensure that the evaluation of its performance and that of its committees, its chair and its individual members support continued improvement in its performance and effectiveness.

- › The PIC performs a Board evaluation every second year. The Directors' Affairs Committee oversees the evaluation of the Board, its committees and individual directors. Following the one-year anniversary of the Board on 1 November 2022, the Board appointed the Institute of Directors South Africa to assess its effectiveness and performance. The assessment was concluded in October 2023.
- › While the Board acknowledges the recommended practice of King IV™ to appoint an independent Non-Executive Director Chairperson, the Chairperson of the Board, Dr David Masondo, being the Deputy Minister of Finance, is not an independent director.
- › Ntombifuthi Mtoba, elected Deputy Chairperson by the Board in accordance with the MoI, is an independent Non-Executive Director.
- › The Audit Committee annually assesses the performance of the CFO.

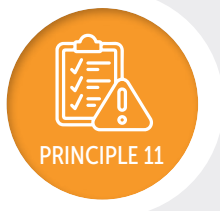


Appointment and delegation to management

The accounting authority should ensure that the appointment of, and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities.

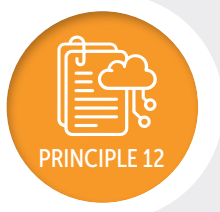
- › The Board has delegated certain powers to management and management committees through the Delegation of Authority Framework. The corporate DoA was last reviewed in December 2023 and the investments DoAs in February 2023.
- › The role and responsibilities of the Board Chairperson and the CEO are separate.
- › In accordance with the MoI, the CEO is appointed by the Board, with the approval of the Minister in consultation with Cabinet.
- › The CEO is not an Audit Committee member.
- › The Board monitors the CEO's performance.
- › The CEO's conditions of employment, termination and membership of boards outside the PIC are stipulated in his/her employment contract.

GOVERNANCE FUNCTIONAL AREAS

**Risk governance**

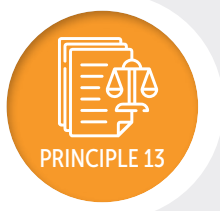
The accounting authority should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

- › The Board oversees risk management guided by the Risk Committee.
- › The Board ensures that operational, financial, market and credit risks are consistent with the PIC's ERMF and are within the risk appetite.
- › The Risk Committee and the Board assess strategic risks quarterly and annually respectively.
- › The Board annually reviews the ERMF.

**Technology and information governance**

The accounting authority should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.

- › IT governance is formally delegated to the Information, Communication and Technology Governance Committee and is governed by a Board-approved Information Technology Governance Charter.
- › The committee, through the Board-approved Delegation of Authority Framework and its terms of reference, directs, controls and measures the PIC's IT activities and processes and keeps the Board apprised of technology and information performance and requirements.
- › The risk management process considers IT risks.
- › The Board has delegated to management the responsibility to implement and execute effective technology and information management and to oversee the integration of people, technologies, information and processes across the PIC.
- › The Board annually reviews the IT strategy.
- › IT and information management policies are in place.
- › A Disaster Recovery Plan is in place and its effectiveness is tested periodically.

**Compliance governance**

The accounting authority should govern compliance with applicable laws and has adopted non-binding rules, codes and standards in a way that supports the organisation to be ethical and a good corporate citizen.

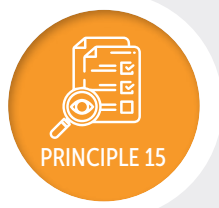
- › The Board has delegated compliance governance to the Audit Committee.
- › The PIC, as a financial services provider, has appointed a Compliance Officer.
- › The PIC established a regulatory universe to ensure compliance with laws and regulations.
- › The Board approves policies that give direction on compliance.
- › The Audit Committee annually reviews and approves the Compliance Charter and Compliance Audit Plan. The compliance audit reports and subsequent compliance trackers are submitted quarterly to the Audit Committee.
- › The PIC's compliance department monitors regulatory, mandate and legal compliance.



Remuneration governance

The accounting authority should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.

- › The PIC's Remuneration Policy for employees, approved by the shareholder in June 2022, was reviewed and submitted to the shareholder for consideration and approval.
- › Non-Executive Director fees are approved in accordance with Section 66(9) of the Companies Act and the Policy on Non-Executive Directors' Fees. The shareholder approved Non-Executive Director fees by special resolution at the annual general meeting on 25 November 2023.
- › Directors' remuneration is disclosed on pages 70 to 71 of the Annual Financial Statements.
- › The views of the Human Resources and Remuneration Committee on whether the Remuneration Policy achieves its stated objectives and future focus, the use and justification of remuneration benchmarks and public access to the policy are included in the human resources report on page 192.

