

INTEGRATED
ANNUAL REPORT
TWENTY22



PUBLIC INVESTMENT
CORPORATION®

Est. 1911



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**This Integrated Annual Report consists of two books:*

The **2022 Integrated Annual Report** and the **2022 Annual Financial Statements**.



PART
ONE

INTRODUCTION

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- 04** Minister's Note to Parliament
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MINISTER'S NOTE TO PARLIAMENT

Speaker of Parliament

In terms of Section 65 of the Public Finance Management Act (Act 1 of 1999), it is my honour to present the Integrated Annual Report of the Public Investment Corporation SOC Limited (PIC) for the period 1 April 2021 to 31 March 2022.

Mr E Godongwana, MP

Minister of Finance
September 2022

CORPORATE PROFILE

Overview

The Public Investment Corporation (PIC) is a South African state-owned asset management company that manages assets on behalf of its public sector entities.

This year the PIC turned 111 years. It was established in 1911 as Public Debt Commissioners and assumed its current name on 1 April 2005, following its corporatisation in line with the Public Investment Corporation Act (Act 23 of 2004, the 'PIC Act').

The PIC is a financial services provider, registered with the Financial Sector Conduct Authority (FSCA), and its investment activities are governed by the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002, the 'FAIS Act').

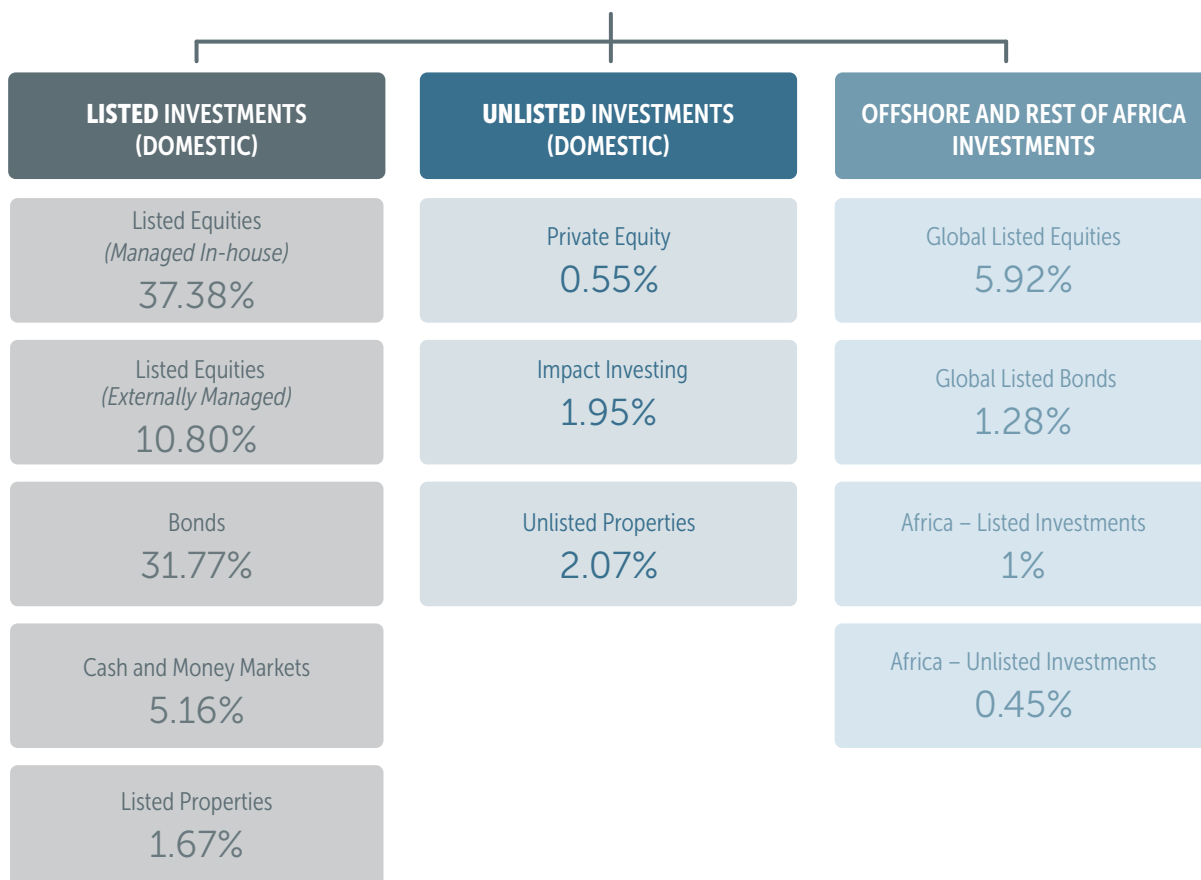
Moreover, the PIC is regulated by the PIC Act, the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA), the Companies Act, 2008 (Act 71 of 2008) and the Prevention of Organised Crime Act, 1998 (Act 121 of 1998) and also adheres to the provisions of the Financial Intelligence Centre Act, 2001 (Act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

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

The PIC focuses on investments that stimulate sustainable economic growth; increases productive employment; and reduces poverty and inequality, while generating the requisite returns.

Asset Class Composition

As at 31 March 2022, the asset class composition as a percentage of assets under management (AuM) was as follows:

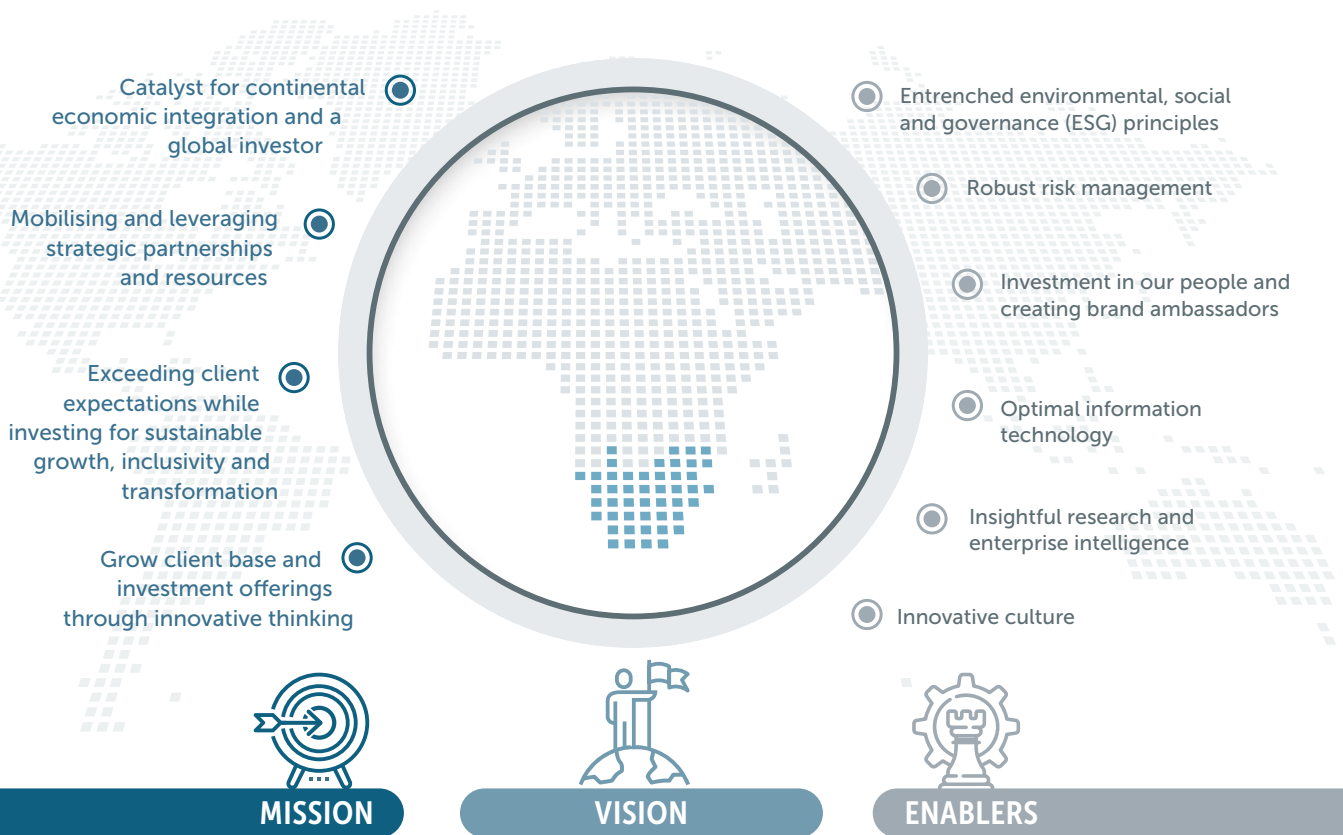


Our Values

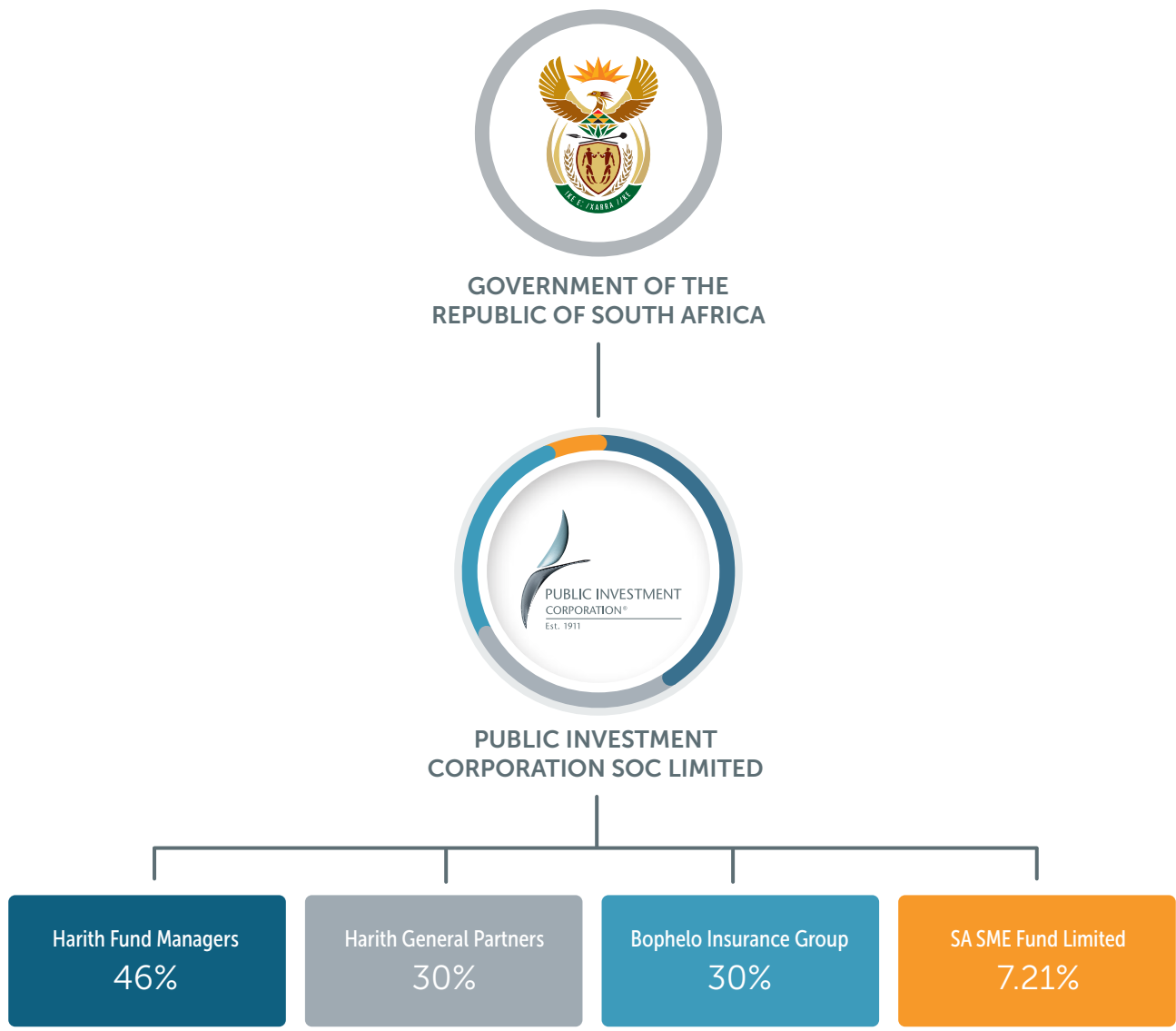


Our Mission and Vision

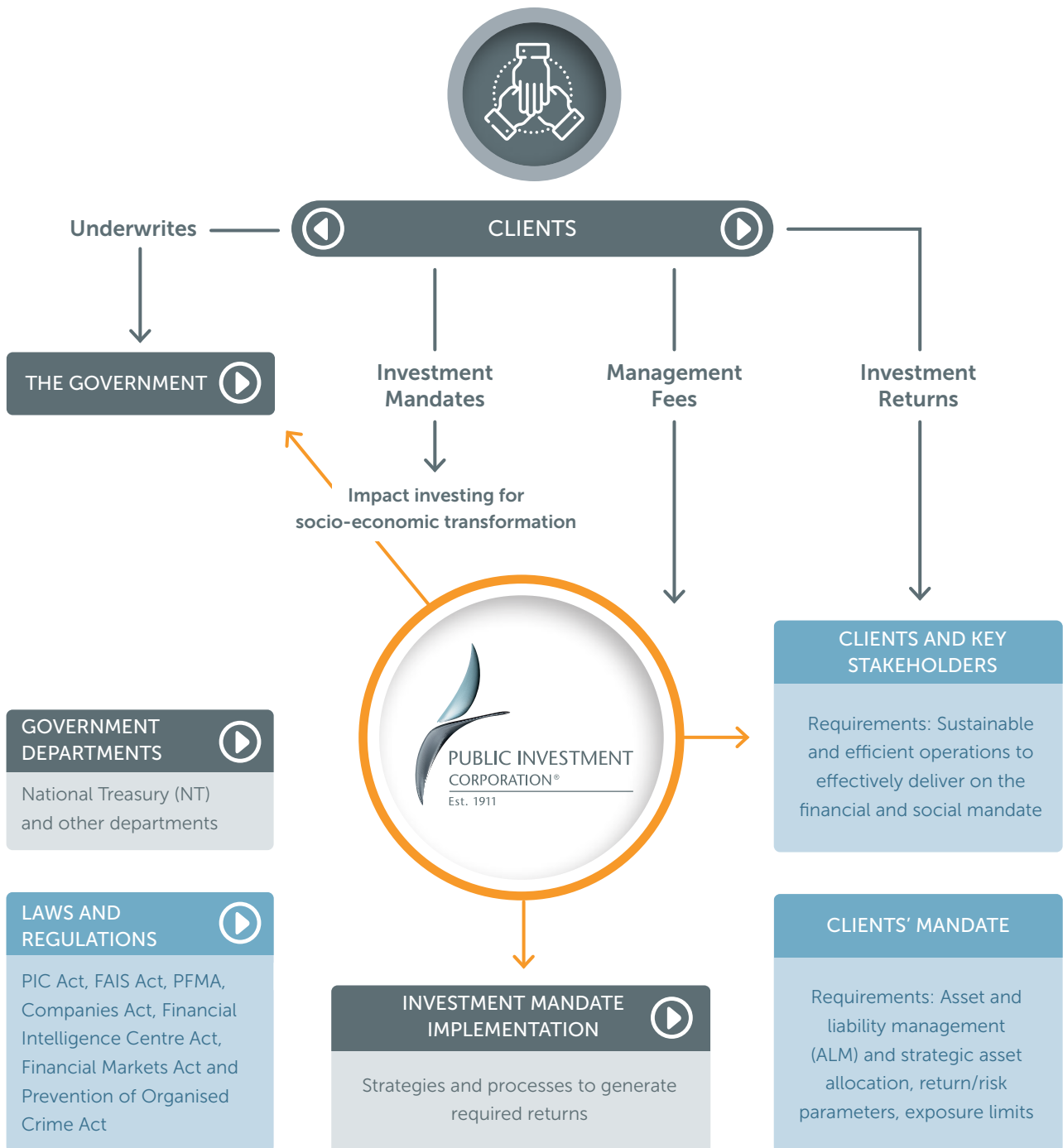
To be a key player, not only in the region, but also in the rest of the African continent, who consistently delivers on client mandates through direct investing for economic transformation, robust risk management, strategic partnerships and resource mobilisation.



Group Structure



Our Business Model





REPORT BY THE CHAIRPERSON

I am pleased to present the Chairperson's report for the PIC's financial year ending on 31 March 2022.

This recent financial year end marks two years since South Africa was placed under a state of national disaster, in response to the global COVID-19 pandemic.

During that period and beyond, it became clear that the performance of the PIC's investment portfolio is influenced directly by external factors, which, among others, are economic, political and social.

In the first year of the pandemic, the PIC's portfolio of assets markedly declined as governments around the world imposed stringent COVID-19 restrictions on movement and economic activity. Following the easing of restrictions, and the resumption of different types of economic activity, our portfolio of assets recovered impressively and continue to do so.

Overview of the operating environment

GLOBAL

The global economy recovered by 5.7% in 2021, after declining by 3.3% in 2020, due to COVID-19 lockdowns. The recovery was due primarily to higher growth in East Asia and the Pacific region. The economy in the East Asian and Pacific region was fairly resilient during the pandemic relative to the rest of the global economy. The region grew by 7.2% in 2021, following decisions by countries to loosen lockdown regulations and to enable global trade and tourism on the strength of effective vaccination programmes.

As the global economy was recovering, global supply chains took another knock owing to the Russia-Ukraine conflict, which began in the last quarter of 2021/22. This conflict has had a tumultuous impact on the global economy, resulting in a surge in commodity prices, lowered growth prospects and increased inflation expectations. Over and above the inflationary pressures brought to bear by the war, monetary policy over the past two years had already sparked concerns about rising inflation, especially in bond markets, as governments and central banks around the world released extraordinary amounts towards economic stimulus, through monetary and fiscal policy.

DOMESTIC

South Africa is a global player, and our economy is integrated into the global economy as well. During the year under review, South Africa benefitted from the rally in commodity prices. The reopening of economies globally supported South Africa's terms of trade and led to 4.9% growth in domestic GDP during 2021. The recovery and growth were, however, short-lived due to the social unrest in KwaZulu-Natal and parts of Gauteng – known as the July unrest – which weighed heavily on economic activity and investor sentiment. Consequently, most sectors of the economy shrunk in the third quarter of 2021 as the unrest disrupted local supply chains, industrial production and retail activity. Our economic recovery was also hampered by record-breaking levels of loadshedding, which Eskom expects is likely to persist during 2022.

ECONOMIC OUTLOOK

Globally, the Russia-Ukraine conflict has created much uncertainty, as it cannot be anticipated when the war will end. This is likely to see both countries remaining in depressionary states for a long time to come. There is also the potential for energy shortages and rationing in Europe. The macroeconomic implications of these are lower global growth in the short- to medium-term, deglobalisation, changing trade and investment patterns.

A higher inflation outlook for our country, particularly higher consumer price inflation (CPI) due to sharp increases in the cost of food and energy supply, will disproportionately impact the poor. There are also concerns about a global economic slowdown and the probability of a global recession, as central bank policy responses have tightened financial conditions. There are, however, signs of hope, largely because of increased COVID-19 vaccination rates since the beginning of 2022. It is hoped that vaccination will assist the tourism, accommodation and hospitality industries domestically, which were the hardest hit during lockdowns, and which are likely to have some sectoral scarring as these sectors rebuild.

The PIC managed to grow its assets base (AuM) by **8.9%** for 2021/22, to **R2.548 trillion**



PIC PERFORMANCE

Despite the challenges posed by the COVID-19 pandemic and other factors, which are discussed briefly below, the PIC managed to grow its assets base (AuM) by 8.9% for 2021/22, to R2.548 trillion. Growth in AuM was recorded across all client portfolios. This reflects the robustness of PIC's investment strategies under the guidance of the new PIC Board. A detailed discussion on this performance is contained on page 77 of this report.

HUMAN RESOURCES

Human resources remain an important factor in the PIC's ability to successfully execute its mandate. Certain initiatives are underway to ensure that the PIC remains competitive, responsive and an attractive employer of choice. During the year under review, the following areas were prioritised:

- Review of the organisational structure;
- Rollout of management and leadership programmes;
- Implementation of the first phase of Relationship-By-Objective (RBO) and 'charting the way forward' interventions;
- Implementation of the Mpati Commission of Inquiry recommendations and the conclusion of internal disciplinary processes;
- A review of key human resources policies; and
- The digitisation and automation of human resources processes.

The Chief Executive Officer's report, on page 12, provides further details on the above.

GOVERNANCE

The PIC is governed by a Board of Directors. During the year under review, the tenure of the interim Board ended in October 2021. The interim Board had been appointed to stabilise the PIC following en masse resignation of the preceding Board in 2019. On 3 November 2021, Cabinet approved the appointment of the current PIC Board, with effect from 1 November 2021 to 31 October 2024. This is the first Board appointed in terms of the provisions of the PIC Amendment Act, 14 of 2019.

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

have agreed on six strategic focus areas to rebuild the PIC's reputation:

- Build organisational trust;
- Raise transparency;
- Develop new revenue streams;
- Simplify and streamline processes;
- Rebuild the PIC brand; and
- Build a high-performance culture.