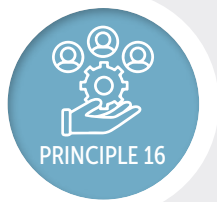


Assurance

The accounting authority should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and preparation of the organisation's external reports.

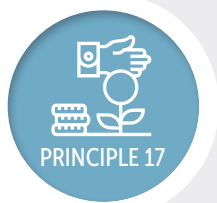
- › The Audit Committee annually reviews and approves an Internal Audit Charter.
- › An independent quality assessment of the PIC's internal audit function, covering 1 April 2017 to 31 March 2022, was performed by the audit firm Mazars in 2022. The next independent quality assessment is due in 2027.
- › The Audit Committee annually approves the risk-based external and internal audit plans.
- › The committee monitors external and internal audit findings.
- › The external and internal audit functions contribute to combined assurance, thereby giving comfort to the PIC's ability to achieve the objectives of the effective control environment and the integrity of its information and reports.
- › The PIC follows a combined assurance approach to increase the effectiveness of assurance activities by the functionaries in the three lines of assurance.
- › The PIC's Combined Assurance Forum and Combined Assurance Framework ensure ongoing review of the approach, model and processes.
- › The Audit Committee approves the appointment of a head of internal audit.

STAKEHOLDER RELATIONSHIPS, TRUST, GOOD REPUTATION AND LEGITIMACY

**Stakeholders**

In the execution of its governance role and responsibilities, the accounting authority should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

- › SETCO manages stakeholder relations.
- › Operationally, stakeholder engagement is the responsibility of the CEO, CIO, Head of Corporate Affairs, stakeholder management department and Exco.
- › The Board approves the PIC Stakeholder Management Framework, Client Relations Management Policy and Communications Strategy.
- › The Audit Committee and SETCO chairpersons and the external auditors attend the annual general meeting.
- › The Board annually meets with the boards of the PIC's major clients, namely the GEPE, UIF and CC, while management regularly meets with the management teams of these clients.

**Responsibilities of institutional investors**

The accounting authority of an institutional investor should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests.

- › The PIC, as a financial services provider and an asset manager, invests funds on behalf of its clients under FSCA-approved mandates.
- › The Board exercises oversight responsibility through its nominated directors to the boards of companies in which the PIC invests on behalf of its clients.
- › The Board approved the following policies to set the direction for responsible investing:
 - › ESG policies and guidelines on listed and unlisted investments;
 - › Nominations Governance Policy;
 - › Corporate Social Investment Policy;
 - › Investment Philosophy and Strategy; and
 - › Politically Exposed Persons Policy.
- › Annual assessments are conducted of PIC compliance with the Code for Responsible Investing in South Africa and the United Nations Global Compact.