The Board continuously monitored the implementation of action plans developed by management for each focus area. The Board reviewed and approved the PIC's Corporate Plan for 2022/23 to 2024/25, and the Shareholder's Compact for 2022/23. These were also submitted to National Treasury, in accordance with the Public Finance Management Act of 1999; and approved by the Minister of Finance.

RISK AND COMPLIANCE

The Board acknowledges its ultimate responsibility to ensure that all risks are timeously identified and effectively managed. The Board understands that compliance with the country's laws is paramount. The Board has delegated oversight of risk management to the Risk Committee and compliance to the Audit Committee, sub-committees of the Board. A detailed risk and compliance report is presented from pages 29 to 37 of this Annual Report.

THE MPATI COMMISSION OF INQUIRY

During the year under review, the PIC continued to prioritise the implementation of Mpati Commission recommendations and findings. By year-end, 70% of recommendations had been implemented. The remaining 30% comprised matters still under investigation by, or having been referred to, law enforcement agencies and, in some instances, due for implementation by third parties. A detailed discussion on the implementation of these recommendations appears on page 106.

POST YEAR-END EVENTS

After the 2021/22 financial year-end, new developments occurred at the PIC that require reporting. The PIC appointed Mr Kabelo Rikhotso Chief Investment Officer (CIO) to decouple power from the Office of the Chief Executive Officer, and to decentralise decision-making on investments, in line with the recommendations of the Mpati Commission.

The Board held a strategy session at which it adopted six strategic objectives, namely financial sustainability; people;

stakeholder management; internal process and information technology; catalyst for transformation and diversity; and governance, ethics and culture. Furthermore, the Board approved a Transformation Charter that articulates the PIC Board's transformation aspirations and objectives and serves as a public commitment for all stakeholders of the PIC, including its clients, its employees and the investment community, to understand and hold the PIC accountable to fulfil its transformation aspirations and objectives. This Charter lays the basis for the PIC to set transformation-related goals within the PIC's own policy framework.

WAY FORWARD

During 2022/23, implementing the remainder of the Mpati Commission recommendations will continue. Focus will also be placed on implementing the approved investment strategy, to further grow AuM and our efforts to restore the PIC's reputation.


CONCLUSION

The Board expresses its gratitude to the management team and all employees for their commitment to the PIC, and for ensuring that the organisation delivers sustainable financial returns on behalf of its clients.

We thank all clients for entrusting the PIC with their investment mandates and for their continued support, without which the Corporation would be devoid of purpose. We also acknowledge the unwavering support of our shareholder, represented by the Minister of Finance, as well as all our other stakeholders.

I would like to express my gratitude to the PIC interim Board, which began the process of restoring governance at the PIC, following the publication of the Mpati Commission's report. We intend to see this process to its conclusion.

To my fellow directors on the PIC Board, without whom it would be impossible to exercise governance, guidance, and oversight over this organisation, and to guide it towards implementing its mandate – your contribution is greatly appreciated.



Dr David Masondo
Chairperson



REPORT BY THE CHIEF EXECUTIVE OFFICER

Having emerged from the worst effects of the COVID-19 pandemic during 2021, the global economy, at the beginning of 2022 showed encouraging signs of renewed growth.

In major economies, significant numbers of citizens had been vaccinated and stringent lockdown measures could be relaxed as the Omicron variant was found to be less severe than initially expected.

Operating environment

During most of the year under review, COVID-19 infections and deaths surged in two waves, with the outbreak of the Delta and Omicron variants. This resulted in increased lockdown regulations that hampered economic activity, while the global economy entered 2022 weaker than previously anticipated. This was in part due to further constraints on global supply chains.

The investment outlook since the start of 2022 has, however, deteriorated significantly, as new geopolitical threats from Russia's invasion of the Ukraine; rising global inflation; and food-, energy- and fuel prices; and monetary policy adjustments by central banks now provide an investment climate of elevated uncertainty and volatility. Following the tentative recovery in 2021, the International Monetary Fund (IMF) now expects GDP output globally to slow, from 6.1% in 2021 (World Bank: 5.7%) to 3.2% in 2022 (World Bank: 2.9%), 0.4% lower than the IMF's previous forecasts for 2022.

Describing the outlook as 'gloomy' and 'more uncertain', the IMF lowered its growth forecast for the US economy by 1.4 percentage points, due to lower growth early in 2022 that reduced household purchasing power, and tighter monetary policy. In China, further lockdowns and the deepening real estate crisis have revised growth down by 1.1 percentage points, with major global spillovers forecast. In Europe, significant downgrades reflect the consequences of the war in Ukraine as well as tighter monetary policy. Global inflation has been revised up due to higher food and energy prices, and lingering supply-demand imbalances. Inflation is expected to reach 6.6% in advanced economies, and 9.5% in emerging market and developing economies, during 2022.

These elevated risks not only affect the outlook for the domestic economy, but present real obstacles to the investment outlook of

global asset managers such as the PIC and for the portfolios of its clients. Notwithstanding these formidable, adverse conditions, our clients can find reassurance from the remarkable resilience and versatility of the PIC's investment performance during the past financial year, which also presented its own, unique set of downside risks.

Investment performance

By 31 March 2022, AuM by the PIC had grown to R2.548 trillion, an increase of R208 billion (8.90%) from R2.339 trillion the previous financial year. Solid growth was recorded across all client portfolios.

This performance is grounded in a disciplined investment approach focused on delivering positive, risk-adjusted returns to client portfolios over their desired time horizon. Listed equities, in particular, delivered positive returns for our clients, with AuM in this, our major asset class, growing by 9.87% to R1.227 billion.

Listed equities delivered positive returns for our clients, with AuM in this, our major asset class, growing by **9.87%** to **R1.227 billion**.



The Government Employees Pension Fund (GEPF) is the PIC's biggest client, with a portfolio constituting 89.43% of AuM. The GEPF is the most diversified portfolio among our clients, and during the year under review, its local listed portfolio outperformed the benchmark by 1.41%, returning 13.38% against the benchmark return of 11.80%. The outperformance has been consistent over an extended period.

The Unemployment Insurance Fund (UIF) is our second-largest client, representing 4.64% of AuM. For the 12 months to 31 March 2022, the UIF portfolio delivered an 11.40% return against the benchmark return of 11.35%, an outperformance of 0.05%. This excluded global equities, which returned 5.54% against a benchmark of 4.45%, an outperformance of 1.09%.

The Compensation Commissioner Fund (CC) constitutes 2.05% of AuM. The fund's portfolio returned 11.08% against the benchmark return of 11.82%, underperforming by 0.74%.

The Compensation Commissioner Pension (CP) portfolio makes up 1.64% of AuM. The portfolio returned 10.61%, but against a benchmark return of 11.54%, it underperformed by 0.93% over the review year.

The PIC's Externally Managed Funds Programme continues to deliver notable investment growth and performance. The PIC, as an anchor investor in multiple black asset management firms since 2009 through the B-BBEE Developmental Manager Programme, has enabled experienced black professionals to build credible track records, to grow their businesses and advance transformation in the industry. The programme is now the largest asset allocator of funds in South Africa, with R422 billion of assets allocated by the end of 2021/22. Through the programme, the PIC allocated capital to eight global firms and 20 domestic firms, with an asset split of R185 billion and R237 billion respectively.

It has increased the participation of black asset managers in the savings, investment and asset management industries – R153 billion of the R237 billion in externalised assets allocated to domestic firms were managed by black-owned entities, with more than 51% black ownership and 30% black management control. This constitutes 64% of assets allocated to domestic firms. Externalised assets grew from R395 billion in March 2021 to R422 billion in March 2022, the largest increase from global and domestic equity assets classes, which significantly outperformed other asset classes in absolute returns over the year.

Economic outlook: Slower growth, rising inflation

Russia's invasion of the Ukraine on 24 February 2022 caused a surge in commodity prices that further restricted already pressured supply chains, lowered growth prospects and increased inflation expectations. While the war in Ukraine increased inflationary pressures, global monetary policy also played a role. During the pandemic, the global economy was effectively shut down and central banks intervened by injecting massive liquidity, mostly allocated to COVID-relief stimulus cheques and government current spending.

While supply chain disruptions and the war explain some inflationary pressures, they are not the root cause of higher inflation rates. Producer price inflation, usually a precursor to consumer inflation, has also risen above consumer inflation, as producer input costs increased throughout 2021 and into 2022. Higher oil prices and rising shipping costs due to supply chain disruptions and further lockdown restrictions fuelled the increase in input costs. Producer price inflation has been above the consumer price index for some time, indicating compressed margins for producers, which ultimately will pass these price increases on to consumers.

Consequently, inflation is likely to remain above most central bank targets for longer than was thought at the beginning of 2022. Concerns of a global slowdown and the probability of a global recession have increased, as more

central bank policy responses are likely to result in tighter financial conditions.

South African economy

National Treasury revised GDP growth for South Africa to 4.9% for 2021, it having contracted by 6.3% in 2020 due mostly to the COVID-19 pandemic and electricity supply constraints. Moderate growth of 2.2% was projected for 2022 at the time of this year's budget policy statement in February, but in a deteriorating global environment with rising inflation, growth prospects are likely to be lower.

The beginning of 2020/21 coincided with sharp increases in commodity prices as economies reopened, which supported South Africa's terms of trade, and led to buoyant tax revenues and strong quarterly economic growth. By the second quarter of the year, the commodities rally had corrected, and by the third quarter of the year, the social unrest in KwaZulu-Natal and parts of Gauteng weighed heavily on economic activity and investor sentiment. Most sectors of the economy shrunk in this quarter as the rioting disrupted local supply chains and production. Global supply chain disruptions dominated in the fourth quarter of 2021, with the chip shortage and rising shipping costs driving inflation higher.

The start of the war in Ukraine sent commodity prices higher and South Africa, again, benefitted from a rise in commodities. This rally led to better-than-expected economic growth of 1.9% during the first quarter of 2022. This outcome moved the South African economy back to pre-pandemic levels, with all sectors having recovered except construction and transport.

Growth constraints

Inadequate electricity supply and continued loadshedding are likely to constrain South Africa's economic growth over the short- to medium term. Electricity production has been stagnant since 2007 – it declined by 5.2% in 2020 and grew by only 2% in 2021. Concerningly, South Africa was able to produce only the same amount of electricity in 2021 as it did in 2004. Eskom's energy availability factor – the percentage of maximum energy generation that a plant can supply to the electrical grid – declined from roughly 83% in 2010 to 64% in 2021.

Eskom's energy availability factor declined from roughly **83%** in 2010 to **64%** in 2021.



This directly affects sectors such as mining, manufacturing, services and tourism, but it has a more profound impact on business and investor sentiment, hindering longer-term growth prospects.

In October 2021, the government announced 25 projects for the fifth bid window of the Renewable Energy Independent Power Producer Programme (REIPPP), with a contracted capacity of 2 583MW. The *2022 Budget Review* notes that proposals for the sixth bid window are expected to procure an additional 2 600MW. In total, the programme is expected to boost capacity by 6 783MW, with investments of at least R128 billion over the medium term.

While economic activity and employment numbers recovered somewhat towards the end of 2021, structural unemployment persists. Job market recovery has not fully made up for jobs lost during the pandemic, which were mostly low-skill jobs. National Treasury cautions that COVID-19 and the public violence in July 2021 took a severe toll on the labour market, with 2.1 million fewer jobs in the third quarter of 2021 than in the final quarter of 2019. There is a real risk that many of the jobs eliminated will not return.

Inside the PIC

Our efforts to reform, strengthen and build a capable and ethical PIC deepened during the year under review. As the report by the Chairperson has highlighted, Cabinet approved the appointment of a new Board for the PIC on 3 November 2021, for three years, chaired by the Deputy Minister of Finance.

The PIC received an unqualified audit opinion from the Auditor-General of South Africa on its financial statements for 2021/22. There has been an improvement in the number of material misstatements identified from the previous financial year and an indication that the organisation has returned to the sound financial management practices required by the PFMA. The Chief Operating Officer was placed on precautionary suspension on allegations of misconduct. An independent inquiry into his alleged misconduct is underway.

Organisational restructuring

In September 2021, the PIC embarked on an internal restructuring initiative to streamline business processes and reporting lines, and to review the organisation's organogram. This initiative follows our success in appointing a Chief Risk Officer and a Chief Operating Officer, a Chief Technology Officer in the previous financial year and the CIO immediately post financial year-end, to create a fully

constituted Executive Committee of C-suite positions. The appointment of a Chief Financial Officer will be concluded soon. Regular engagements will continue with the Board, its sub-committees and all internal stakeholders, as different phases of the restructuring are implemented.

Alongside the restructuring initiative to improve our operational efficiency, we have introduced a Relationship-By-Objective (RBO) initiative to address the internal environment and improve relations with employees. We want to respond meaningfully to the concerns of the Mpati Commission by creating a working environment that is inclusive, absent of fear and mistrust and where morale among employees raises productivity.

Automating key business processes

The PIC made substantial investments during the past financial year to **automate and optimise key business processes.**



The PIC made substantial investments during the past financial year to automate and optimise key business processes. It introduced an automated declaration of interest system, a no-gifts policy system, an automated business record management system for internal memoranda and approvals, a fully automated e-learning platform for ongoing leadership, ethics and regulatory compliance training for all employees, and a fully automated supplier database.

The nomination of directors to the boards of investee companies has been automated, with direct access to the skills profile and experience of nominee directors. Key human resource systems are being upgraded and the intention is for the PIC to fully leverage new, emerging information and communications technology opportunities. This will further reduce our carbon footprint and environmental impact as we move towards a fully paperless operating environment.

Unlisted investment portfolio – the Isibaya Fund

By the close of the 2021/22 financial year, the GEPF and the PIC had successfully concluded a new unlisted developmental investment mandate for the Isibaya Fund. The mandate provides for the PIC to invest in key economic sectors to generate positive, sustainable long-term returns, while supporting social outcomes such as job

creation, greening the economy, improving South Africa's competitiveness, advancing transformation and other key government policy directives. The mandate was signed on 31 March 2022, with the GEPF committing R25 billion over the next five years in both South Africa and the rest of Africa.

There were fewer unlisted investments during the review period than in the previous year, as the unlisted mandate with the GEPF was under review.

Most of the problematic historical investments identified by the Mpati Commission were in the unlisted space. It is incumbent on us to find credible, bankable transactions to justify our client entrusting us with a new investment mandate.

The PIC Board

The interim Board concluded its term at the end of October 2021, having been appointed in July 2019. At the time of its appointment, the reputation and credibility of the PIC were beset by allegations of impropriety, negative public exposure, and deteriorating relations with clients and stakeholders, many of which were contained in the Mpati Commission of Inquiry.

I wish to express my sincere gratitude to Dr Reuel Khoza and the interim Board for carrying out the formidable task of restoring ethical conduct and stability to the PIC and for reviewing governance structures, delegations of authority, policies and investment processes, and questionable investments, and for instituting legal recovery steps and disciplinary actions against implicated parties.

Similarly, I thank Dr David Masondo and the current PIC Board for their leadership and guidance as we continue the journey to restore ethical leadership and sound governance, and strive to deliver sustainable returns to the investment portfolios of our valued clients, their members and their beneficiaries. Furthermore, I thank PIC clients for entrusting the PIC with their assets; employees for their commitment to delivering on clients' mandates; and all stakeholders for their continued support.

A handwritten signature in black ink, appearing to read 'Abel Sithole'.

Mr Abel Sithole
Chief Executive Officer

Performance against key strategic objectives

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2021/22	ACTUAL PERFORMANCE 31 MARCH 2022	ACTUAL PERFORMANCE (ACHIEVED/ NOT ACHIEVED)	PERFORMANCE COMMENTARY
			FINANCIAL – (25%)			
1a	Improve PIC's financial sustainability and going concern through efficient operations and cost containment.	Total staff costs ratio (CTC excl PICeeds/ management fees).	$x \leq 40\%$	45%	Not achieved	Isibaya revenue has decreased due to step down of Fund II and impairment of non-performing unlisted assets.
1b		Total costs/management fees.	$x \leq 80\%$	107%	Not achieved	Isibaya revenue has decreased due to step down of Fund II and impairment of non-performing unlisted assets.
			INTERNAL BUSINESS PROCESSES/OPERATIONAL EFFICIENCY – (30%)			
2a	Improve compliance and governance.	No irregular, unauthorised, fruitless and wasteful expenditure.	Classify 0.0% (R value) of expenses as irregular, unauthorised and fruitless and wasteful expenditure.	R1 600 000	Not achieved	The expenditure was due to a settlement payment to a client. The payment was found to meet the definition of fruitless and wasteful expenditure. The PIC is taking consequence management in addressing the root cause of the incident. There was a lack of action by an employee which resulted in PIC paying a settlement, where the Company did not derive value.
		Submit all PFMA submissions within the stipulated deadline.	Submit all PFMA submissions within the stipulated deadline.	Submit all PFMA submissions within the stipulated deadline.	Achieved	Submit all PFMA submissions within the stipulated deadline.
		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.	The PIC received an unqualified audit opinion with a material finding.	Not achieved	The final assessment is an unqualified audit opinion with a material finding.
		Ethical behaviour.	All identified unethical behaviour must be investigated by the company.	There were 15 cases reported of alleged unethical behaviour from April 2021 to March 2022. Investigations have been completed for four of the reported cases. For the 11 remaining cases investigations were in progress at 31 March 2022. In addition, two employees were dismissed for unethical conduct.	Achieved	Any identified/reported unethical behaviour will be investigated and where allegations are confirmed, they will be dealt with in accordance with the provisions of the Employee Relations Policy and Procedures.
2b	Improve enterprise risk management practices.	Reduce the PIC risk exposure and improve internal control environment, measured by reduction in risk index.	1% - 5% risk index reduction.	The PIC risk index reduced by 10%.	Achieved	The overall control environment improved during the year, including governance, compliance, ethics and enterprise-wide risk management.
2c	Improve a rating of good on the corporate governance matrix as at 31 March 2022.	Assessment against PIC's corporate governance matrix ratings as per the PIC internally generated ESG assessment.	ESG rating score =75%.	Assessment done on the Integrated Annual Report for the financial year 2022.	Achieved	ESG rating is above 80%.

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2021/22	ACTUAL PERFORMANCE 31 MARCH 2022	ACTUAL PERFORMANCE (ACHIEVED/ NOT ACHIEVED)	PERFORMANCE COMMENTARY
CUSTOMERS/STAKEHOLDERS – (40%)				CUSTOMERS/STAKEHOLDERS – (40%)		
3a	Exceed client benchmark portfolio returns and compliance with client risk parameters (36 months rolling returns).	Listed Investments α is defined as: total individual fund return for the top five funds individual fund benchmark return (over a period of 36 months rolling returns).	Individual top five funds α (meet or exceed benchmark returns).	α = 0.54%	Achieved	The main contributors to the outperformance are the performance of the local equities due to stock selection and being underweight in money markets mainly from the GEPF portfolio, in spite of underperformance in certain portfolios due to over-exposure to cash and money markets awaiting deployment to investment opportunities.
3b	Meet client benchmark portfolio returns (Unlisted Investments excluding Properties).	Unlisted Investments (excluding properties) Measured by hurdle return.	Market benchmark based on vintage of the fund.	3.82%	Not achieved	Performance of the portfolio impacted by significant impairments (36% of the portfolio) raised during the lifetime of distressed assets and an increase in the quantity of distressed/non-performing assets. The return of 3.82% is based on the valuations as recommended to the Audit Committee.
3c	Exceed client benchmark portfolio returns (Property) (as per IPD returns calculation, customised for the PIC unlisted properties portfolio structure).	Property Investments (Unlisted) Total return (capital and income) = IPD adjusted by weighting the portfolio returns as customised for the PIC's clients' portfolio structure.	Total return higher or equal to the PIC customised IPD.	Annual performance -1.08% (8.23% below benchmark.	Not achieved	The Indirectly Held portfolio has weighed heavily on the performance due to exposure to super regional shopping centres and tourism (V&A Waterfront, ACSA etc) over the past three years, while the benchmark (CPI + 500bps) increased with growing inflationary pressures. The Directly Held portfolio continued to suffer from exposure to developments and offices, which have suffered from lower demand.
3d	Drive and facilitate transformation through investments activities both in Listed and Unlisted Investments.	Listed Investments - (Externally Managed Portfolio) Maintaining a minimum of X% (percentage) of the total AuM of the Listed Investment Externally managed portfolio should be managed by transformed managers with BEE Level 1 - 4 and with at least 51% black ownership; and at least 30% black management control.	At least a minimum of 50% of the AUM managed by external managers should be managed by BEE managers with at least 51% black ownership; and at least 30% black management control.	64.37% of the AuM managed by domestic external managers was managed by managers with 51% black ownership and at least 30% black management control.	Achieved	The target allocation was achieved with an allocation to black-owned firms at 64.37%. The calculation is based on BEE managers verified as at 31 March 2022.
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).	90% of brokerage spend shall be to brokers on level 1 - 4 BEE rating; 60% of total brokerage shall be paid to brokers with 51% ownership by historically disadvantaged individuals (HDIs) and 30% management control by HDIs.	99.13% of brokerage was paid to brokers on a level 1 - 4 BEE rating; 70.05% of total brokerage was paid to brokers with at least 51% ownership by HDIs and 30% management control by HDIs.	Achieved	Aim to increase brokerage spend to Level 1 - 4 BEE brokers. Aim to increase brokerage spend to brokers with at least 51% ownership by HDIs and 30% management control by HDIs.

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2021/22	ACTUAL PERFORMANCE 31 MARCH 2022	ACTUAL PERFORMANCE (ACHIEVED/ NOT ACHIEVED)	PERFORMANCE COMMENTARY
			CUSTOMERS/STAKEHOLDERS – (40%)			
3f	Drive and facilitate transformation through investments activities both in Listed and Unlisted Investments.	Fund of Funds (Unlisted Investments) Measured by X% (percentage) of the approved funds during the financial year allocated towards to BEE-transformed External Managers.	Minimum of 60% of all the approved funds is allocated to BEE managers (to qualify as a BEE asset manager, the service provider must have at least 51% black ownership and 30% management control by HDIs).	100% of the approved has been allocated to companies with 51% black ownership and 30% management control by HDI.	Achieved	100% of the approved has been allocated to companies with 51% black ownership and 30% management control by HDIs.
3g		Unlisted Property Investments Approved transaction of new developments/acquisitions of property investments.	At least 30% of the approved unlisted property transactions for new developments/acquisitions must be BEE.	100%	Achieved	One transaction for R375 million was approved (TEMO)
			Between 10% – 50% of the approved BEE transactions must be allocated to women participants. The BEE shall have at least 40% black ownership.	100%	Achieved	One transaction for R375 million was approved (TEMO)
			ORGANISATIONAL CAPACITY – HUMAN CAPITAL MANAGEMENT (10%)			
4a	Ensure PIC functions are adequately capacitated in line with its employment equity (EE) plan.	Optimal staff requirements as reflected by % of critical vacancies filled in line with EE plan.	80% of critical vacancies filled in line with EE plan.	95.74%	Achieved	45/47 new appointments are in line with employment equity.
4b			Maintain a minimum of 30% of women at senior management level based on the Paterson grading scales.	38.13%	Achieved	45/118 women employees at senior/top management.
4c	Increase number of employees living with disabilities.	% of people living with disabilities.	Maintain a minimum of 2% of people living with disabilities as a percentage of overall total staff.	2.36%	Achieved	Nine employees = 9/381.
4d	Retention and turnover.	% of regrettable losses.	Maintain a minimum of 5% of regrettable losses of staff and no more than 15% of staff turnover.	10.23%	Achieved	38/381 resignations (turnover).
4e	Learning and development.	% of compliance training per employee per annum.	Maintain a minimum of 80% of compliance training per employee per annum.	97.95%	Achieved	96/98 key individuals/investment professionals completed the FAIS CPD and CoBT cycle.



PART
TWO



DELIVERING ON CLIENT EXPECTATIONS

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- 25** Client Expectations
- 26** Investment Process
- 29** Risk Management

INVESTMENT PHILOSOPHY

The PIC delivers on its clients' investment mandates with the aim of generating financial returns, whilst focusing on sustainable investing. This is achieved through robust risk management processes.

THE 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, yields 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.

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.



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

Listed Investment Asset Classes

CLIENT	LISTED EQUITIES	LISTED BONDS	MONEY MARKETS	SIPs	LISTED PROPERTIES	OFFSHORE (GLOBAL)	REST OF AFRICA
GEFP	✓	✓	✓	✓	✓	✓	✓
UIF	✓	✓	✓		✓	✓	
CC	✓	✓	✓				
CP	✓	✓	✓				
AIPF		✓	✓				

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

Unlisted Investment Asset Classes

CLIENT	PRIVATE EQUITY	UNLISTED PROPERTY	IMPACT INVESTING	OFFSHORE (GLOBAL)	REST OF AFRICA
GEFP	✓	✓	✓		✓
UIF		✓	✓		
CC			✓		
CP			✓		
AIPF					

INVESTMENT PROCESS

Policies and Frameworks

The investment process is governed by various policies and frameworks. Each role-player in the investment process derives its power and authority from the Delegation of Authority (DoA) Framework. The DoA delegates responsibilities and powers to various role-players in the investment divisions, which include the various investment committees, sub-committees and the Board.

Governance and Investment Processes

Investments under consideration follow the investment and approval process below.

This includes independent investment reviews and reports, which are considered alongside the investment appraisal report from:



- Listed Investment Portfolio Management Committee (PMC) – EXCO sub-committee
- Unlisted Investment Portfolio Management Committee (PMC) – EXCO sub-committee
- Listed Investment Committee – Board committee
- Unlisted Investment Committee – Board committee
- Board



INVESTMENT PROCESS



PIPELINE AND ORIGINATION

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



SCREENING AND INITIAL DEAL STRUCTURING

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



DUE DILIGENCE

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



DEAL STRUCTURING AND DECISION

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



IMPLEMENTATION AND MONITORING

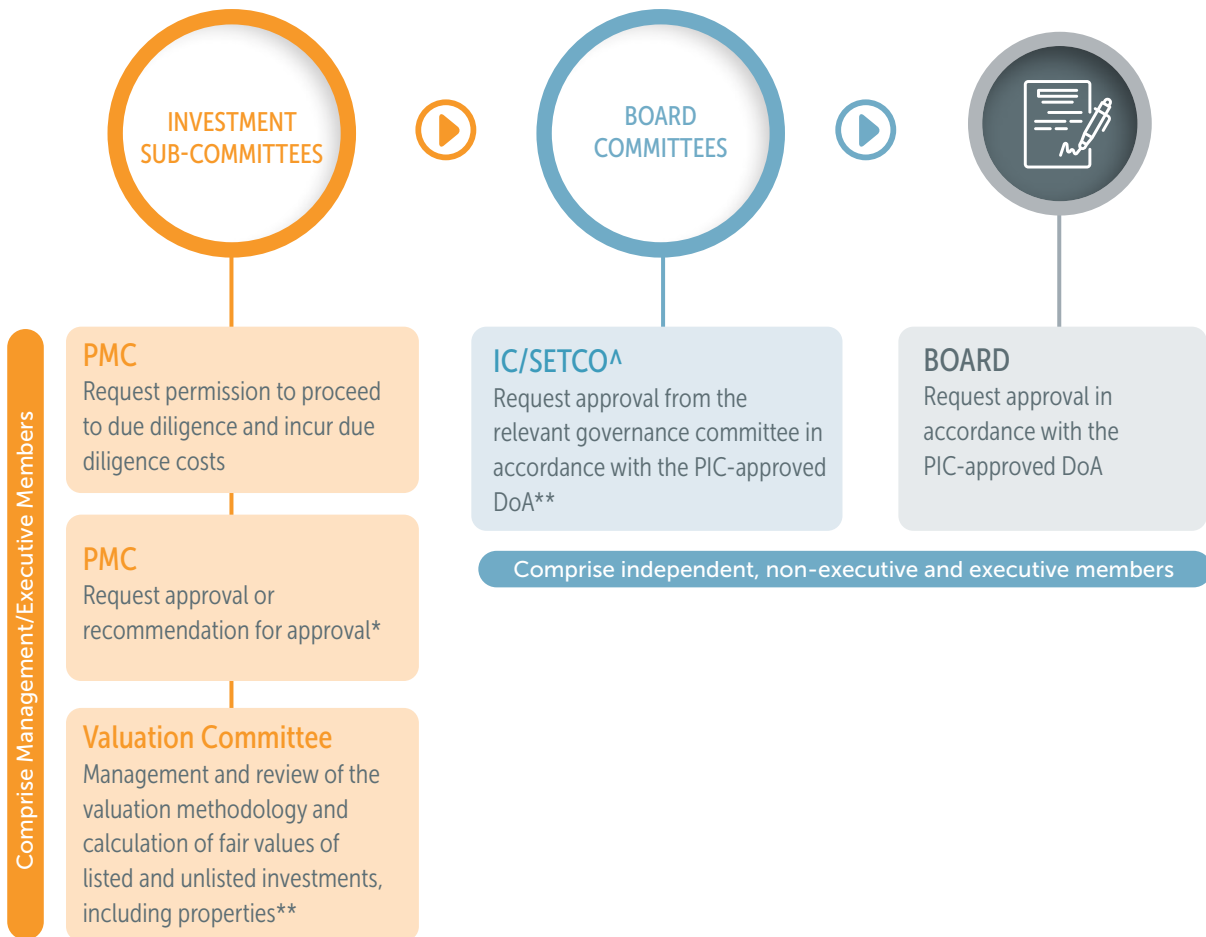
- Compiling legal agreements and meeting conditions
- Meeting all regulatory approvals
- Disbursement of capital
- Ongoing monitoring of performance
- Continued interventions and support
- Board representation
- Engagements



VALUE ADD

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

THE INVESTMENT COMMITTEE APPROVAL PROCESS



* In line with DoA where PMC is delegated to approve

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

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

RISK MANAGEMENT

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

The PIC is conscious that risk management is central to its ability to deliver on its mandate and its sustainability. The fourth King Report on Corporate Governance for South Africa, 2016 (King IV™) expects the Board to manage risk within the PIC. Principle 11 of King IV™ states that 'the governing body should govern risk in a way that supports the organization in setting and achieving its strategic objectives'. The Board, ultimately, is responsible for ensuring that all risks are effectively managed. The Board has delegated oversight of the risk management function to the Audit Committee (AC) and the Risk Committee. The risk function is led by the Chief Risk Officer (CRO).

Risk management involves the identification, assessment, measurement and prioritisation of, and response to, risks that may affect the achievement of strategic, investment and operational objectives of the PIC. The probability of negative events is minimised and the potential for credible opportunities is maximised through identification, measurement monitoring and reporting of key risks.

Strategic risks have been identified arising from the PIC's role and interaction with stakeholders, such as clients, employees, the shareholder (government), regulators, investee companies and the general public.

Through risk identification and measurement, appropriate responses have been developed, and these are continuously updated and enhanced as the business environment shifts.

The risk management function

The risk management function involves:



Identification and management of risks within an organisational risk appetite and risk tolerance parameter, which is aligned to the Board's strategy and objectives, and client mandates;



Integration of risk concerns into the Corporation's daily decision-making and implementation processes;



Improvement of the Corporation's **ability to prevent, detect, correct, escalate and respond to crucial risk issues**, by implementing risk management plans and recommendations, and monitoring these effectively;



Compliance with risk management standards and best practices, including corporate governance guidelines and the King IV™; and



Creation of risk awareness to ensure that a risk-based approach is embedded in strategic and operational decision-making.



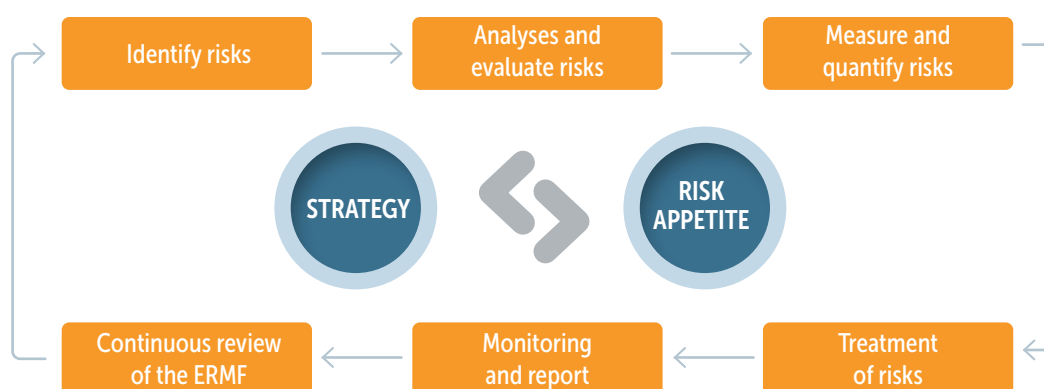
Enterprise-wide risk management

In a complex financial services environment, risk management processes and strategies evolve and are regularly reviewed and modified. The PIC subscribes to an enterprise-wide approach to manage risk, defined in the Enterprise Risk Management Framework (ERMF). The ERMF stipulates that the identification, measurement, management, reporting and monitoring of risks throughout the organisation shall be prioritised.

The framework, which is based on a strong governance structure, echoes the principles of the King IV™, ISO 31000 and Committee of Sponsoring Organisations of the Treadway Commission frameworks. It guides the definition of risk appetite and risk tolerance levels. It further focuses on risk-aware culture, and developing and implementing risk-related 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. Top-down approach means the tone on risk management is set by the Board, as the governing body in line with Principle 11 of King IV™. The top-down approach entails risk workshops with the Board, Executive Committee (EXCO), Risk Committee and other Board sub-committees. The bottom-up approach involves risk assessment in every department and function. Both intend to identify the key risks that may impede the achievement of strategic objectives.

The ERMF process is as follows:



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

PIC principal risks

The Corporation's principal risks are:

- Strategic
- Investment
- Liquidity
- Regulatory and legal
- Operational
- Model
- Reputational

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

Principal risk mitigations

RISK	DEFINITION	MANAGEMENT AND MITIGATION
Investment performance	Not outperforming the client-mandated investment benchmark (risk of investment underperformance)	<ul style="list-style-type: none"> Compliance with client mandates is tested by the assurance providers (risk, legal, compliance and environmental, social and governance – ESG) and further assessed by governance structures, such as the Portfolio Management Committee (PMC), Investment Committee (IC) and Board. Implementation of the approved investment strategy is overseen by the Chief Investment Officer (CIO), monitored by the IC and the Board. Adoption of a robust investment process and sound policies, underpinned by a strong investment philosophy. Development and implementation of asset selection and allocation are overseen by the CIO at an executive level and by the Asset Allocation Committee and the IC. The investment teams incorporate portfolio construction into asset selection and allocation. Investments are underpinned by extensive research and intelligence, which are embedded in the investment process. Recruitment of highly qualified and experienced investment professionals. Risk management and other assurance processes (risk, ESG and legal) are embedded in the investment process to form an independent opinion on all transactions. System-enforced limits are in place in Listed Investments. Screening of all deals by Unlisted Investment teams. Governance structures approve investments and oversee investment monitoring reports (PMC, IC and where appropriate the Board).
Financial sustainability	Business failure (going-concern risk)	<ul style="list-style-type: none"> Corroboration facilitated with revenue-generating business units to grow the client base, maintain current clients and win back lost clients. Finance ensures that organisational and business units' budgets are aligned to the organisation's strategic direction. The budget process is conducted annually with input from all business units. The Board approves and oversees the organisation's budget. All relevant financial sustainability ratios are monitored and reported to the Board and Board sub-committees. Monthly management accounts, including budgets, are tabled at all scheduled EXCO and AC meetings. Monthly management accounts, including budgets, are included in quarterly submissions to National Treasury. Cost management measures approved by the Board are reported to the Board and Board sub-committees. Cost management measures are included in quarterly submissions to National Treasury.
Reputational	Damage to the PIC brand/image (negative stakeholder perceptions of the PIC)	<ul style="list-style-type: none"> Timeous and high-quality information provided to stakeholders to improve transparency. Stakeholder Management Framework approved and implemented. Reputational risk and adverse media reports monitored and reported on. Reputational risks posed by investee companies assessed (investee company due diligence). Oversight by PMC, IC and the Social, Ethics and Transformation Committee (SETCO) of reputational risk matters.

RISK	DEFINITION	MANAGEMENT AND MITIGATION
Mandate compliance	Inability to adhere to limits/requirements of clients' mandates	<ul style="list-style-type: none"> Charles River Investment Management System (CRIMS) embedded with clients' mandate restrictions and other regulatory restrictions. CRIMS rules reviewed against mandates when mandates change. Client instructions reviewed against existing mandate and amendments proposed to ensure compliance with mandate. CRIMS-enforced approval process, which ensures adherence to trade approval limits. Client mandates workshopped with internal stakeholders and clients to ensure understanding when there are changes to client mandates or when a mandate needs discussion.
Regulatory	Financial loss and reputational damage due to non-compliance with local and international regulations	<ul style="list-style-type: none"> Regulatory universe and compliance risk management plans developed and maintained to effect any legislative changes (with inputs from service provider LexisNexis). Compliance annual plan reviewed and approved by EXCO and AC. Compliance with legislation/policies and remedying of findings assessed by risk-based compliance audits and trackers, are then reported to EXCO and the Board. Pre- and post-trade monitoring and reporting on listed equities and collective investment scheme funds conducted using CRIMS and Hiport systems. Financial Intelligence Centre Act compliance certificates issued on completion of the 'know-your-client' process and sanctions screening done through the Dow Jones system for all unlisted deals/counterparties before entering business relationships or disbursing funds. Policies developed and maintained in line with legislative or operational requirements. Staff trained on legislation and policies.
Technology	PIC systems not functioning properly to support the achievement of business objectives	<ul style="list-style-type: none"> Service level agreement (SLA) contracts are in place and SLA reviews undertaken on adherence by service providers/vendors to contractual obligations. SLAs, penalty and breach clauses included in legal agreements for PIC recourse against non-performance by service providers. Periodic external and internal penetration tests on the PIC network and hosted servers. Business applications migrated to Microsoft Azure to protect the organisation. Systems are more stable since migration to the cloud. Information Technology Department capacitation for business continuity. Systems upgrades to ensure alignment with the latest versions and systems. Periodic reporting to the Information and Communication Technologies and Governance Committee.
Information and cybersecurity	Inability of the business to continue due to non-availability of crucial business systems	<ul style="list-style-type: none"> Board-approved Information Security Strategy being implemented. Information security operating procedures such as vulnerability and penetration testing conducted periodically to test the robustness of current security systems, pseudo-phishing emails, encryption of endpoints, intrusion detection and prevention solutions, security operation centre and security incident event management etc. Security awareness training programme. Acceptable-use policy that guides how the PIC's business systems and technologies should be used. Information security policy that governs secure use of PIC technology.

RISK	DEFINITION	MANAGEMENT AND MITIGATION
Inadequate risk management processes	Financial loss due to inadequate or failed processes, people, systems and external events	<ul style="list-style-type: none"> • Development and implementation of a robust ERMF. • Effective identification and periodic review of the PIC's top risks. • Quarterly reporting and monitoring of top and emerging risks by the Board and the Board sub-committees. • Regular monitoring of the Risk Appetite Framework and ensuring that breaches to approved limits are reported timeously to stakeholders. • Monitoring implementation of and compliance with Anti-bribery and Corruption Policy. • Ensuring compliance with safety, health and environmental legislation and workplace safety. • Ensuring that the business continuity framework is in place and tested annually.
Human capital	Inability to attract, retain and motivate skilled and experienced personnel	<ul style="list-style-type: none"> • Market-related employee value proposition offered to attract and retain high-calibre staff. • Implementation of talent management and succession planning. • Continuous engagement between management and staff. • Management development, coaching and mentoring interventions are in place. • Regular communication to all staff on key human resources developments. • Oversight of human resources matters by the Human Resources and Remuneration Committee.
Ethics	PIC employees, third parties (including investee companies and other stakeholders) engage in unethical behaviour or conduct	<ul style="list-style-type: none"> • Conduct a formal ethics risk and opportunity assessment. • Development and implementation of codes of ethics and ethics policies. • Employee vetting by the Human Resources Department. • Training and ongoing communication on ethics. • Investee company due diligence. • Monitoring of PIC external and internal whistleblower hotline. • Investigation of reported cases and consequence management. • Oversight of ethics matters by EXCO, SETCO and the Board.
Governance	Inadequate governance at the PIC	<ul style="list-style-type: none"> • Board-approved governance structures and tracking of committees' effectiveness via annual workplan. • Implementation of the PIC Amendment Act, Public Finance Management Act, Companies Act, Memorandum of Incorporation and King IV™. • Adoption and monitoring of adherence to delegations of authority. • Board meeting management solution (Convener) in place to enhance governance. • Organisational policies, frameworks and standard operating procedures to ensure adherence to governance processes, roles and responsibilities.
ESG (including climate)	Inability to identify, measure and monitor ESG in investments	<ul style="list-style-type: none"> • ESG embedded in Listed Investment and Unlisted Investment processes. • Deep dives initiated by the investments team. • Politically exposed person (PEP) reporting incorporated into ESG reports. • Monitoring PEP-approved transactions.

RISK	DEFINITION	MANAGEMENT AND MITIGATION
Bribery and corruption (internal and external)	PIC employees, Board members, third parties and investee companies accepting or paying bribes for or on behalf of the PIC	<ul style="list-style-type: none"> Development and implementation of the anti-fraud and anti-corruption, whistleblower, gift disclosure and conflicts of interest policies. Monitoring of the PIC external and internal whistleblower hotline. Employee vetting. Employee and director declarations of gifts and entertainment, conflicts of interest and outside interests. Investigation of reported cases. Investee companies due diligence. Committee oversight of relationships with bribery- and corruption-averse media. Segregation of duties promoted through delegations of interest, policies and frameworks.

Risk Profile Summary

Key strategic risks identified by EXCO and approved by the Board are monitored throughout the year and adjustments made as risks migrate. In the year under review, COVID-19 risks were a major factor. The Board and various Board sub-committees continuously reviewed the principal risks to ensure that appropriate controls were in place. The residual risks facing the PIC are depicted in the risk matrix below.