PART NINE

Corporate Support

TR²A I²L VALUES

TRANSPARENCY

RESPECT | RESULTS-DRIVEN

ACCOUNTABILITY

INNOVATION | INTEGRITY

LEAD BY EXAMPLE

HUMAN CAPITAL AND TALENT DEVELOPMENT

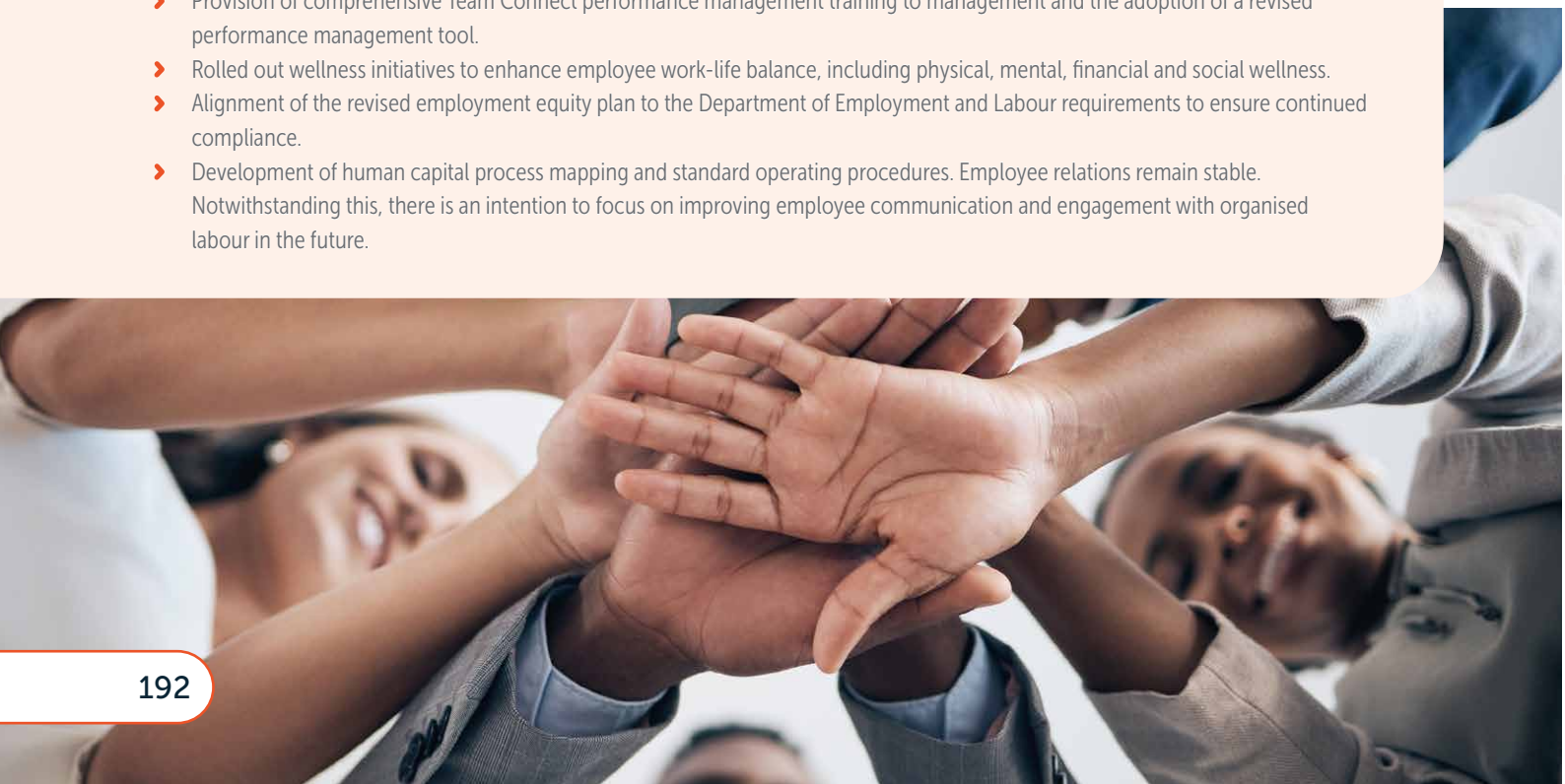
The PIC has set itself a vision of being a global leader in impactful investing. Achieving this vision depends on several variables and key among these are the calibre and commitment of PIC people. The PIC, therefore, constantly nurtures human capital through development and incentives that attract, advance and retain top talent.

During the year under review, the revised organisational structure was implemented. Furthermore, relationship by objective, which strives to create an enabling environment and culture in which people feel valued, culminated in the launch of an organisation-wide revitalisation programme. Themed 'Brilliant basics and beyond', the programme focused on culture and leadership, high performance and talent management.

The programme and the accompanying theme are aligned to the Board-approved human capital strategy, which seeks to create the values-based, ethical, high-performance culture necessary for a world-class PIC.

Notable achievements and progress during the year include:

- › A culture and engagement survey was conducted to establish the current and the desired culture for the future. The outcomes were instrumental in developing and aligning leadership competencies and a talent framework, the employee value proposition and the new PIC values – the latter in collaboration with the PIC ethics office.
- › A human capital strategy map was developed, providing a simplified but concise PIC strategy incorporating the core values.
- › Approval of talent management guidelines, including succession management, by the Board in December 2023, with implementation plans and the formation of a talent management forum currently underway.
- › Provision of comprehensive Team Connect performance management training to management and the adoption of a revised performance management tool.
- › Rolled out wellness initiatives to enhance employee work-life balance, including physical, mental, financial and social wellness.
- › Alignment of the revised employment equity plan to the Department of Employment and Labour requirements to ensure continued compliance.
- › Development of human capital process mapping and standard operating procedures. Employee relations remain stable. Notwithstanding this, there is an intention to focus on improving employee communication and engagement with organised labour in the future.