LIKELIHOOD	RESIDUAL RISK RATING						
5 Almost certain >90%	5 #11 ESG/ climate risk	10 #5 Reputational risk #12 Bribery and corruption risk #10a Ethics risk #10b Governance risk	#6 Technology risk	#7 Information and cybersecurity risk	15	20	25
4 Highly probable 51 – 70%	4 #3 Compliance risk (regulatory compliance)	8 #9 Human capital risk	#1 Investment performance risk	#4 Mandate risk	12	16	20
3 Possible 31 – 50%	3	6 #8 Effective enterprise risk management			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		

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

Risk Appetite Statements

RISK	RISK APPETITE STATEMENT
Mandate compliance risk	The PIC has a low tolerance for mandate breaches unless these have been approved by the client.
Regulatory compliance risk	There is zero appetite and tolerance for compliance breaches that may result in loss of Financial Advisory and Intermediary Services licence, imprisonment or financial loss.
Market risk	There is low tolerance for risk-taking beyond client-specified risk parameters, in the absence of which the absolute risk (volatility) of the portfolio should not exceed 50% of the absolute risk of the reference index. This implies a maximum volatility ratio of 1:5 to the reference index. This volatility ratio shall be measured using 24 months of historical data for an ex-post measurement and 12 months for an ex-ante measurement.
Strategic risk	Low-risk appetite and tolerance applies to: <ul style="list-style-type: none"> • Execution and achievement of the strategy and outcomes not aligning with the corporate plan; • Inability to safeguard the stability and sustainability of the organisation; • Ineffective or inefficient decision-making and execution; and • Inability to evolve, adapt and remain relevant. Non-responsiveness to changes in the internal and external operating environment.
Reputational risk	The PIC takes reputational risk and client satisfaction very seriously. It has low-risk tolerance for: <ul style="list-style-type: none"> • Inappropriate/unauthorised comments to the media; • Providing requested information to Parliament late or in breach of the rules of Parliament; and • Inadequate client query management processes, resulting in late responses to queries.
Legal risk	PIC has zero-tolerance to: <ul style="list-style-type: none"> • Non-compliance with laws, regulations, policies and other requirements imposed by regulatory bodies; • Failure to abide by contractual obligations; and • Failure to comply with court orders and processes.
Credit risk	The PIC has a low tolerance for credit risk-taking beyond client-specified parameters and the PIC's investment philosophy and criteria. In the Listed portfolio, the PIC invests only in investment-grade credit quality exposures by client mandates. In the Unlisted portfolio (excluding property), the PIC will be biased towards credit exposures that are rated in low- to moderate-risk categories.
Anti-bribery and corruption	A no-risk appetite and zero tolerance exist for fraud, bribery and corruption, which are prohibited in any form, either direct or indirect, whether perpetrated by employees or third parties in any kind of PIC relationship.
Technology risk	The PIC has a low appetite for: <ul style="list-style-type: none"> • Unavailability of systems that support its crucial business and investment functions; • Damage and interruption to its assets from malicious attacks; • Poor project execution emanating from poor business commitment and investment, leading to poor or misaligned results or adverse incidents; and • Solutions and systems that do not adhere to approved architecture standards and policies. <p>The Corporation has a high appetite for:</p> <ul style="list-style-type: none"> • Innovation and use of tried-and-tested technologies to improve its investment process and revenue generation; and • Business solutions that enable business/investment objectives while aligning to international standards.

RISK	RISK APPETITE STATEMENT
Liquidity risk	Tolerance is low for risk-taking beyond client-specified parameters, in the absence of which the PIC will strive to liquidate 30% of the total client portfolio value within 10 business days.
Human capital risk	<p>The PIC relies on motivated, diverse and high-calibre staff to perform its functions and aims to create an environment in which staff are empowered to realise their full potential. Staff, in turn, are expected to conduct themselves with integrity, to strive for excellence in their work and outcomes and to promote the interests of all stakeholders. The appetite for behaviours that do not meet these standards is very low.</p> <p>In addition, the PIC has a low tolerance for:</p> <ul style="list-style-type: none"> • Non-compliance with labour laws and regulations; • Non-compliance with Employment Equity Act; • Non-compliance with Recruitment Policy; • Non-compliance with Remuneration Policy; and • Failure to develop talent (developing employees with the necessary skills and competence).
Model risk	Low tolerance for model errors that could result in poor business and investment decisions.
Governance risk	The PIC has a low tolerance for weak declaration of interest processes and delayed communication of decisions after meetings. It has zero-tolerance for non-compliance with its statutory requirements, and failure to sign non-disclosure and confidentiality forms.

Risk Management Improvement Project

On the advice of the Risk Committee, the PIC appointed a service provider to conduct an end-to-end gap analysis of the risk management function and practices, reiterating the need for this crucial function to be effective and contribute to the strength and maturity of the PIC. A diagnostic/benchmarking exercise was conducted to compare the Corporation to asset managers of similar or larger size and to ensure that risk management practices are in line with industry best practices. As a result, the Risk Management Improvement Project (RMIP) was instituted. It analysed market, credit, liquidity, model and operational risk, mandate and regulatory compliance, and performance and attribution.

The PIC implemented the recommendations of the RMIP and realised the following improvements, as well as a shift in the Corporation's risk maturity:



Better view and monitoring of risk drivers



Implementation of credit risk systems



Enhanced policies and frameworks with clear roles and responsibilities across the three lines of defence



Expansion of the principal risk universe, including development and implementation of a risk appetite framework, and liquidity and model risk policies



Improved risk identification, measurement and reporting on all risk categories



Expansion of mandate compliance oversight to include unlisted investments



PART
THREE



GENERATING LONG-TERM SUSTAINABLE RETURNS



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- 40** Generating Financial Returns
- 84** Generating Social Returns: Social Impact of Unlisted Investments

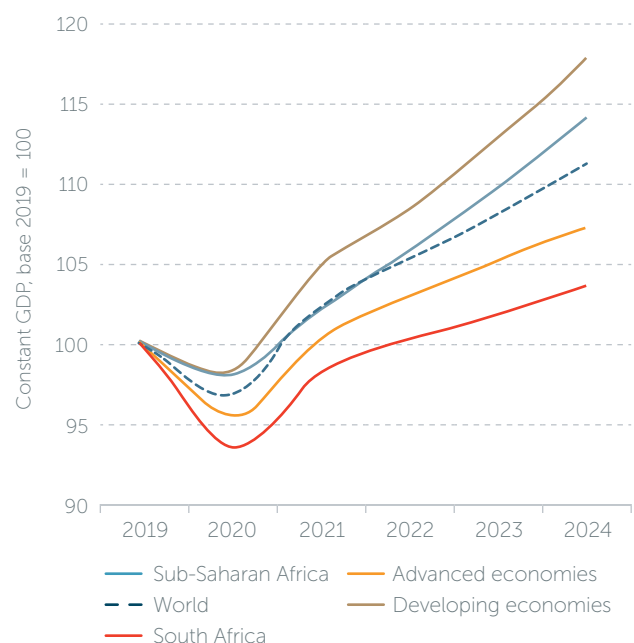
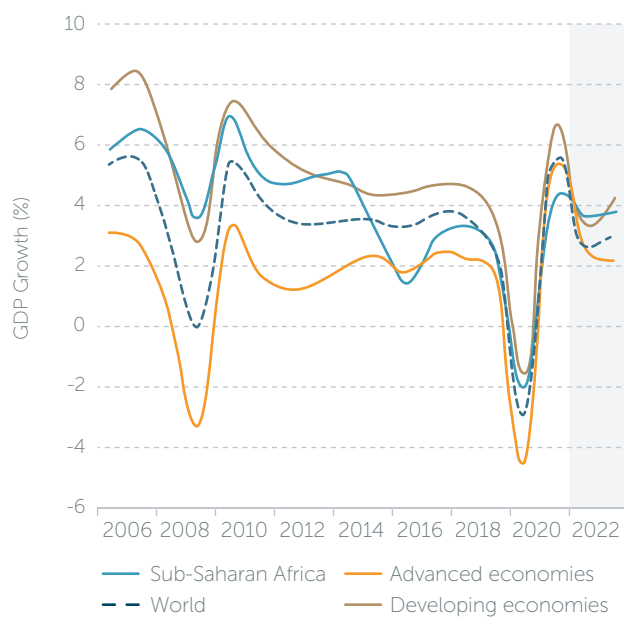
GENERATING FINANCIAL RETURNS

Economic Review

GLOBAL ECONOMIC CONDITIONS AND OUTLOOK

After declining by 3.3% year-on-year in 2020 due to the COVID-19 pandemic lockdowns, the global economy recovered by 5.7% in 2021, according to the World Bank. The recovery was due primarily to higher growth in East Asia and the Pacific region. The economy in the East Asian and Pacific region was fairly resilient during the pandemic relative to the rest of the global economy. The region grew by 7.2% in 2021 as most countries began lowering lockdown regulations and global trade and tourism began to resume as the effective rollout of vaccination programmes began.

GROWTH FORECASTS BY MAJOR REGIONAL GROUPING



Sources: PIC Research, World Bank
 Note: Shaded area indicates forecast period

However, the number of COVID-19 cases and deaths surged in two waves during 2021, with the outbreak of the Delta and Omicron variants. This resulted in increased lockdown regulations that hampered economic activity as the global economy entered 2022 in a weaker position than previously anticipated. This was in part due to further constraints on global supply chains.

Russia invaded Ukraine on 24 February 2022, which caused a surge in commodity prices that further restricted already pressured supply chains, lowered growth prospects and increased inflation expectations. Consequently, commodity prices continued to surge because of concerns about supply and the rebalancing of portfolios from under- to overweight energy and commodities, to hedge against inflation.

ECONOMIC GROWTH IN SELECTED COUNTRIES

REGION/COUNTRY	2019	2020	2021 Estimate	2022 Forecast	2023 Forecast	2024 Forecast	Ppt DIFFERENCE FROM JAN 2022 PROJECTIONS	
							2022	2023
World	2.6	-3.3	5.7	2.9	3.0	3.0	-1.2	-0.2
Advanced economies	1.7	-4.6	5.1	2.6	2.2	1.9	-1.2	-0.1
United States	2.3	-3.4	5.7	2.5	2.4	2.0	-1.2	-0.2
Euro area	1.6	-6.4	5.4	2.5	1.9	1.9	-1.2	-0.2
Japan	-0.2	-4.6	1.7	1.7	1.3	0.6	-1.2	0.1
Emerging markets	3.8	-1.6	6.6	3.4	4.2	4.4	-1.2	-0.2
East Asia and Pacific	5.8	1.2	7.2	4.4	5.2	5.1	-0.7	0.0
China	6.0	2.2	8.1	4.3	5.2	5.1	-0.8	-0.1
Indonesia	5.0	-2.1	3.7	5.1	5.3	5.3	-0.1	0.2
Thailand	2.2	-6.2	1.6	2.9	4.3	3.9	-1.0	0.0
Europe and Central Asia	2.7	-1.9	6.5	-2.9	1.5	3.3	-5.9	-1.4
Russian Federation	2.2	-2.7	4.7	-8.9	-2.0	2.2	-11.3	-3.8
Turkey	0.9	1.8	11.0	2.3	3.2	4.0	0.3	0.2
Poland	4.7	-2.2	5.9	3.9	3.6	3.7	-0.8	0.2
Latin America	0.8	-6.4	6.7	2.5	1.9	2.4	-0.1	-0.8
Brazil	1.2	-3.9	4.6	1.5	0.8	2.0	0.1	-1.9
Mexico	-0.2	-8.2	2.8	1.7	1.9	2.0	-1.3	-0.3
Argentina	-2.0	-9.9	10.3	4.5	2.5	2.5	1.9	0.4
Middle East and North Africa	0.9	-3.7	3.4	5.3	3.6	3.2	0.9	0.2
Saudi Arabia	0.3	-4.1	3.2	7.0	3.8	3.0	2.1	1.5
Iran	-6.8	3.4	4.1	3.7	2.7	2.3	1.3	0.5
Egypt	5.6	3.6	3.3	6.1	4.8	5.0	0.6	-0.7
South Asia	4.1	-4.5	7.6	6.8	5.8	6.5	-0.8	-0.2
India	3.7	-6.6	8.7	7.5	7.1	6.5	-1.2	0.3
Pakistan	3.1	-0.9	5.7	4.3	4.0	4.2	0.9	0.0
Bangladesh	7.9	3.4	6.9	6.4	6.7	6.9	0.0	-0.2
Sub-Saharan Africa	2.6	-2.0	4.2	3.7	3.8	4.0	0.1	0.0
South Africa	0.1	-6.4	4.9	2.1	1.5	1.8	0.0	0.0
Nigeria	2.2	-1.8	3.6	3.4	3.2	3.2	0.9	0.4
Angola	-0.7	-5.2	0.7	3.1	3.3	3.2	0.0	0.5

Sources: PIC Research, World Bank's Global Economic Prospects June 2022

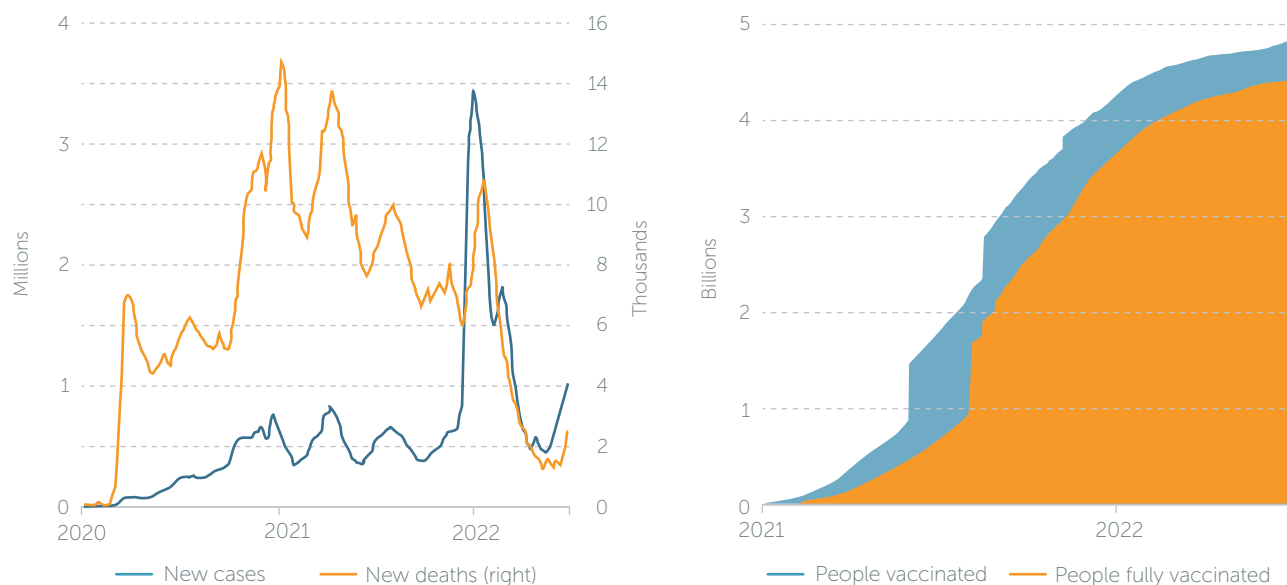
Note: Headline aggregate growth rates are calculated using GDP weights at average 2010-2019 prices and market exchange rates

While the war in Ukraine increased inflationary pressures, global monetary policy also played a role. The unprecedented increase in accommodative monetary policy over the past two years has sparked concerns about rising inflation, especially in bond markets as governments and central banks around the world released extraordinary amounts of economic stimulus. During the pandemic, the global economy was effectively shut down and central banks intervened by injecting massive liquidity, most allocated to COVID relief stimulus cheques and government current spending.

However, before the war, there were already warning signs of inflationary pressures as shown by the rise in the world food price index, which was already rising to all-time highs, the strain on supply chains and soaring commodity prices. While supply chain disruptions and the war explain some inflationary pressures, they are not the root cause of higher inflation rates.

Producer price inflation (PPI), usually a precursor to consumer inflation, has also risen above consumer inflation as producer input costs increased throughout 2021 and into this year. Higher oil prices and rising shipping costs due to supply chain disruptions have fuelled the increase in input costs. PPI has been above the consumer price index (CPI) for some time, indicating compressed margins for producers, which ultimately will pass these price increases on to consumers. Consequently, inflation is likely to remain above most central bank targets for longer than anticipated at the beginning of 2022.

NUMBER OF NEW CASES, NEW DEATHS AND PEOPLE VACCINATED



Sources: PIC Research, Our World in Data

Note: New deaths and cases smoothed data. People fully vaccinated are the number of people who received all doses prescribed by the initial vaccination protocol. Data up until 20 July 2022

ADVANCED ECONOMIES

Advanced economies grew by 5.7% in 2021 and recovered to above pre-pandemic levels. In the United States (US), economic activity eased somewhat, as expected with the normalisation in activity post the initial release of pent-up demand. In addition, new variants continued to drive up COVID-19 infection numbers and the impact of the fiscal support started to dissipate amid lingering labour supply constraints. The World Bank predicted in June that the US economy would grow by 2.5% in 2022. However, with a surprise decline of an annualised 1.6% in quarter one, overall growth in the US will probably be revised even lower for 2022.

The recovery in the Euro area lagged in the first half of 2021 as it had to contend with lockdowns and slower vaccination uptake. Input shortages weighed on production, especially in Germany, due to the war in Ukraine. Rising energy prices continue to put pressure on already high inflation in the Euro area. In the United Kingdom, growth is also likely to be noticeably below the World Bank's June estimate as high inflation erodes disposable income. Tighter financial conditions will affect investment.

DEVELOPING ECONOMIES

In 2021, elevated commodity prices supported growth in commodity-exporting countries such as South Africa and Brazil. However, the disproportionately adverse effect of the pandemic on contact-intensive sectors hampered the recovery of developing countries that are highly dependent on tourism and hospitality.

As a result, developing economies grew by 6.6% largely as a result of China's recovery of 8.1% in 2021 and, to some extent, India growing by 8.9%. Although China's economic growth was robust, the government's zero-COVID-policy and strict lockdowns limited the recovery going into 2022. Additionally, China's real estate sector will weigh on economic growth following the Evergrande development, which caused significant market turmoil.

Sub-Saharan Africa (SSA) grew by 4.2% in 2021, but the pandemic affected individual SSA countries quite differently due to each country's exposure to the global economy. For instance, Nigeria and Angola declined by 1.8% and 5.2% respectively in 2020, before recovering by 3.6% and 0.7% in 2021. By comparison, South Africa declined by 6.4% in 2020 and recovered by only 4.9% in 2021 and is forecast to reach pre-pandemic levels only by 2022. The current food and fuel price increases will adversely affect emerging markets and developing households globally, notably in Africa, the Americas and Asia.

GLOBAL SYNOPSIS

The war in Ukraine has pummelled the global economy, predominantly through supply chain disruptions and inflation because of a threat to supply. Commodity prices have recently surged. This has further hampered industries such as car manufacturing, which have already had to deal with disruptions to supply chains due to computer chip shortages. Russia also produces a large portion of the world's gold and oil. Together, Russia and Ukraine supply more than a quarter of the world's wheat, which has resulted in much higher food prices and could fuel social unrest in emerging markets and developing countries.

This has created much uncertainty, as it is unclear when the war will end. The outcome is that both Russia and Ukraine will be in depressionary states for a long time as shown in the above table. There is also the potential for energy shortages and rationing in Europe. Russia has also indicated that it is strengthening ties with China and possibly India. There will probably be less western influence on the global stage. The

macroeconomic implications are lower global growth in the short- to medium-term, deglobalisation, onshoring, and changing trade and investment patterns.

There will also be higher inflation through numerous channels, particularly food and energy, which tends to disproportionately impact the poor. Concerns of a global slowdown and the probability of a global recession have increased, as more hawkish central bank policy responses have resulted in tighter financial conditions. This could lead to credit markets tightening lending conditions, which has a direct impact on economic activity through credit channels. More optimistically, vaccination rates have risen since the beginning of 2021, which should assist the tourism, accommodation and hospitality industries – the hardest hit during lockdowns. However, the number of COVID-19 cases and deaths have begun to increase, particularly in China, which has implemented a new round of strict lockdown restrictions.

SOUTH AFRICA'S ECONOMIC REVIEW AND OUTLOOK

The beginning of the financial year coincided with the rally in commodity prices as economies reopened, which supported South Africa's terms of trade and led to an overshoot in tax collections and strong quarterly economic growth. In the second quarter of the financial year, the commodities rally corrected, and the social unrest in KwaZulu-Natal and parts of Gauteng weighed heavily on economic activity and sentiment. Most sectors of the economy shrunk in this quarter as the social unrest disrupted local supply chains and production. Global supply chain disruptions dominated in the fourth quarter of 2021 with the chip shortage and rising shipping costs driving inflation higher.

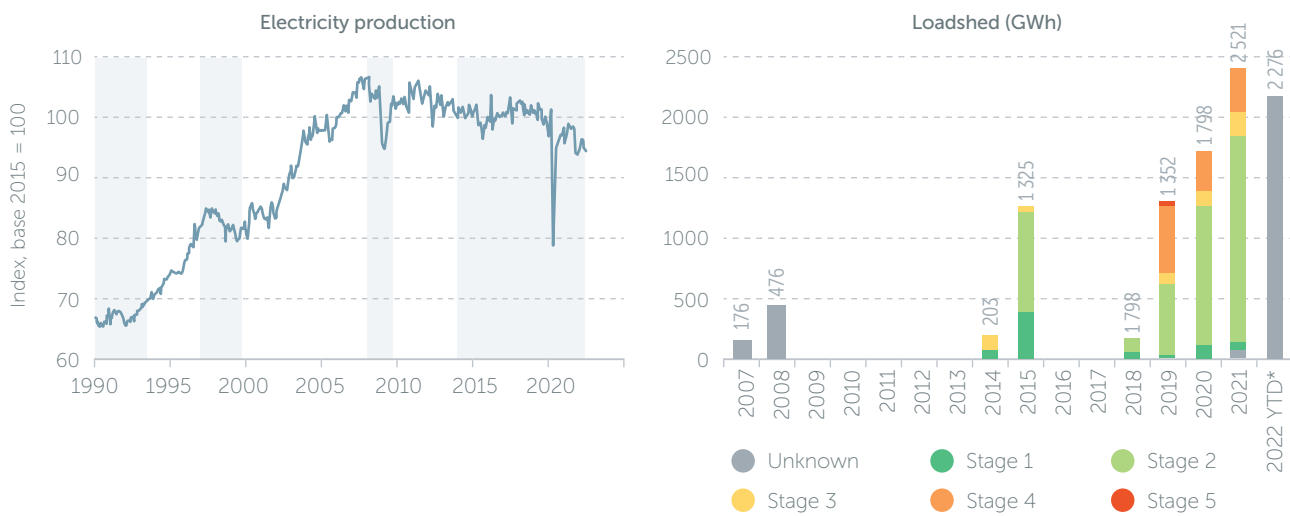
Locally, a new variant of the COVID-19 virus (Omicron) was discovered, erasing any hope of a boost from a recovery in tourism. In the last quarter of 2021/22, COVID-19 fears started to fade as most major countries had vaccinated significant proportions of their populations, and the Omicron variant was found to be less severe than initially thought. The start of the war in Ukraine in February sent commodity prices higher, fuelling already high inflation and worries of a global economic growth slowdown. South Africa again benefitted from a rise in commodities, driven by supply impediments associated with the war. The rally in commodities led to better-than-expected quarter one of 2022 economic growth of 1.9% quarter on quarter. This outcome moved the South African economy back to pre-pandemic levels, with all sectors having recovered except construction and transport.

LOADSHEDDING

While South Africa grew by 4.9% in 2021, this recovery was hampered by yet another record-breaking year of loadshedding – among the main constraints that has made South Africa one of few countries that has not recovered to pre-pandemic levels. The previous loadshedding record of 1 798 gigawatt-hours (GWh) in 2020 was surpassed with 2 521 GWh in 2021. Unfortunately, 2022 is not shaping up much better, with a staggering 2 276 GWh shed between January and June 2022. Furthermore, Eskom noted in April 2022 that in an extreme scenario, the power utility forecasts 101 days of loadshedding this winter.

Eskom’s energy availability factor (EAF), which is the percentage of maximum energy generation that a plant can supply to the electrical grid, limited only by planned and unplanned outages, continued to decline in 2021. In fact, the EAF declined from roughly 83% in 2010 to 64% in 2021. According to Eskom’s Medium-term System Adequacy Outlook 2022-2026 report, under the plant performance scenarios, it is likely to remain at this level until 2027. Disturbingly, the minimum EAF to guarantee reliable electricity supply for South Africa is 72% according to the Council for Scientific and Industrial Research.

ELECTRICITY PRODUCTION AND LOADSHEDDING



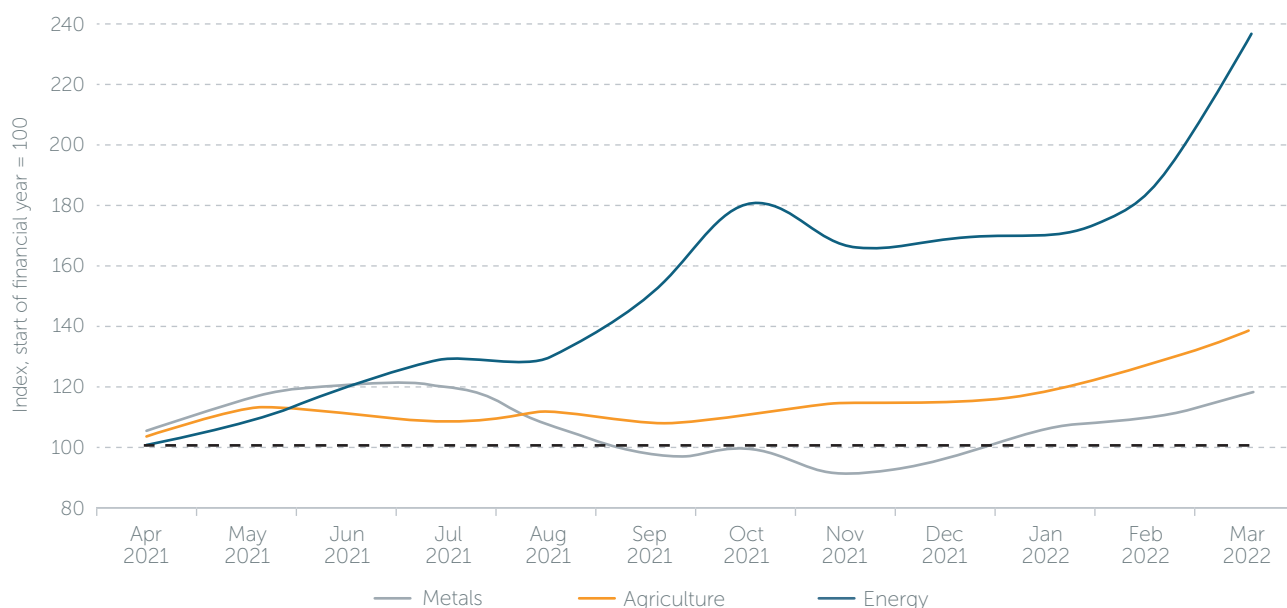
Sources: PIC Research, Stats SA, Eskom, Council for Scientific and Industrial Research, South African Reserve Bank
 Shaded areas indicate a downward phase of the South African business cycle
 *YTD is January to June 2022

Electricity production declined by 5.2% in 2020 and marginally grew by only 2% in 2021. Electricity production declined by 4.3% year on year in May 2022. Electricity production has been stagnant since 2007. Concerningly, South Africa was able to produce only the same amount of electricity in 2021 as in 2004. There have been several approaches to quantify the impact of loadshedding on economic growth. Estimates for a 10% supply cut (i.e. 4 000 megawatts) results in annualised sequential GDP declining by as much as 1%. This affects the mining, manufacturing, services and tourism sectors directly, but has a more profound impact on business and investor sentiment, hindering longer-term growth prospects.

Fortunately, there has been some progress in energy, with National Treasury’s Operation Vulindlela and Eskom’s just energy transition. The restructuring of Eskom’s transmission division into a separate entity by the end of 2022 and changes to regulation and policy are also notable developments. Furthermore, metropolitan municipalities are now able to procure electricity directly from independent power producers (IPPs). Additionally, the opening of more bid windows and the renewable energy IPP procurement programme should address future electricity supply and costs. However, in the short- to medium-term, South African growth is likely to be constrained by loadshedding.

SECTORAL CONTRIBUTION TO GDP

PRICE PERFORMANCE OF GROUPS OF COMMODITIES



Sources: Bloomberg, PIC Research

The primary sector had solid performance, with mining supported by rising commodity prices in the first and last quarters of the financial year. The agricultural sector had a bumper harvest and was the best-performing sector during COVID-19 lockdowns.

In the secondary sector, utilities were dampened by the ongoing electricity supply issues with more intense loadshedding in the first half of 2022, which also weighed on manufacturing alongside global supply chain issues.

Construction continued to face headwinds as low business confidence limited growth in investment, given the current economic environment.

In the tertiary sector, personal services remained resilient throughout, while ongoing fiscal consolidation limited growth in government spending. Transport, and trade and hospitality recovered as lockdown regulations were eased, but the recovery of these sectors was significantly derailed by the July 2021 social unrest.

Sectoral gross value added growth rates, quarter on quarter, seasonally adjusted

SECTOR		2Q21	3Q21	4Q21	1Q22
Primary	Agriculture	10.1%	-20.6%	16.4%	0.8%
	Mining	2.3%	-0.6%	-3.2%	1.1%
Secondary	Manufacturing	-1.5%	-4.2%	2.4%	4.9%
	Utilities	0.7%	0.3%	-3.1%	2.0%
	Construction	-0.8%	-0.6%	-2.6%	0.7%
Tertiary	Trade and hospitality	3.2%	-5.5%	3.9%	3.1%
	Transport/telecoms	6.3%	-1.7%	2.9%	1.8%
	Finance	-0.6%	1.1%	-0.7%	1.7%
	Government	-0.5%	0.3%	-0.3%	1.4%
	Personal services	2.5%	0.5%	2.5%	1.1%

Sources: Stats SA, PIC Research

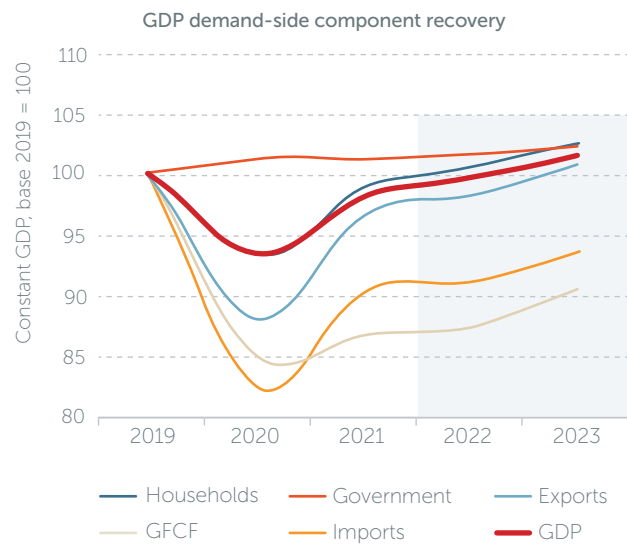
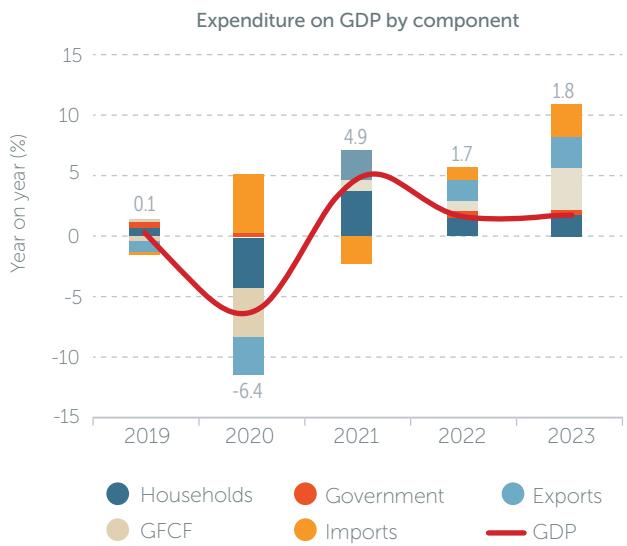
DEMAND-SIDE CONTRIBUTION TO GDP

Growth in 2021 was driven by a recovery in household consumption, which grew by 5.7% year on year and contributed 3.8 percentage points (pp) to the overall growth of 4.9% year on year. As the economy reopened, naturally the main contributors to the recovery in household consumption growth were households spending on restaurants and hotels, clothing and footwear, alcohol beverages and tobacco goods and services. In the first quarter of 2022, GDP increased by 1.9% quarter on quarter due to the increased degree of reopening of trade partners' economies and export growth

from higher commodities. Household consumption grew by 1.4% quarter on quarter in the first quarter of 2022 and contributed 1.0ppts to the overall GDP growth figure.

Export growth of 9.9% narrowly outweighed import growth of 9.4% in 2021 and contributed 2.5ppts to the headline GDP print for the year. Exports increased by 3.9% and contributed 1.1ppts to the overall first quarter of 2022 GDP number. Investment, measured by gross fixed capital formation (GFCF), grew a meagre 2% and contributed 0.3ppts in 2021.

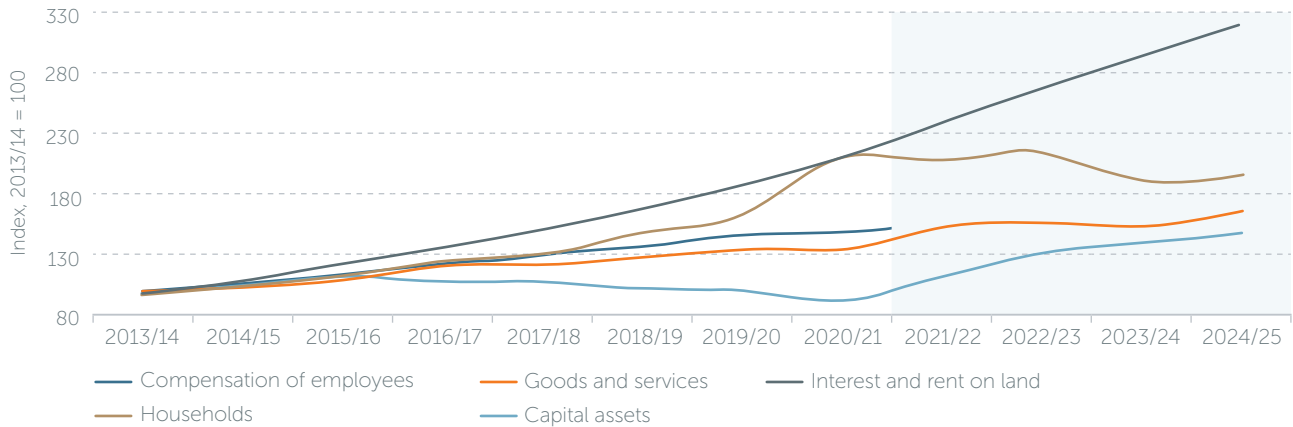
RECOVERY IN EXPENDITURE ON GDP DRIVEN BY HOUSEHOLD CONSUMPTION



Sources: PIC Research, Stats SA
 Note: Shaded areas indicate forecast period

Investment growth was driven by a 32.4% year-on-year growth in investment in the agriculture sector, which offset GFCF declines in the electricity, gas and water, and transport, storage and communication sectors. These declined by 12.6% and 11.4% respectively. It is likely to take some time and the implementation of significant economic reforms for GFCF to recover.

PUBLIC SPENDING TRENDS

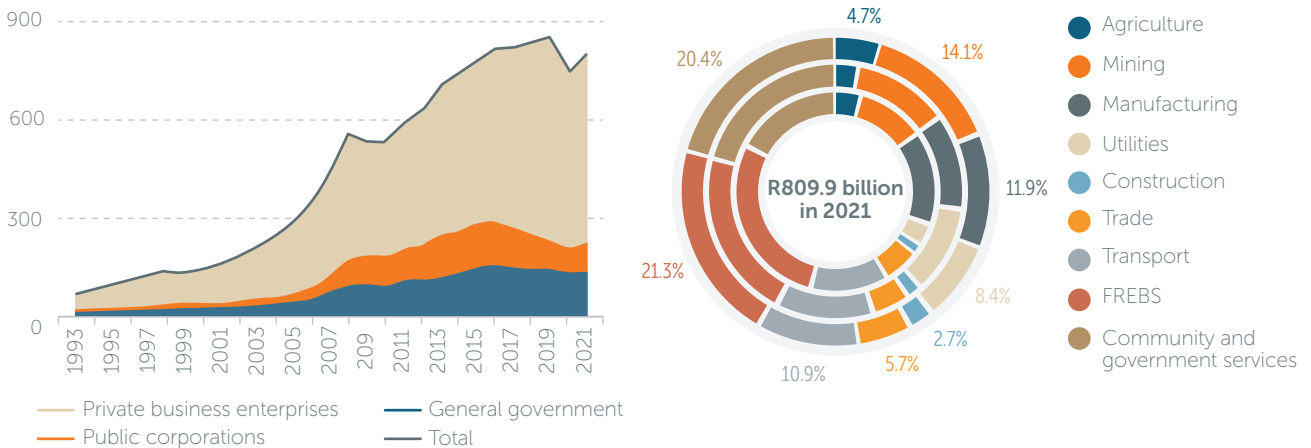


Sources: PIC Research, National Treasury
 Note: Shaded areas indicate forecast period

Due to consolidation efforts, notably in the public sector wage bill, final consumption expenditure by general government did not grow in 2021 and was the only demand-side component to recover to pre-pandemic levels by 2021. Provided government can negotiate favourable wage agreement terms with labour unions, this component is likely to remain flat in real terms (inflation-adjusted or constant prices).

From a nominal perspective, the National Treasury budget forecasts that public spending on compensation of employees, goods and services, households and capital assets will remain contained over the medium-term expenditure framework (MTEF) period. However, a combination of increased debt and rising interest rates means that interest on rent and land will increase significantly over this period.

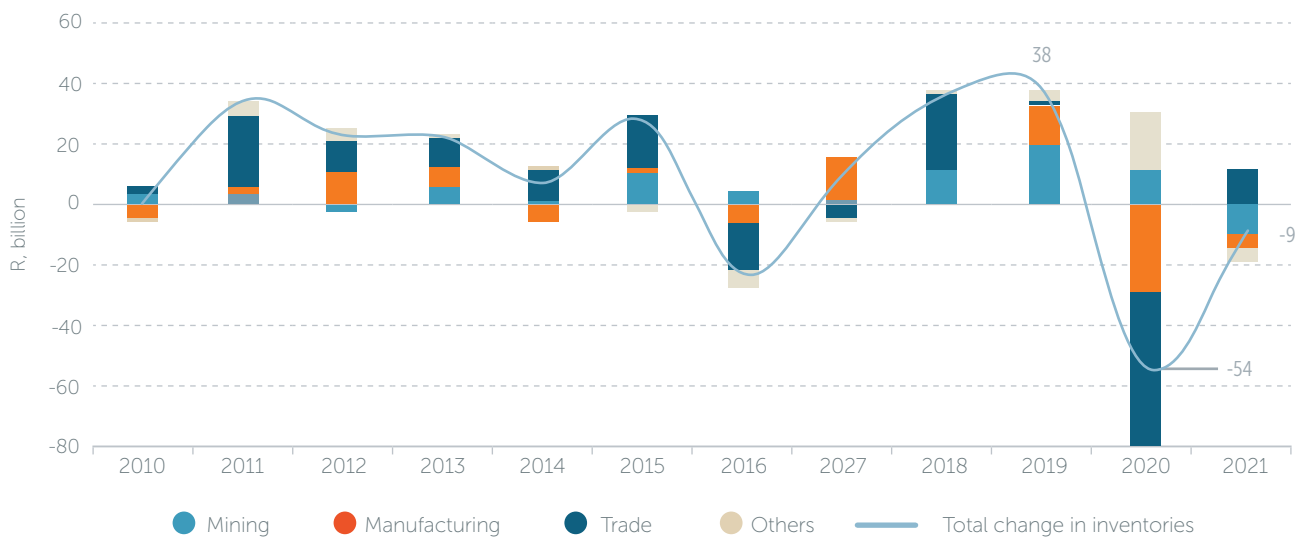
NOMINAL GROSS FIXED CAPITAL FORMATION BY TYPE OF ORGANISATION AND SECTOR



Sources: PIC Research, Stats SA
 Note: Inner ring = 2001, middle ring = 2011 and outer ring = 2021 sectors' share of total nominal GFCF. FREBS = Finance, real estate and business services

Nominal (not adjusted for inflation or current prices) GFCF investment grew by 6.9% year-on-year in 2021 to R809.9 billion, after declining by 12% in 2020. It is still below the pre-pandemic level of R860.2 billion. As general government and public corporation investment have been relatively flat, it is not surprising that growth in nominal GFCF was from private businesses, which grew 7.6% in 2021. This was driven mainly by machinery and equipment bought by the private sector. Growth in investment improved to 3.6% quarter on quarter in the first quarter of 2022.

FURTHER NOMINAL INVENTORY DRAWDOWNS MAY NECESSITATE SOME INVESTMENT SPENDING



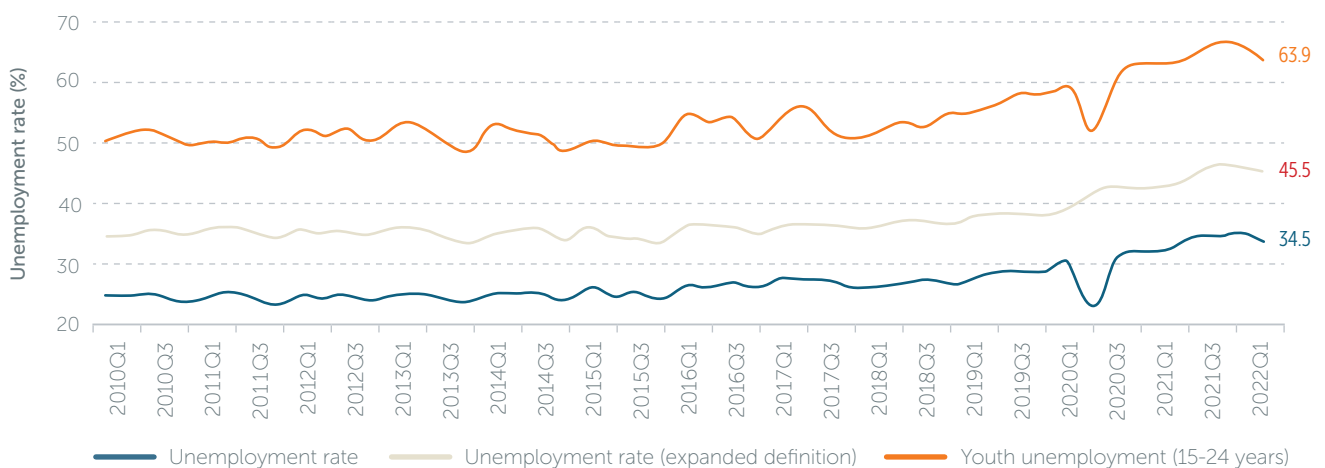
Sources: PIC Research, Stats SA

Continued supply chain bottlenecks resulted in a second year of inventory drawdowns, from R54 billion in 2020 to R9 billion in 2021. Notable drawdowns came from mining (R10.5 billion) and manufacturing (R3.6 billion). However, the trade, catering and accommodation sector managed to increase inventories by R9.9 billion in 2021 after a massive drawdown of R54.8 billion in the previous year. Inventories declined in the first quarter of 2022 because of a R4 billion drawdown.