Human capital demographics



● 52%
Women

● 48%
Men

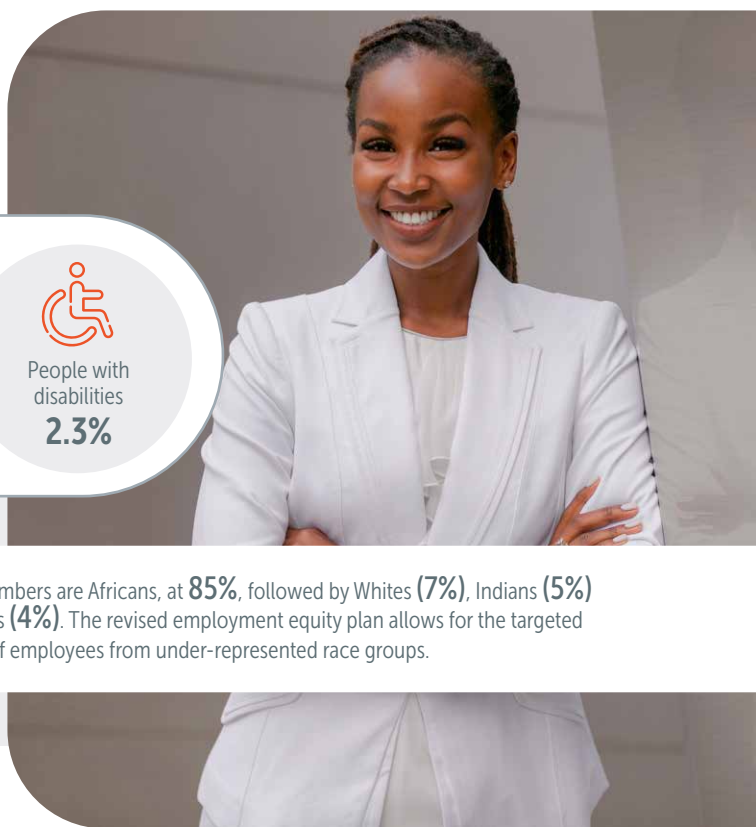


People with
disabilities
2.3%



The PIC headcount increased from 389 in 2023 to **393** at the end of March **2024**.

Most staff members are Africans, at **85%**, followed by Whites (**7%**), Indians (**5%**) and coloureds (**4%**). The revised employment equity plan allows for the targeted recruitment of employees from under-represented race groups.



SKILLS AND TALENT DEVELOPMENT

Skills programmes

Skills development spend for 2023/24 was R17.8 million compared to the R18.6 million spend of the previous year. The spend was slightly lower due to lower budgets. Employee development accounted for R7.9 million benefitting 301 employees on various skills programmes. Employee bursaries worth R3 million were disbursed to 87 employees.

The PIC has partnered with various business schools and continued to develop employees in management and leadership programmes. Fifteen African employees completed the Gordon Institute of Business Science management and leadership development programme, seven of whom were women. Exco has enrolled for the Executive Development Programme through the Henley Business School.

Graduate development programme

Generally known as the PICeeds, the programme runs for two years and seeks to equip tertiary graduates with skills to build a talent pipeline of asset management and investment professionals in various departments within the PIC. Of 21 graduates who completed the programme in 2022/23, 16 were absorbed in or outside the organisation - a 76% absorption rate. This is aligned to the PIC's talent development pipeline, which feeds into the scarce skill investment and asset management professionals.

Employee health and wellness

The PIC firmly believes in an appropriate work-life balance. During the year under review, employees participated in physical exercise activities. Among these were 702 Walk the Talk and the PIC Step Challenge. Through the LiveWell programme, employees received advice on and underwent assessments in physical and mental health during the PIC's annual wellness day, held in December 2023. Employees also participated in activities such as football, running, rock climbing, zumba, volleyball, abseiling and archery. The Corporation also invited accredited service providers to offer advice on investment and personal finance management.



Remuneration philosophy and practices

The PIC remuneration philosophy reinforces and rewards exceptional performance that aligns with the organisation's values, vision, mission and strategic objectives. The philosophy is based on competitive remuneration and a comprehensive value proposition to reward performance and reinforce behaviour that drives strategy execution. The PIC remuneration structure includes a total guaranteed package, short- and long-term incentives and other benefits. Short-term incentives are performance-based bonuses contingent on corporate, divisional and individual achievements in a financial year. Long-term incentives seek to retain valued skills and are based on sustained performance over three years. Other benefits include long-service awards for employees whose tenure at the PIC extends from five to 40 years. During the year under review, 335 employees received short-term incentives, 102 received long-term incentives and 73 received long-service awards. The number of employees who have received long-service awards is testimony to PIC's high employee retention levels. Moreover, eligible employees received inflation-linked salary increases. These are delinked from performance management and aim to ensure that the PIC remains market competitive and continuously enhances its value proposition.