EMPLOYMENT

As lockdown restrictions were slowly eased and businesses and individuals adapted to the stop-start of lockdowns, economic activity and employment numbers recovered towards the end of 2021. However, the unemployment rate has been rising and reaching new highs as most industries recovered from the damage of the pandemic. The easing of lockdown restrictions meant more people went back to search for work, increasing the number of people actively looking for work. The recovery in the job market has not fully made up for the jobs lost during the pandemic, which were mostly low-skill jobs. Services, particularly tourism and hospitality, are some of the worst affected industries. As of March 2022, the unemployment rate stood at 34.5% compared to 29.1% in December 2019 before the pandemic.

SELECTED UNEMPLOYMENT RATES



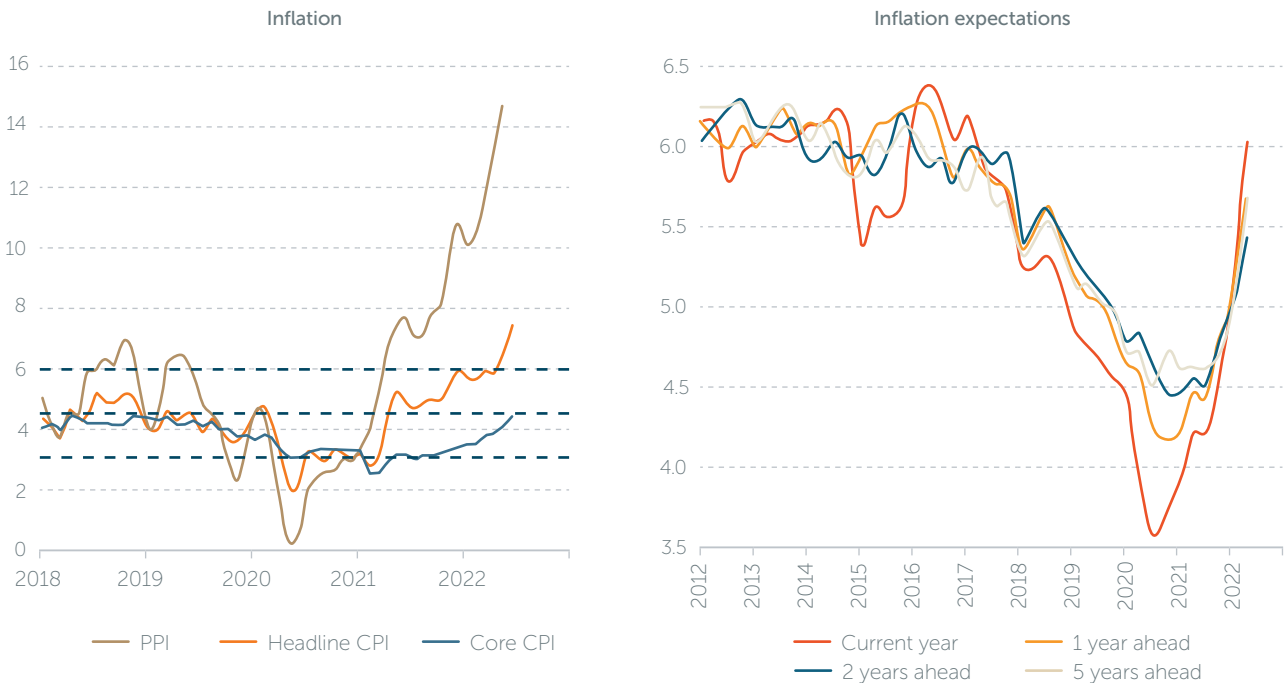
Sources: PIC Research, Stats SA

INFLATION AND MONETARY POLICY

Consumer inflation remained fairly contained in the first half of 2021, hovering around the South African Reserve Bank (SARB) mid-point inflation target of 4.5%. However, with constrained global supply chains and a resurgence of domestic economic activity, inflation began to rise towards the upper inflation target bound of 6%. This was on the back of higher import energy prices due to the base effects of the oil price increase and higher administered prices, notably from electricity. Increasing oil prices have resulted in the fuel, electricity and transport components of the consumer price index (CPI) basket rising this year. Inflation expectations remained within the SARB inflation target during 2021 but rose steadily in the first quarter of 2022.

Producer prices, on the other hand, have surged since the beginning of 2021, initially from the base effects of 2020 when the global economy was essentially shut down. However, various idiosyncratic events, including the Russian war in the Ukraine and supply chain bottlenecks, have seen producer prices continue to surge. This bodes ill for consumers, as producer prices tend to lead consumer prices since producers' margins have been compressed. These prices are starting to be passed on to consumers, evidenced in elevated CPI inflation. Core inflation, which excludes volatile items such as electricity, food and fuel, remained contained throughout 2021 and into 2022.

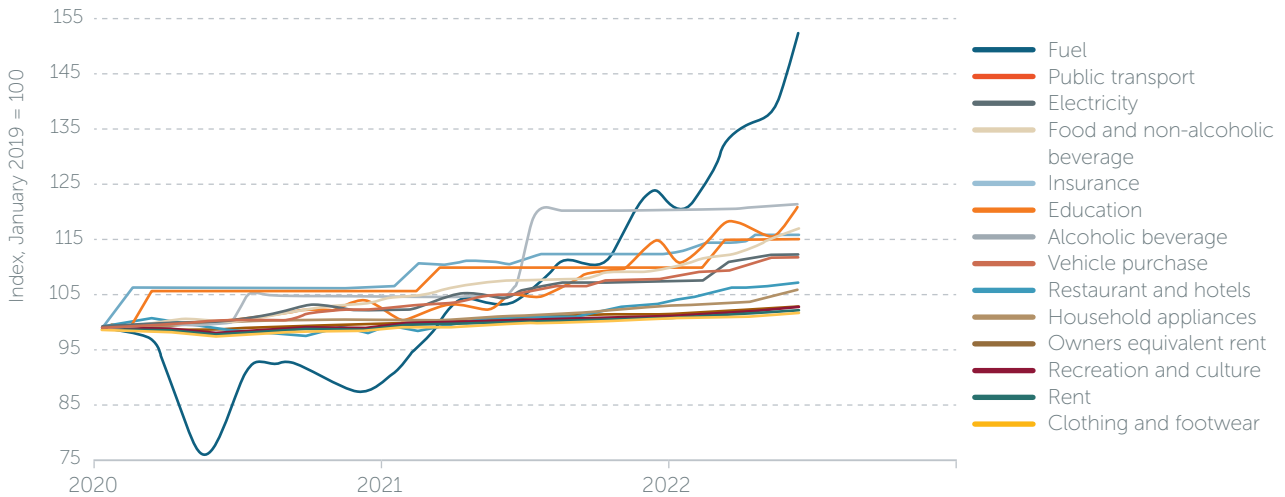
HEADLINE CONSUMER INFLATION ELEVATED, WHILE CORE CONTAINED ON RISING INFLATION EXPECTATIONS



Sources: PIC Research, Stats SA, SARB, Bureau for Economic Research

The SARB's policy remained accommodative during 2021 to assist the economic recovery, help indebted households and businesses, and encourage consumption. This was done with the repurchase (repo) rate, which was kept at 3.50% for most of the year. However, as economic activity and inflation continued to remain above the central bank's inflation target midpoint, the SARB increased the repo rate in November 2021 by 25bps. It then hiked it twice by 25bps in the following two Monetary Policy Committee meetings to 4.25% in March 2022.

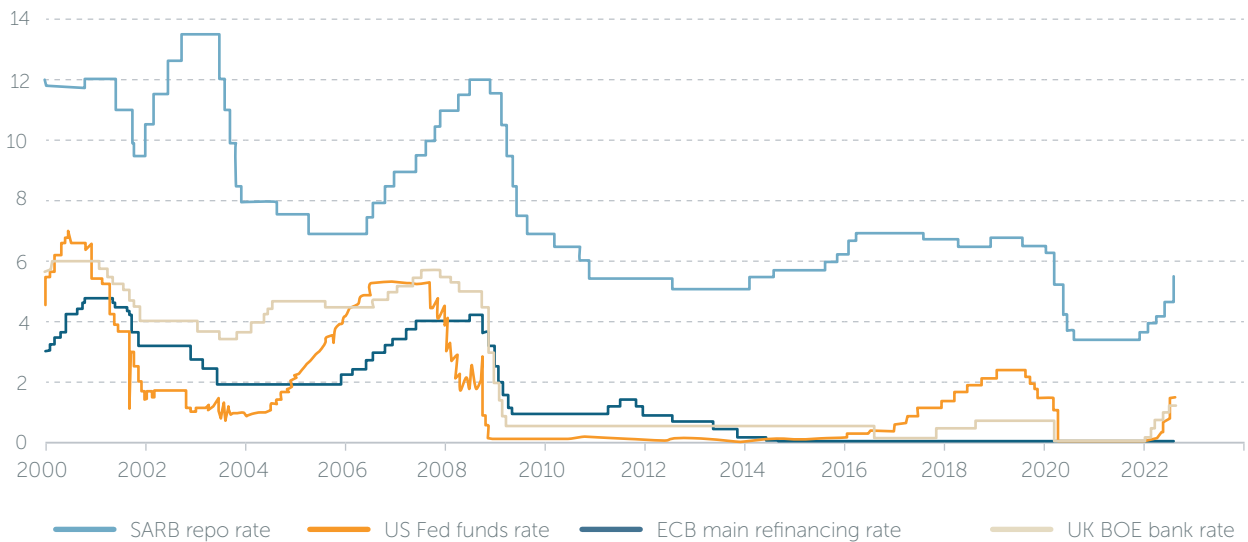
COMPONENTS OF DOMESTIC INFLATION BASKET IMPACTED BY HIGH ENERGY PRICES



Sources: PIC Research, Stats SA

In July 2022, the SARB increased the repo rate by 75bps as it continued with its normalisation process. Upside risks to inflation have increased markedly due to the Russia-Ukraine war. In addition, inflation expectations have risen, and major central banks are hiking rates to curb high inflation, putting pressure on the local currency. Consequently, the PIC's view on interest rates has changed to reflect the impact of the war and tighter financial conditions. It now expects the SARB to further front-load some of its announced hikes for 2023 to this year, to curb rising inflation expectations and reduce the risk of having to hike more in the future. The May PPI print of 14.7% year-on-year supports the view that the SARB will deliver further hikes at its September Monetary Policy Committee meeting.

INCREASED SYNCHRONISATION OF GLOBAL MONETARY POLICY



Sources: PIC Research, Bloomberg

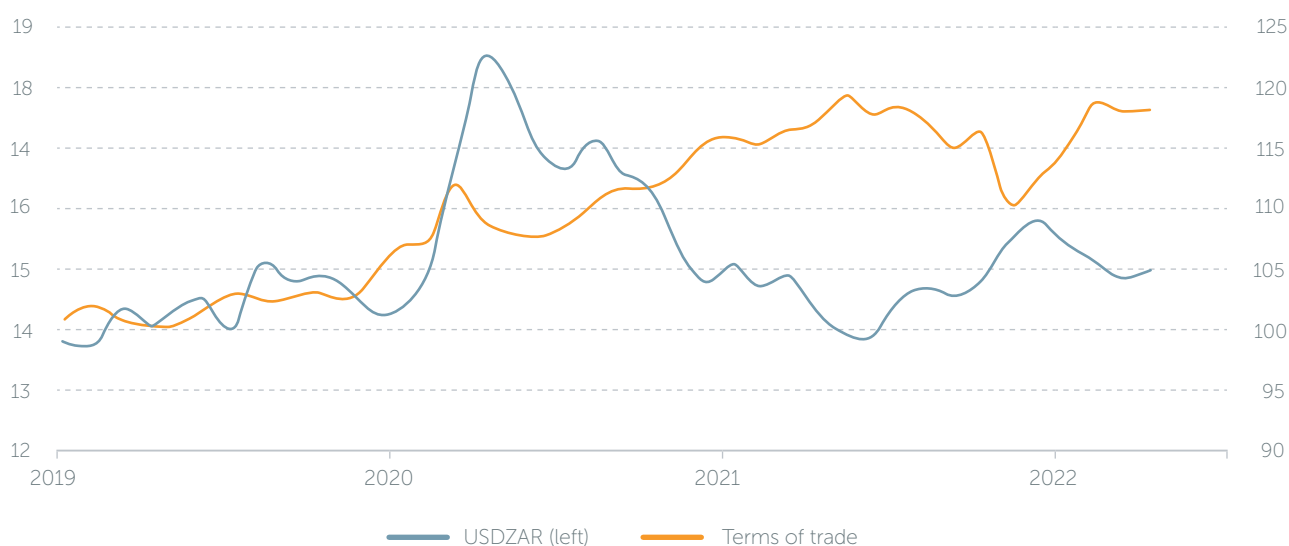
The war and China's COVID-zero regulations have, unsurprisingly, resulted in rising food and fuel prices, and further price pressure on goods inflation from supply chain bottlenecks. In this setting, the PIC believes that despite the European Central Bank's hawkish tone in its previous meeting, it will not be able to raise interest rates meaningfully as it had planned at the beginning of 2022. The US Federal Reserve has begun its hiking cycle into a slower growth dynamic and will continue to wind down asset purchases. This will accelerate tightening of financial conditions, the impact of which has filtered through to a sell-off in most asset classes. This risk-on environment combined with tightening global financial conditions does not bode well for emerging market risk assets, such as South African equities and the rand.

RAND EXCHANGE RATE

The commodities rally in the second quarter of 2021 due to the reopening of economies and a rise in economic activity, benefitted commodity-exporting countries such as South Africa through better terms of trade. At the start of the third quarter of 2021, the outperformance in the currency reversed as the probability of the US Fed tapering by the end of 2021 increased, and some commodity prices eased somewhat. In the last quarter of 2021, the discovery of the Delta variant and the slowdown in China alongside the property market crisis put additional downward pressure on commodities.

Consequently, the terms of trade improvements continued to reverse and the currency weakened. In the first quarter of 2022, the war in Ukraine led to expectations of limited commodity supply since Russia is a major commodity exporter, triggering a rally in commodities, most of which benefitted South African exports. As a result, the rand strengthened as terms of trade improved. At the beginning of the financial year, the rand was R14.49/\$, it strengthened to a high of R13.74/\$ in May 2021, and subsequently weakened to a low of R15.94/\$ in September, before recovering to end the financial year at R14.61/\$, 0.8% weaker than at the beginning of the financial year.

RAND EXCHANGE RATE AND TERMS OF TRADE



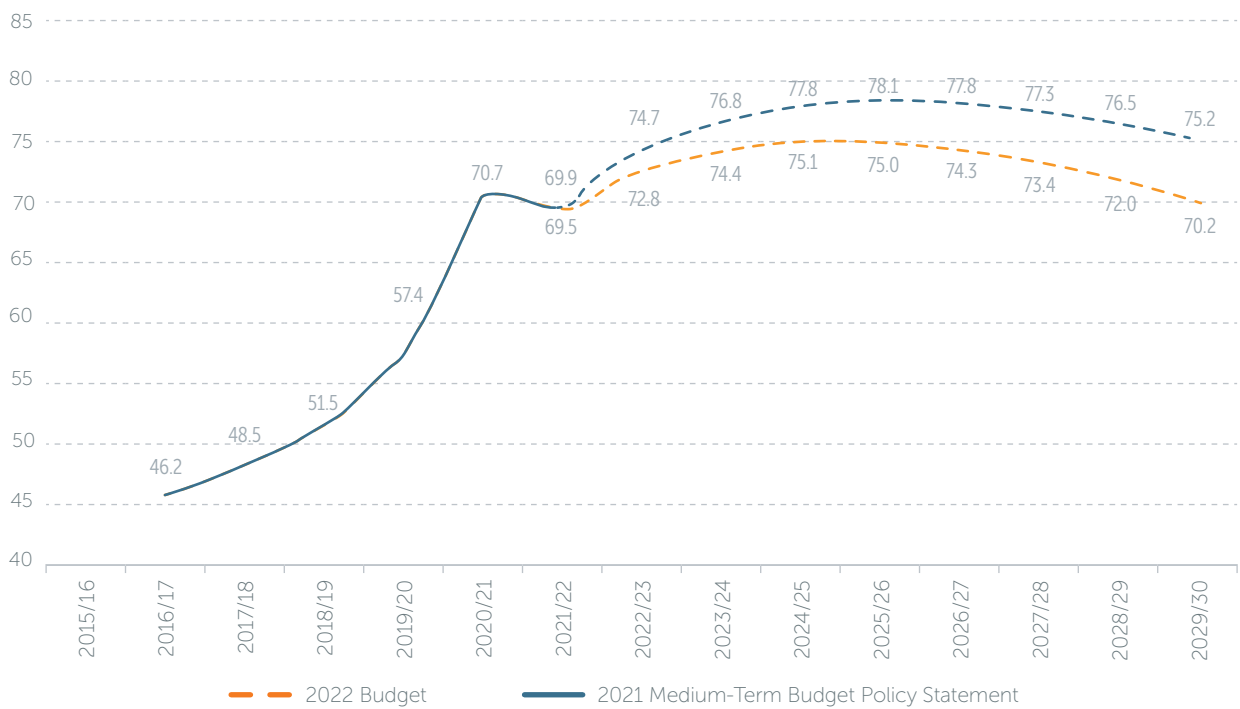
Sources: PIC Research, SARB, Bloomberg

BUDGET AND CREDIT RATING OUTLOOK

The rally in commodities in the second quarter of 2021 led to strong economic growth and better-than-expected government revenue collection. This overshoot in revenue boosted the fiscal position in a time of fiscal consolidation and expansionary fiscal interventions, including the R350 social relief of distress grant to counter the lockdown-induced slowdown in economic activity. South Africa's fiscal trajectory improved markedly, with better debt ratios and a lower funding requirement.

As a result, Fitch upgraded South Africa's outlook from negative to stable in December 2021. More recently, Moody's upgraded South Africa's outlook from negative to stable in April, and Standard & Poor shifted its outlook from stable to positive in May 2022. The renewed rally in the first quarter of 2022 is also expected to benefit South Africa and the fiscal position. Risks of fiscal slippage remain high from the public sector wage negotiations, social grant support and struggling state-owned enterprises.

DEBT-TO-GDP RATIO PROJECTIONS



Sources: PIC Research, National Treasury

Local synopsis

The South African economy has benefitted from the rally in commodities, initially due to the reopening of economies and more recently felt the combined impact of the war in the Ukraine. As a commodity exporter, higher commodity prices led to higher-than-expected tax revenue and a stronger currency, working against imported inflation. However, the impact of the war on oil prices, in particular, drives inflation higher and weighs on purchasing power. Certain headwinds undermined growth recovery, including the July social unrest, new waves of COVID infections, increased levels of loadshedding by Eskom and, more recently, the KwaZulu-Natal floods. In addition, because of the high inflation rate close to the upper limit of the target range, the SARB is in a hiking cycle, which will further dampen demand.

Fiscal consolidation is ongoing, assisted by revenues from mining, as commodity prices are elevated. Potential fiscal

pressures remain possible from state-owned entity bailouts and the outcome of public sector wage negotiations. Additional pressures come from rising unemployment, necessitating government employment programmes and support for those with no income.

The record unemployment rate highlights the inability of the South African economy, in its current form, to create employment, expand to improve the livelihoods of the most vulnerable and be more inclusive. This underpins the need to implement key structural reforms to make South Africa a more attractive investment destination. Although structural reforms have progressed, the pace has not been adequate enough and headwinds such as the pandemic and social unrest have undermined efforts. The fruits of recent reforms should be seen in the next few years. More structural reforms and policy certainty will go a long way to improve the economy's trajectory by making it easier to invest and conduct business in South Africa.

LISTED INVESTMENT PORTFOLIO

Internally Managed Listed Equities

DIVISIONAL HIGHLIGHTS

- Delivered positive returns for our clients, with AuM growing by 10.9% to R930 billion;
- Continued investments in companies listed on the Johannesburg Stock Exchange (JSE) that support the South African economy;
- Continued support for black stockbroking businesses through internal trading processes and by mandating external managers; and
- An enhanced research portal on the top 60 listed companies on the JSE.

NOTABLE TRANSACTION DURING 2021/22

MTN

The MTN Group is the largest operator of mobile voice, data and fintech solutions across Africa and the Middle East. The firm offers broadband and internet products and services, and converged fixed or mobile products and services. It serves local, national and international telecommunications industries operating in South Africa, Nigeria, South and East Africa, West and Central Africa, Middle East and Northern Africa.

The PIC in 2018 increased its shareholding in MTN by 10% after the share price declined substantially on the back of a large regulatory fine. After engagements with the PIC, MTN turned around its governance structures and appointed key personnel. The share price recovered substantially and a portion of our increased stake (5.2%) was sold down with a market-to-market gain of about R5.6 billion.

DIVISIONAL PERFORMANCE

The division's primary strategic objective is to deliver returns that exceed client benchmarks, while complying with the risk parameters determined by clients in their approved investment mandates. This goal was achieved for the 2021/22 financial year, through strong growth of client portfolios. The strong growth was enabled by the generation of high-quality research on the JSE All Share Top 60 companies. High-quality research is a cornerstone of our investment decisions. Our research includes valuation models, deep-dive research and periodic updates that are covered on our research portal.

PORTFOLIO PERFORMANCE

The Internal Listed Equities portfolio outperformed the composite index over three-year period to 31 March 2022, and the benchmark over the period by 0.82% cumulatively. There was also a significant improvement on a risk-adjusted basis due to portfolio positioning in key sectors. However, the Listed Property portfolio underperformed against the benchmark over this period by 2.45% cumulatively.

Emerging markets and South Africa returned -11.4% and 11.1% in dollar terms respectively, over the 12 months to 31 March 2022, while MSCI global returned 7.3% over the same period. As the US Federal Reserve started increasing policy rates, funds started exiting emerging markets. Economic growth in China, which is a large constituent of the emerging market indices, started slowing due to prolonged COVID-19 lockdowns. Global markets were negatively impacted by the end of quantitative easing, supply chain constraints and geopolitical tensions in the Baltic. Strong performance by MSCI South Africa was due partly to the strengthening of the rand against the dollar.



In South Africa, the financial services sector was the best-performing subsector, with a 12-month return of 48.6%

In South Africa, the financial services sector was the best-performing subsector, with a 12-month return of 48.6%, buoyed by the release of provisions and the prospect of endowment effect from rising interest rates. The resources sector, with a large exposure to the global economy and hard currency revenues, also delivered strong returns of 32.7% over the same period. Industrials, on the other hand, were weighed down, with a 53.6% decline in value due mostly to a large exposure to Chinese internet company Tencent, which was down from the impact of tighter regulations and a global sell-down of the technology sector. Our goal remains to deliver sustainable equity returns for our clients over the medium- to long term. We recognise that events beyond our control occur periodically and, if these fundamentally change the outlook for our investments, we intervene. Our approach to unexpected negative events is to seek opportunities to buy more of certain stocks or sectors if prices drop.

CONTRIBUTION TO B-BBEE, TRANSFORMATION AND JOB CREATION

The PIC shares general concerns about the slow pace of transformation in the financial services sector. We have stipulated in our internal policies that most equities brokerage allocations be channelled to brokers whose B-BBEE credentials are in line with our requirements.

During the year under review the PIC facilitated B-BBEE and skills development through its investment activities. It did so by allocating a minimum of 55% of total brokerage fees to levels one to four B-BBEE accredited brokerages, based on the new B-BBEE codes, i.e. those that are 51% owned by historically disadvantaged individuals (HDIs) and those with a 30% representation of HDIs at management level.

It is worth noting that in the five financial years to March 2022, the PIC increased the percentage of brokerage spend to B-BBEE brokers from 66% to 70%.

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

In addition, the PIC is focused on advancing racial and gender diversity in the composition of boards and executive teams of investee companies through proxy voting and the nomination of board members, as well as robust engagements with board members on such appointments. Detailed discussion on the PIC's proxy voting is contained on pages 61 to 65 of this report.

OUTLOOK

The war in Ukraine has created economic damage that will significantly slow down the global economy and inflate fuel and food prices. Rising inflation leads to increases in interest rates, which puts further pressure on consumers globally. The International Monetary Fund predicts that global growth will slow from 6.1% in 2021 to 3.6% in 2022 and 2023. Prolonged electricity outages in South Africa will further constrain local economic growth. While COVID-19 vaccination has opened economic opportunities, a large percentage of the population remains unvaccinated, and risks of further lockdowns are not ruled out if new mutations of the COVID-19 virus emerge.

Listed property, net property income and property valuations continue to recover from COVID-19. However, negative sentiment still weighs on the office sector. Balance sheets are improving and most companies are better positioned to resume sustainable dividend payments.

The JSE All-Share Index (ALSI) one-year forward price-to-earnings-multiple is currently trading at 9.2x (discount to the historic mean of 14.8x), which suggests the market is undervalued. The PIC's fair value models indicate that ALSI will return to 15.1% over the next 12 months, driven largely by industrial stocks.

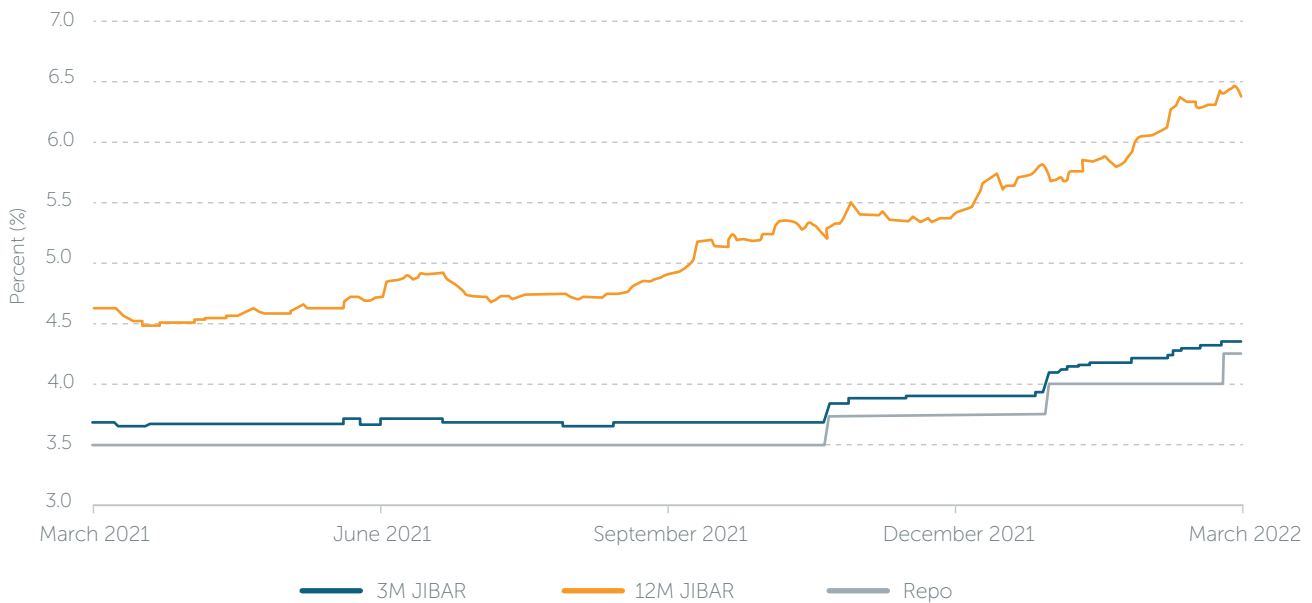
While earnings of most companies will recover strongly from a low base, this is reflected largely in share prices. Any disruptions due to new bouts of the pandemic will be a headwind. The PIC remains optimistic that the continued rollout of COVID-19 vaccines will assist in returning economies to normalcy.

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

FIXED INCOME

The economy showed signs of a pre-pandemic recovery during 2021/22. To restore short-term interest rate normalisation by the South African Reserve Bank, the Monetary Policy Committee (MPC) announced repo rate increases during the year under review. Heightened upward inflationary pressures resulted in the MPC raising rates aggressively toward the end of the fiscal year. Cumulatively the repo rate was raised by 75 basis points in 2021/22 financial year, ending the year at 4.25%.

MONEY MARKET RATES



Source: IRESS

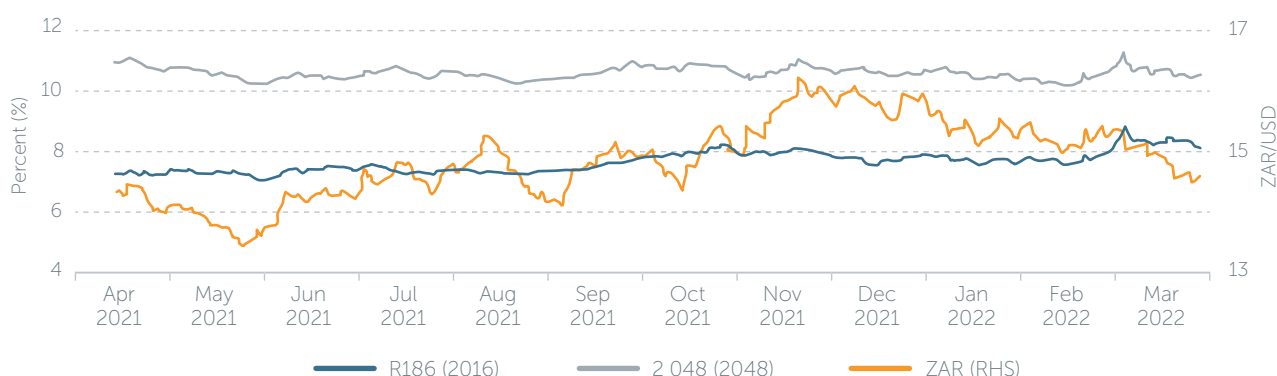
Short-term interest rates reprised significantly, particularly on the longer end of the JIBAR fixings curve. The 12-month JIBAR rate reprised higher by 180 basis points, opening at 4.6% and closing at 6.4% in the review period. The money market yield curve was steeper due to long-end money market rates rising much more than shorter-dated money market rates, due mainly to increases and expected further increases in the repo rate.

The spread between the three-month and 12-month JIBAR widened notably, ending the financial year at 203 basis points from an opening of 94 basis points. The spread traded as low as 80 basis points and touched a high of 213 basis points.

Domestic bond yields were far more constructive as the local economy showed signs of a recovery from the bleak remnants of the pandemic on the South African economy. This was evident in the revised credit rating outlooks – from negative to stable – by agencies Moody’s, S&P and Fitch.

Despite the renewed global risk sentiment, non-resident investors were net sellers of South African Government Bonds (SAGBs). Better-than-expected domestic revenue collections and austerity measures that seemed to hold bode well for the fiscus. On the back of these supportive developments, National Treasury reduced weekly debt auctions by R2.6 billion. Nominal weekly auctions reduced by R1.8 billion to R5.8 billion, while inflation-linked weekly auctions reduced by R0.8 billion to R1.2 billion.

BOND YIELDS (LHS) AND ZAR/USD (RHS)



Source: Bloomberg, PIC Research

SAGBs traded within range for the most part of the financial year. The bias in the trading range leaned toward the strengthening side. Local bond buyers of SAGBs seemed to favour the long end of the nominal yield curve.

The rally on the longer-dated nominal yields was supported by domestic fundamentals and the reduction in the supply of SAGBs in the weekly auctions by National Treasury. The ultra-long R2048 bond (maturing 2048) touched a low of 10.30% during the second quarter of 2021/22.

The bonds seemed unfazed by the July 2021 unrest, with bond yields fairly anchored during and after the event. Geopolitical risks from the Russia-Ukraine conflict in the fourth quarter saw local nominal yields weaken significantly with uncertainty dominating risk sentiment across the globe.

The recovery of the domestic economy introduced reflation, which, with the reduced supply in the weekly inflation-linked bond auctions by National Treasury, set the scene for real yields for the review period. Demand by investors seeking protection against inflation saw inflation-linked bonds rally somewhat, with investors seeing much relative value on the belly of the real yield curve, particularly the I2038.

Domestic fixed-interest assets all had positive returns during the review period. Conventional bonds led gains, returning 12.37%, and followed by inflation-linked bonds at 10.76%. Cash recorded a return of 3.94%.

BOND PORTFOLIO ACTIVITY

The PIC bought more conventional and inflation-linked bonds during 2021/22 when opportunities presented

themselves. Despite the nominal yield curve bull flattening, volatility in the second and fourth quarters of the year offered enticing conventional bond buying opportunities.

With some post-COVID normality and the winding down of the pandemic's Temporary Employer Relief Scheme, the UIF introduced an interim mandate that allowed for greater exposure into longer-dated instruments and the resumption of short-term investments in the money market. The Fixed Income team began investing on behalf of the UIF, as stipulated in the interim mandate, as and when opportunities presented themselves.

DOMESTIC FIXED-INCOME OUTLOOK

The decrease in the fuel levy will moderate South Africa's inflationary trajectory. As the SARB MPC assesses risks to the inflationary outlook to be on the upside, it will probably hike the repo rate at every meeting this year, although the increases may not be as severe as expected.

While improved economic growth is expected for both developed and emerging markets, COVID-19 developments may still hamper economic progress, depending on future variants and possible lockdowns.

Russia's war in Ukraine has largely been responsible for volatility in fixed-income markets in the first quarter of 2022. The direction of this conflict is likely to pilot risk sentiment across assets classes.

The PIC expects persisting volatility in domestic yields and for yields to find direction in global risk developments and the improvement in domestic fundamentals.

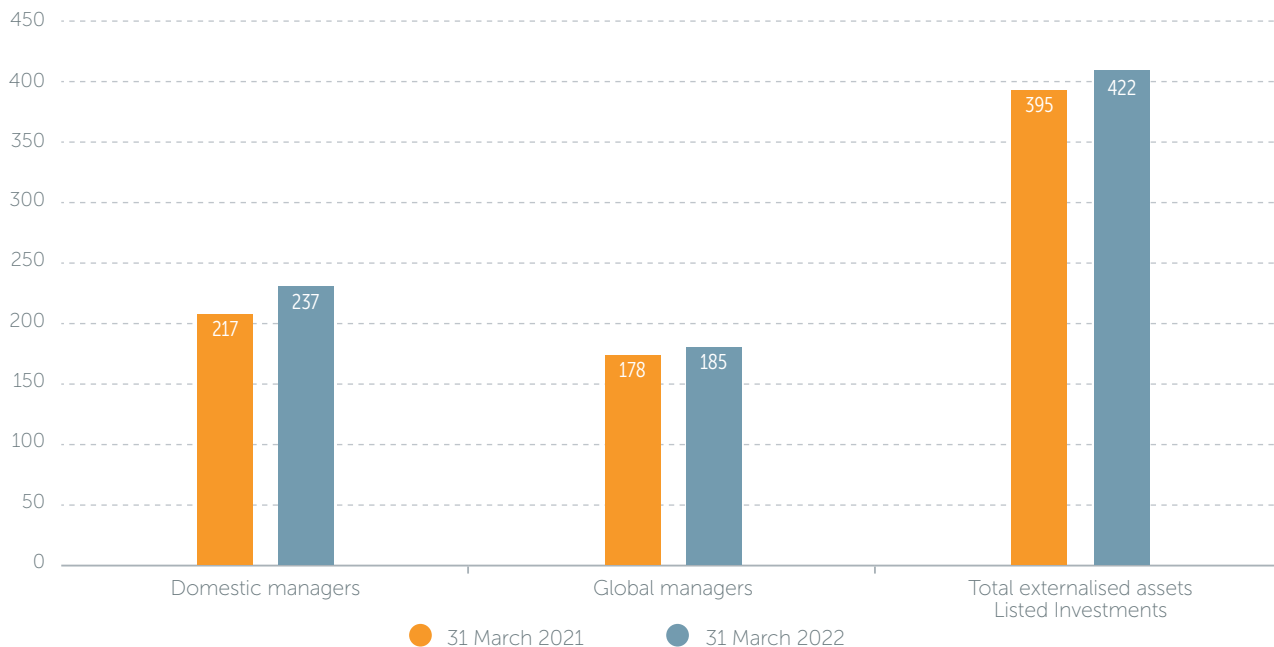
EXTERNALLY MANAGED FUNDS PROGRAMME

The PIC's Externally Managed Funds Programme is the largest asset allocator of funds in South Africa, with an asset allocation totalling R422 billion by the end of the financial year. Through the programme, the PIC allocated capital to eight global firms and 20 domestic firms, with an asset split of R185 billion and R237 billion respectively. The PIC has both an alpha-generation objective, i.e. to enable these managers to deliver sustainable, over-benchmark returns to client portfolios, and to achieve clear transformation goals. The introduction of B-BBEE Developmental Manager Programme

in 2009 has seen transformation of the South African asset management industry. Although this programme has increased the participation of black asset managers in the savings, investments and asset management industries, more black women are needed as shareholders and in investment roles. While in the domestic market, the focus is on transformation, global managers such as the World Bank, Blackrock and Goldman Sachs, continue to contribute to skills development efforts by providing superior technical training opportunities to PIC staff and clients.



EXTERNALISED ASSETS – 31 MARCH 2021 VS MARCH 2022



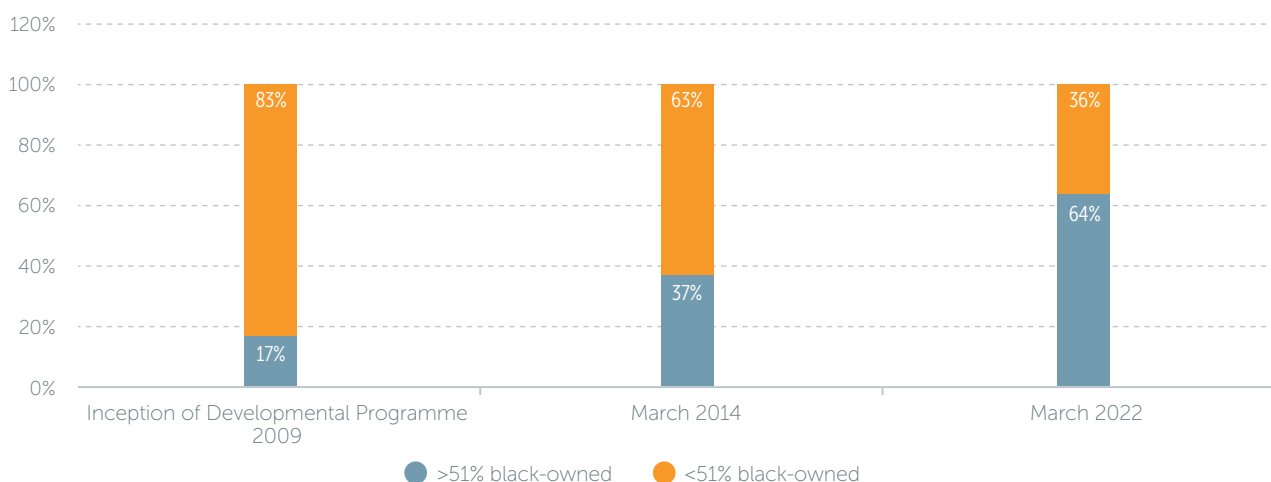
The PIC analysed the ownership statistics of the 20 domestic managers to determine percentage allocation to black shareholders, particularly black women. The average percentage allocated to black shareholders in B-BBEE entities is 83%, while non-BEE entities have an average black ownership of 30%. The average allocation to black women shareholders is 28% in the 17 B-BBEE entities and 11% in

the three non-B-BBEE entities. While these numbers have increased over the years, they have done so at an alarmingly slow rate, particularly where it concerns black women representation in investment firms. While black representation at board level is high in both B-BBEE and non-B-BBEE firms, representation of black women on boards stands at around 29% and 26% across B-BBEE and non-B-BBEE entities.

PERCENTAGE		>51% BLACK-OWNED (17 FIRMS)	<51% BLACK-OWNED (THREE FIRMS)
Black ownership	Min %	57%	26%
	Average %	83%	30%
	Max %	100%	34%
Black women	Min %	0%	8%
	Average %	28%	11%
	Max %	100%	15%
Black representation at board level	Min %	50%	25%
	Average %	85%	68%
	Max %	100%	100%
Black women representation at board level	Min %	0%	13%
	Average %	29%	26%
	Max %	50%	40%

As an anchor investor in many black firms, the PIC has enabled experienced black professionals to build credible track records. At the start of the B-BBEE Developmental Manager Programme, black-owned firms managed only 17% of the R64 billion externalised assets. By the end of 2021/22, R153 billion of the R237 billion in externalised assets allocated to domestic firms was managed by black-owned entities with more than 51% black ownership and 30% black management control. This constitutes 64% of assets allocated to domestic firms.