Remuneration governance

The Board has delegated to the Human Resources and Remuneration Committee its responsibilities and role for the governance of remuneration and setting of principles and parameters of remuneration for the PIC, and for the development and implementation of a human resources strategy adopted by the Board.

The Board acknowledges that it remains responsible for ensuring compliance with remuneration principles. This includes the approval of the financial affordability of the remuneration and incentives pool to ensure the risk exposure within the PIC remains at acceptable levels.

The committee is satisfied that:

- The PIC remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term;
- The remuneration report fairly provides the material disclosures of the PIC's Remuneration Policy and implementation thereof; and that
- The Remuneration Policy achieves its stated objectives and future focus.

PIC BURSARY 'ATTORNEY POINT' IN XITSUNDZUXO'S LIFE



CASE STUDY

Once a young man with a big dream, Xitsundzuxo Mathebula is now a slightly older man with that big dream fulfilled. An attorney admitted to the high court, Xitsundzuxo took every opportunity the PIC presented him to realise his vision.

Born in Xikumba Village, Giyani, Limpopo, he always imagined a career in law, but lacked the funds to pursue it. Nevertheless, he took a leap of faith, enrolling for law at the University of Venda in 2017 and hoping to secure a sponsorship. As the adage goes, 'fortune favours the brave'. For Xitsundzuxo that fortune was when PIC spotted his potential and granted him a study bursary. He worked hard and played little, ensuring that the bursary would be renewed until he graduated. Being named the vice chancellor's top student in his first year did his chances no harm and helped to spur him on until graduation in 2020.

Being named the **vice chancellor's top student in his first year** did his chances no harm and helped to spur him on until graduation in 2020.



Upon completing his undergraduate studies, Xitsundzuxo joined the PIC through its graduate development programme. The PIC funded his practical legal training. He underwent practical vocational training (commonly known as articles) with leading law firm, Cliffe Dekker Hofmeyr, from January 2023 to February 2024. He then completed his competency-based examinations, culminating in his admission as attorney of the High Court of South Africa.

Xitsundzuxo was flagged as a rising star in the PIC 2022/23 annual report, when he commented that becoming an attorney was something he could only have dreamt of before the opportunities came his way. 'The bursary certainly changed my life and for that, I will be forever grateful,' he said. That is truer now than ever.



INFORMATION TECHNOLOGY REPORT

Information technology is an integral part of the PIC's business processes, at both corporate and investment levels.

The PIC has adopted a clear digital and IT strategy, which is yielding significant benefits for the organisation. As a result, it:

- Continued to entrench information technology governance and improved risk management and compliance to acceptable levels, as evidenced by optimal risk index and minor audit findings;
- Optimised disbursement processes that are core to the organisation. Disbursements will now be concluded in less than half the time;
- Automated investment processes for private markets that have created a central record and visualisation of data for valuable insights. People who apply for funding can now do so online and track the status of their applications;
- Recorded impressive progress in automating and modernising core PIC processes, which should translate into shortened cycle times in the new Medium-term Expenditure Framework;
- Enhanced information security through automation and by embedding artificial intelligence, which has been highly beneficial;
- Enhanced disaster recovery processes, including hosting certain disaster recovery services locally; and
- Transformed operations, with shorter performance cycles of certain processes and no significant IT outages. The organisation will continue to perfect its computing platform while mitigating risks identified during the year.

The Medium-term Expenditure Framework has fully prepared the PIC to be a digitally ready and capable organisation through technology systems, people and processes. The transition to cloud technology reduced the cost of ownership and it is now applied throughout the organisation.

A safe environment to prepare the PIC for digital enablement was enhanced by structures, policies and processes for the responsible and ethical use of artificial intelligence. Although still in its nascent stage, this has significantly improved the monitoring of PIC environments for cyber-threats. This has been made possible through continued partnerships, with some external partners granting the PIC the opportunity to embed this intelligence into some crucial areas of the business. This much-needed capacity should also enable the PIC to timeously intervene in investments that may be showing signs of distress.

Through the PIC's maiden hackathon challenge — an innovative competition in which participants are mandated to develop and produce a technology solution for the business within 24 hours — it has enabled an investment management system turnaround and value-add, a solution that can monitor an investment's lifecycle and provide alerts about its performance based on set requirements.

Previously, monitoring investments was a manual exercise, with investee companies submitting required information for manual processing by the PIC. Now, with automation, an early-warning report can be generated seamlessly to activate the necessary interventions. The intention is to perfect and roll out TOVA to more private investee companies.



The Medium-term Expenditure Framework has fully prepared the PIC to be a digitally ready and capable organisation through technology systems, people and processes.

Some of the notable achievements for the 2023/24 financial year include:



Introduced a new Digital and **IT Strategy** that will run from 2024/25 to 2026/27, which consolidates information security, data and modernisation strategies.



Completed implementation of **unlisted investments system**, which keeps records after migrating unlisted historical data.



Reduced month-end processing time by **seven days** through leveraging cloud technologies



Migrated and upgraded certain **remnant legacy applications** to the cloud, which enhanced security and enabled new business functionality.



Continued **training of employees** on the use of analytics and dashboarding tools, which yielded valuable data insights.



Continued to equip employees with **self-service capabilities** to increase systems availability. Optimised disaster recovery processes, reducing recovery time to a few minutes.



Implemented systems to enable **GIPS**, a performance reporting standard used by asset managers worldwide.



Introduced the **Information Security Management System Programme**, which automated certain business processes. Continued internal training, which improved the PIC's security posture, resulting in no successful data breaches being reported.



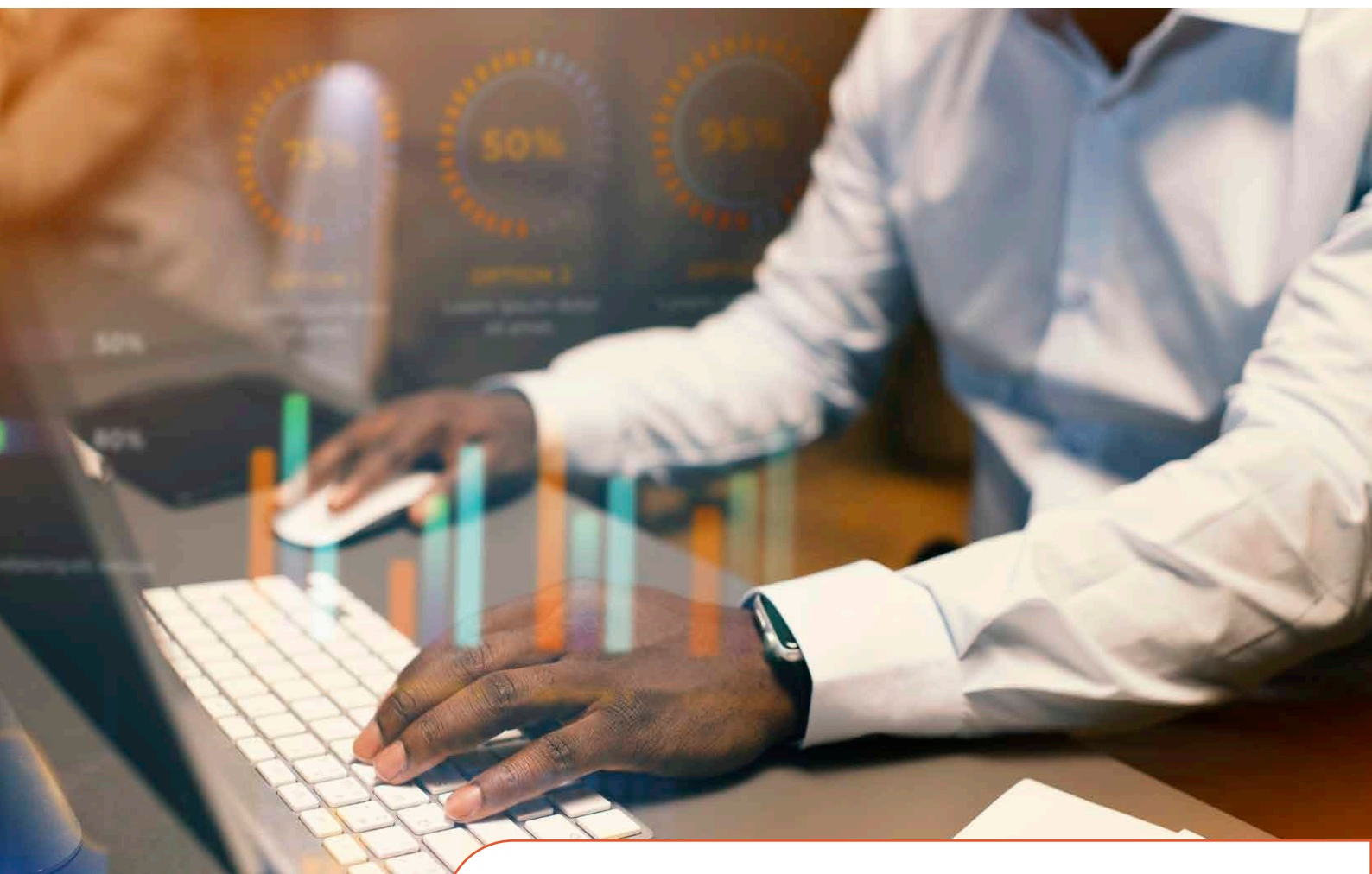
Automated validation of fund applications against the employee database, reducing such validation from several days to a few minutes with minimal human intervention.



Established a **business enablement centre** to re-engineer PIC processes and optimised disbursement processes and automated approvals. This reduced the process from over 20 days to an average of five days.



Introduced the PIC's **first hackathon**, which enabled the 'democratisation' of IT by equipping participating employees with low code skills. The winning solution from the event has been implemented.



Outlook

During 2024/25, the PIC will continue to build on the solid foundation laid in the year under review, through:

Automating investment and operations processes to match market cycle times and create visibility among all stakeholders.

Accelerating the adoption of artificial intelligence for valuations, transaction lifecycle (including due diligence, conditions precedent) and compliance.

Transforming and modernising engagement with investee companies, funding applicants and clients to enhance their PIC experience and enhance transparency.

Modernising legacy systems.

Escalating automation of information security in line with market practices and developments.

The PIC prides itself on equipping employees with technologies and many staff members are well ahead in knowledge compared to their market peers. While skills shortages remain a global challenge, the PIC is confident that through its IT graduate programme and the quality of its technologies, it will continue to not only attract the best resources, but to further develop them.

10

PART TEN

Acronyms

TR²A I²L
VALUES

TRANSPARENCY

RESPECT | RESULTS-DRIVEN

ACCOUNTABILITY

INNOVATION | INTEGRITY

LEAD BY EXAMPLE

ACRONYMS

AIPF	Associated Institutions Pension Fund
AuM	Assets under management
B-BBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
CC	Compensation Commissioner Fund
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Investment Officer
COO	Chief Operating Officer
CP	Compensation Commissioner Pension Fund
CSI	Corporate social investment
CRO	Chief Risk Officer
CTO	Chief Technology Officer
DoA	Delegation of Authority
ERMF	Enterprise Risk Management Framework
ESG	Environmental, social and governance
Exco	Executive Committee
FAIS Act	Financial Advisory and Intermediary Services Act, 2002
Fed	Federal Reserve
FICA	Financial Intelligence Centre Act
FSCA	Financial Sector Conduct Authority

GEPF	Government Employees Pension Fund
GIPS	Global Investment Performance Standards
GDP	Gross domestic product
IMF	International Monetary Fund
IoDSA	Institute of Directors of Southern Africa
IT	Information technology
JSE	Johannesburg Stock Exchange
Mol	Memorandum of Incorporation
NDP	National Development Plan
PES	PIC Early-stage (Fund)
PFMA	Public Finance Management Act, 1999
PIC	Public Investment Corporation SOC Limited
PIC Act	Public Investment Corporation Act, 2004
PRI	Principles for Responsible Investment
SDGs	Sustainable Development Goals
SETCO	Social, Ethics and Transformation Committee
SOERG	State-owned Entities Remuneration Guidelines
TDEI	Transformation, diversity, equity and inclusion
UIF	Unemployment Insurance Fund
UNGC	United Nations Global Compact
US	United States

GENERAL INFORMATION

Country of incorporation and domicile

South Africa

Nature of business and principal activities

Asset Management

Directors

Dr David Masondo (Chairperson) (Non-Executive Director)
 Ms Ntombifuthi Mtoba (Deputy Chairperson) (Non-Executive Director)
 Mr Abel Sithole (Chief Executive Officer) (Executive Director)
 Mr Kabelo Rikhotso (Chief Investment Officer) (Executive Director)
 Mr Brian Mavuka (Acting Chief Financial Officer) (Executive Director)*
 Ms Barbara Watson (Non-Executive Director)
 Ms Beverley Bouwer (Non-Executive Director)
 Prof Bonke Dumisa (Non-Executive Director)
 Mr Frans Baleni (Non-Executive Director)
 Dr Lufuno Mulaudzi (Non-Executive Director)
 Dr Mugwena Maluleke (Non-Executive Director)
 Ms Tryphosa Ramano (Non-Executive Director)
 Mr Walter Hlase (Non-Executive Director)

* Mr Brian Mavuka's acting CFO period ended on 31 March 2024.

Registered office and business address

Menlyn Maine Central Square
 Corner Aramist Avenue and Corobay Avenue
 Waterkloof Glen Extension 2
 Pretoria
 0181

Postal address

Private Bag X187
 Pretoria
 South Africa
 0001

Holding and ultimate holding company

Public Investment Corporation SOC Limited incorporated in the Republic of South Africa

Auditors

Auditor-General of South Africa

Company Secretary

Ms Bongani Maserumule

Company registration number

2005/009094/30

Company Annual Financial Statements

The Company's Annual Financial Statements were prepared under the supervision of the Company's CFO Ms Batandwa Damoyi.

Ms Damoyi was appointed CFO on 01 April 2024.

Address of Company Secretary

Menlyn Maine Central Square
 Corner Aramist Avenue and Corobay Avenue
 Waterkloof Glen Extension 2
 Pretoria
 0181

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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 (www.fsca.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.

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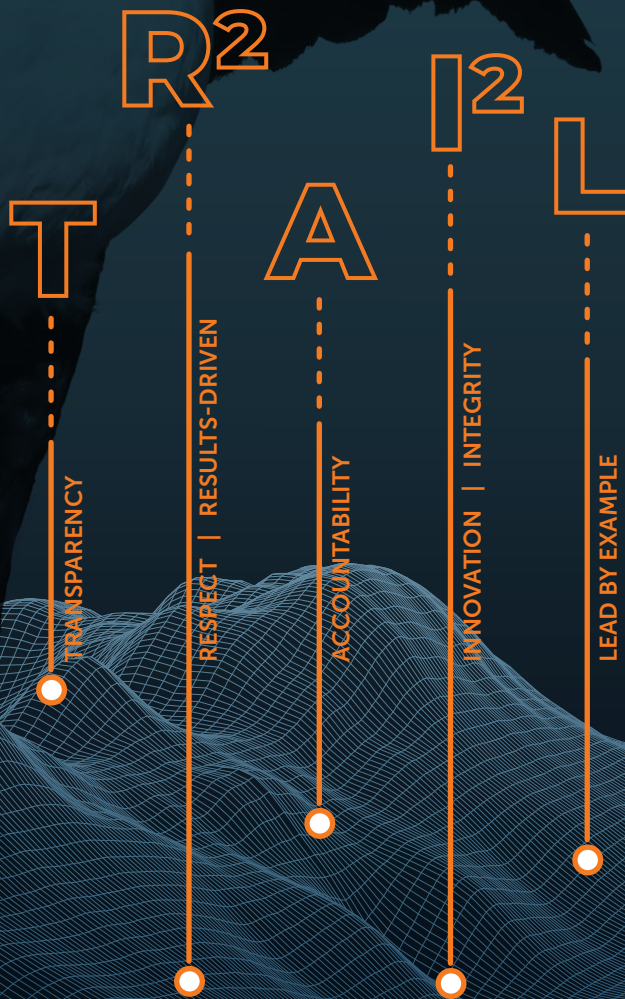
Personal trading by staff is regulated to ensure that there is no conflict of interest. All directors and employees who are likely to have access to price-sensitive and unpublished information in relation to the PIC are further regulated in their dealings. All employees are remunerated with salaries 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 David Maseondo (Chairperson), Ms Futhi Mtoba (Deputy Chairperson) | Mr Frans Baleni, Ms Beverley Bouwer, Prof Bonke Dumisa, Mr Walter Hlase, Dr Mugwena Maluleke, Dr Lufuno Mulaudzi, Ms Tryphosa Ramano, Ms Barbara Watson | Mr Abel Sithole (Chief Executive Officer), Mr Kabelo Rikhotso (Chief Investment Officer) | Company Secretary: Ms Bongani Maserumule.

For more information, visit www.pic.gov.za.



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