BREAKDOWN OF ASSETS TO DOMESTIC MANAGERS



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

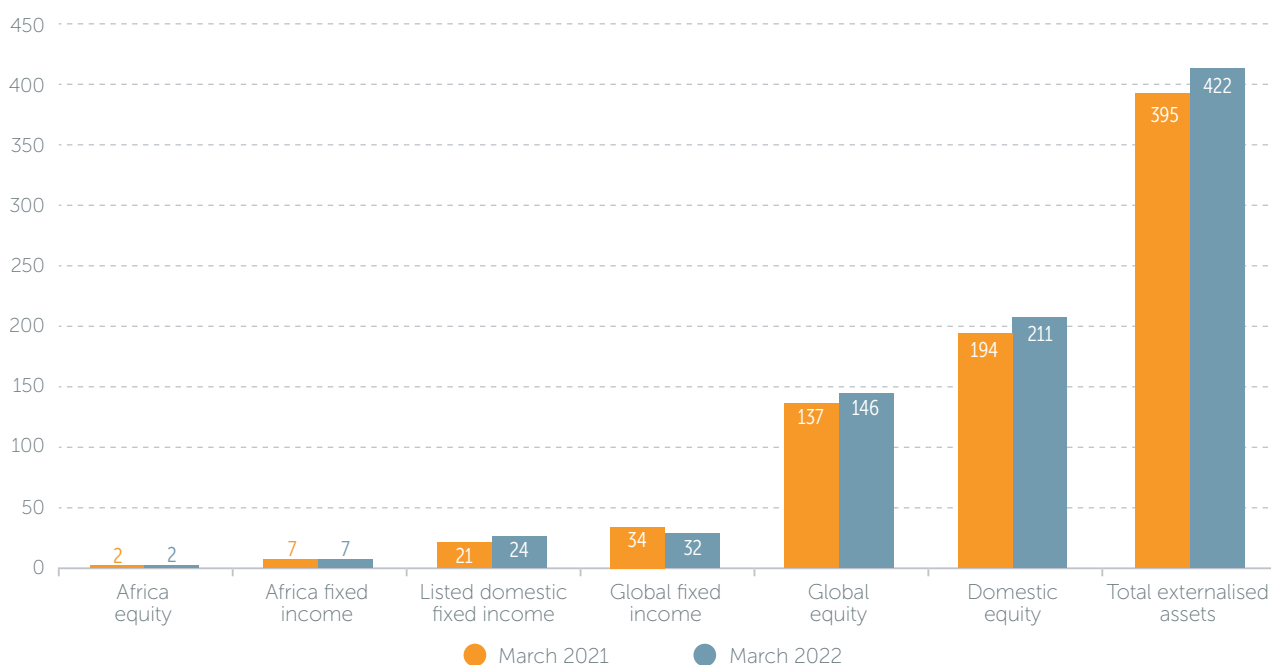
The externally managed funds team continues to research domestic and global markets and strategies to optimise client outcomes on a risk-adjusted basis. Analysing both strategy and manager selection opportunity remains crucial in managing and monitoring client solutions. The team

delivers on client objectives across asset classes through a clear, repeatable process with consistently applied portfolio construction principles.

While asset managers are starting to return to a pre-COVID-19 operating structure, the PIC continues to enhance the monitoring of managers' operating environments and governance procedures. During the last year, we noted no meaningful pandemic-related operational incidents, while it has clearly been a difficult time for managers to attract new assets.

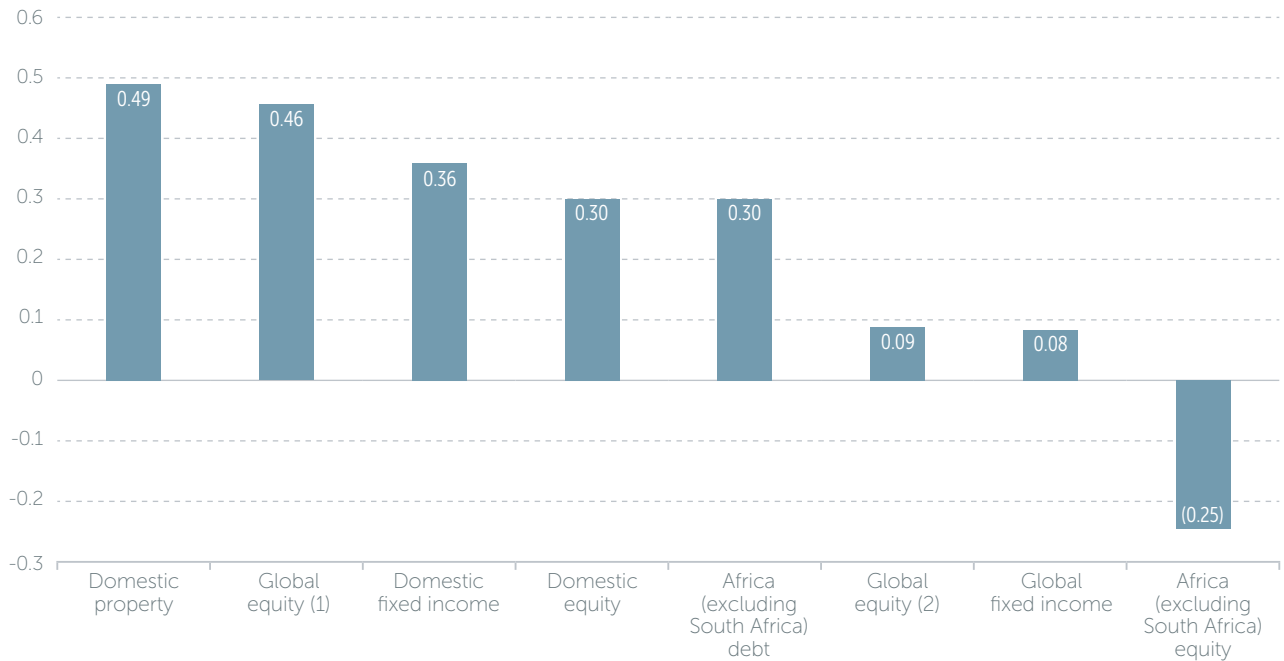
Externalised assets grew from R395 billion in March 2021 to R422 billion in March 2022, the largest increase from global and domestic equity assets classes, which significantly outperformed other asset classes in absolute returns over the year.

EXTERNALISED ASSETS PER ASSET CLASS



The results of a disciplined investment process are the delivery of positive risk-adjusted returns on behalf of clients, over their desired time horizon. Looking at three-year information ratios on underlying external composites of our largest clients, seven of the eight composites delivered positive information ratios, indicating higher returns than the measure of risk taken. The domestic property and global equity composites are close to 0.5 information ratio target, while the domestic fixed income, domestic equity and Africa (ex-South Africa) fixed income composites are climbing towards the 0.5 target. Delivering global fixed income and Africa (ex-South Africa) equity solutions requires review.

THREE-YEAR INFORMATION RATIO TO MARCH 2022



ENVIRONMENTAL, SOCIAL AND GOVERNANCE – LISTED PORTFOLIO

The PIC remains committed to responsible investing, and to advancing environmental, social and governance (ESG) principles in investment decision-making. The PIC's sustainability approach is informed by its active participation in the United Nations Principles for Responsible Investment (UNPRI), the United Nations Global Compact (UNGC), and its endorsement of, and support for, both the Code for Responsible Investing SA (CRISA) and the Sustainable Development Goals (SDGs).

The COVID-19 pandemic was a high-impact event that obligated businesses and the global society of nations to acknowledge that sustainable economic success relies on a healthy relationship between people and the planet.

The global pandemic compelled governments to prioritise environmental and social problems in their planning. Companies were forced to review their sustainability programmes and to reconsider ESG factors in their business models. However, this resulted in additional challenges for companies, in how and what to monitor as well as what to report on.

Inadequate disclosure of ESG principles makes it challenging to identify and assess material ESG factors among investee companies, resulting in incorrect classification of a portfolio's ESG characteristics.

The PIC welcomes and fully supports the initiative by the Johannesburg Stock Exchange (JSE), through its Sustainability and Climate Change Disclosure Guidance, to provide a framework to assist companies on how to report evolving sustainability issues.

It is known that climate change is an investment risk that has accelerated the need for companies to prepare for and participate in the global net-zero initiative, and to ensure a just transition for carbon-reliant economies. Consistency is needed to provide investors with accurate and applicable information for proper decision-making and for the monitoring of climate change risks and sustainability initiatives. The PIC encourages investee companies to set

short-, medium- and long-term, science-based targets for greenhouse gas reductions. These targets, and the attendant implementation plans, are essential for monitoring the long-term economic interests of investors in sustainability.

Transformation in South Africa remains a business imperative, particularly so for the inclusion of the youth, women and people living with disabilities, as meaningful participants in economic ownership. The 2021 PwC Executive Directors Report indicates that gender representation in South Africa remains stagnant. This lack of improvement has necessitated a change in the PIC's stewardship, and its engagement strategy with investee companies, to reinforce the requirement for gender-strategic initiatives to reside in, and be actively driven by, social and ethics committees of directors of investee companies. The legal mandate of these committees is to assist boards with monitoring sustainably and considering the triple bottom-line context of the economy, society and the natural environment.

The PIC has zero-tolerance for racism and sexual harassment in investee companies and views these as eroding shareholder value because of reputational risk and the disregard for fundamental human rights.

Institutional racism remains prevalent in corporate South Africa. The PIC is committed to confronting reality directly and to work with investee companies to improve policies and practices to address any discriminatory practices.

STEWARDSHIP PROGRESS MADE IN 2021/22

FOR THE PERIOD: 1 APRIL 2021 – 31 MARCH 2022



190
Separate meetings
voted at

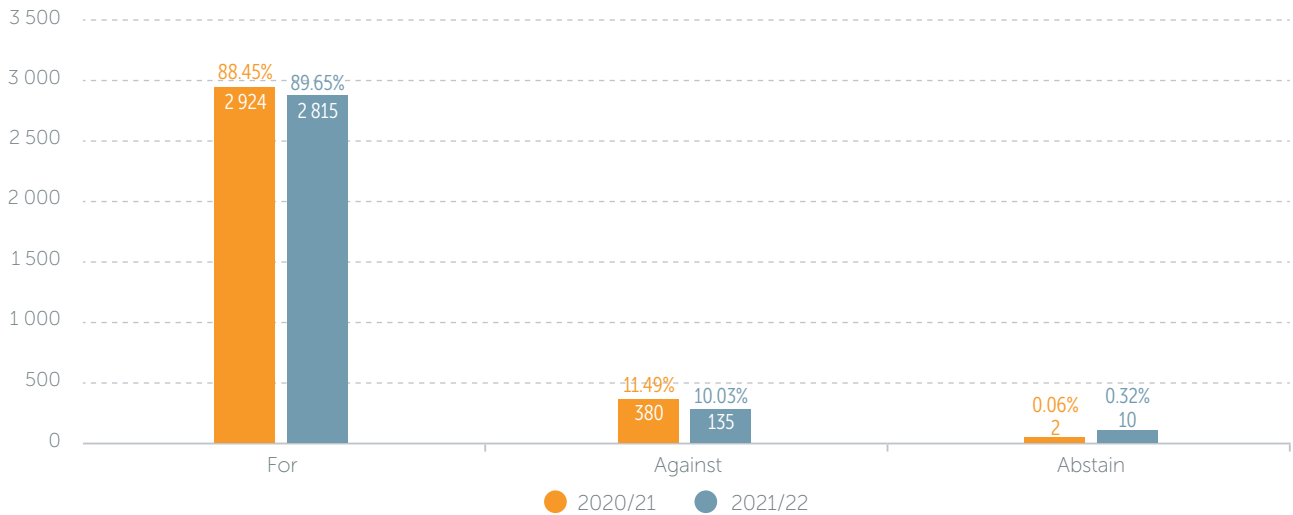


3 140
Total resolutions
voted on



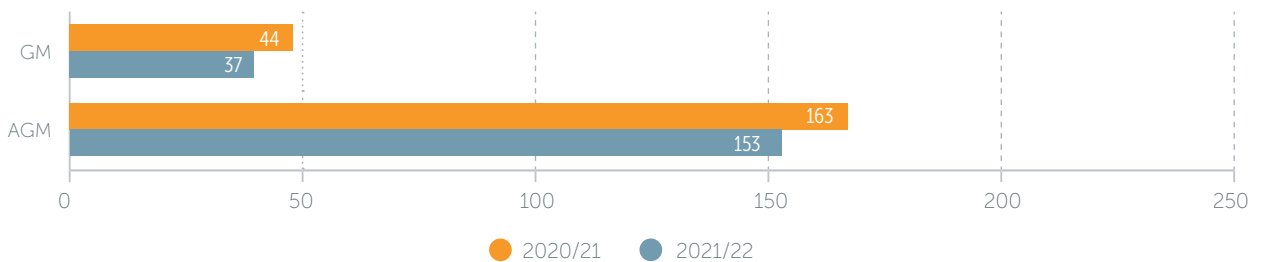
100
Total engagement
meetings held

PIC PROXY VOTING



The PIC's proxy voting processes are governed by proxy voting guidelines. The PIC votes at all investee companies' meetings, in line with its active ownership mandate. Proxy voting influences investee companies' ESG processes. The PIC's ESG team handles proxy voting processes, including research. Before and after voting, investee company meetings are held during which the ESG and equities teams gain adequate understanding of company issues.

PIC PROXY VOTING



The PIC is committed to disclosure and transparency. Voting records are available on its website (www.pic.gov.za).

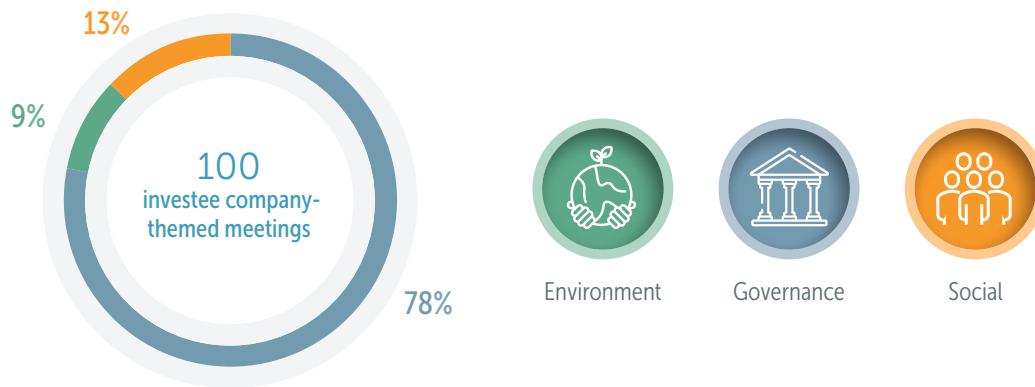
For the period under review, the PIC voted on 3 140 resolutions at 190 separate meetings. Key ESG themes voted against during this period were:

- Remuneration practices;
- Reappointment of external auditors; and
- Election of directors and audit committee members.

PIC COMPANY ENGAGEMENTS

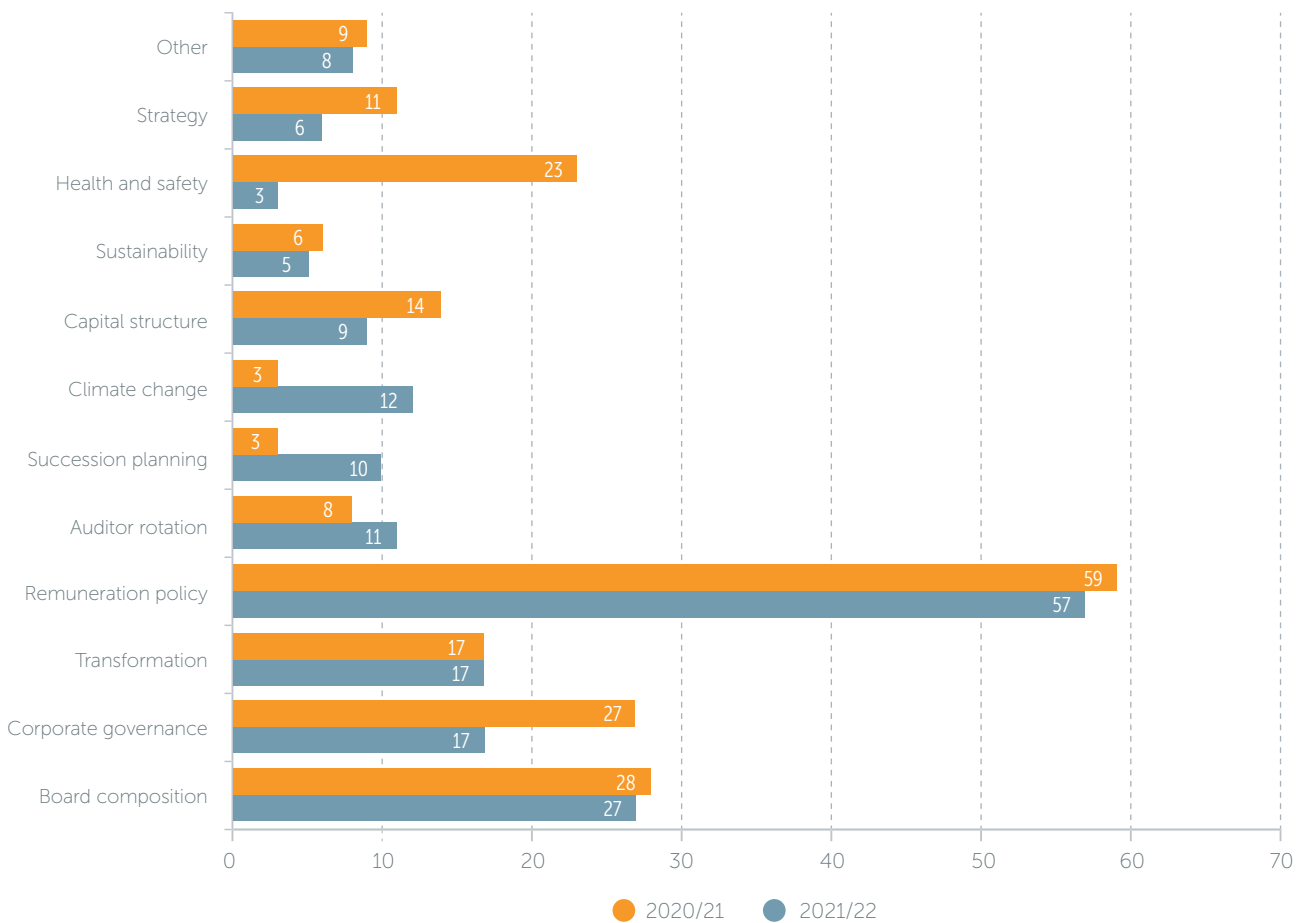
There were 100 investee company-themed meetings in 2021/22 compared to 74 in 2020/21. In addition, the PIC communicated directly with investee companies on reasons why certain resolutions were not supported, issuing official correspondence in 108 instances.

Engagements by each ESG pillar are detailed below:



The PIC believes that good governance will encourage better adherence to and consideration of social and environmental practices in investee companies.

PIC PROXY VOTING

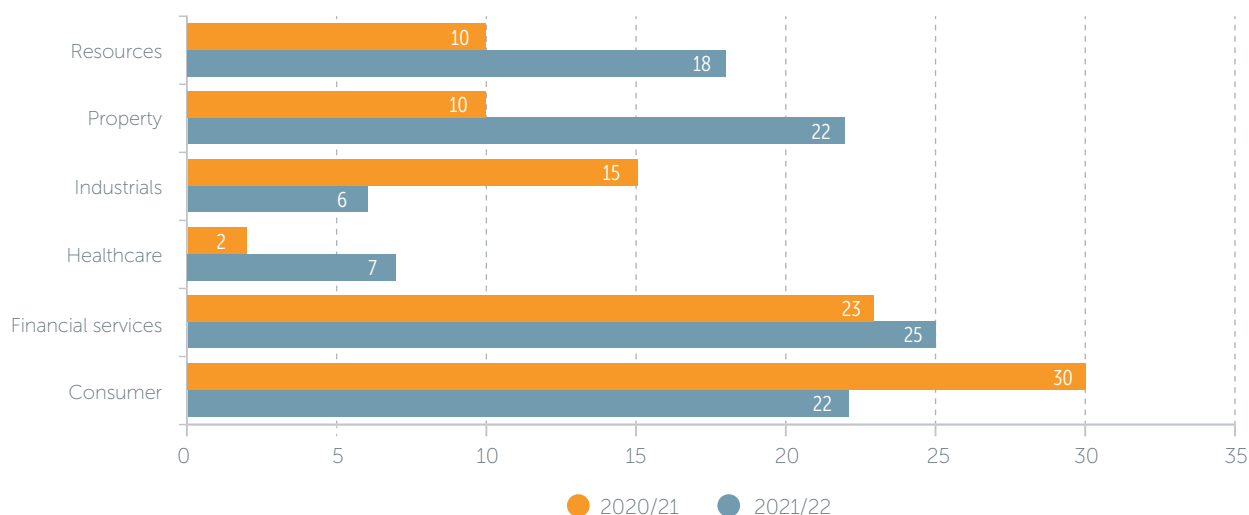


The trend of remuneration engagements remains prominent. Succession planning has emerged as a lever for the PIC to drive diversity and inclusion, particularly in female representation at board and senior management levels.

Climate change remains a global concern that no business can risk ignoring any further. The PIC, with other like-minded investors, is engaging investee companies on this to ensure sustainable portfolios.

The number of climate-change-related engagements has risen, particularly in the resources sector, which has the largest greenhouse gas emissions footprint. The PIC is pleased to see climate change as a standalone issue at annual general meetings, in corporate governance reporting, at board-level engagements with investee companies, and as a key performance indicator in executive remuneration.

ENGAGEMENTS BY SECTOR



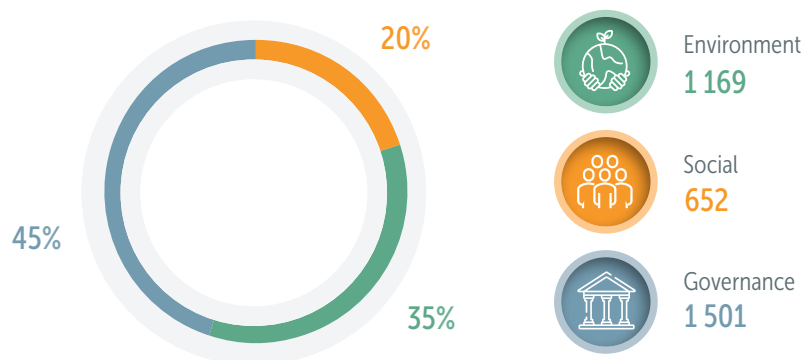
The financial services sector accounted for most of our engagements, followed by the property and resources sectors.

PIC EXTERNAL MANAGER ENGAGEMENTS – THE GLOBAL PORTFOLIO

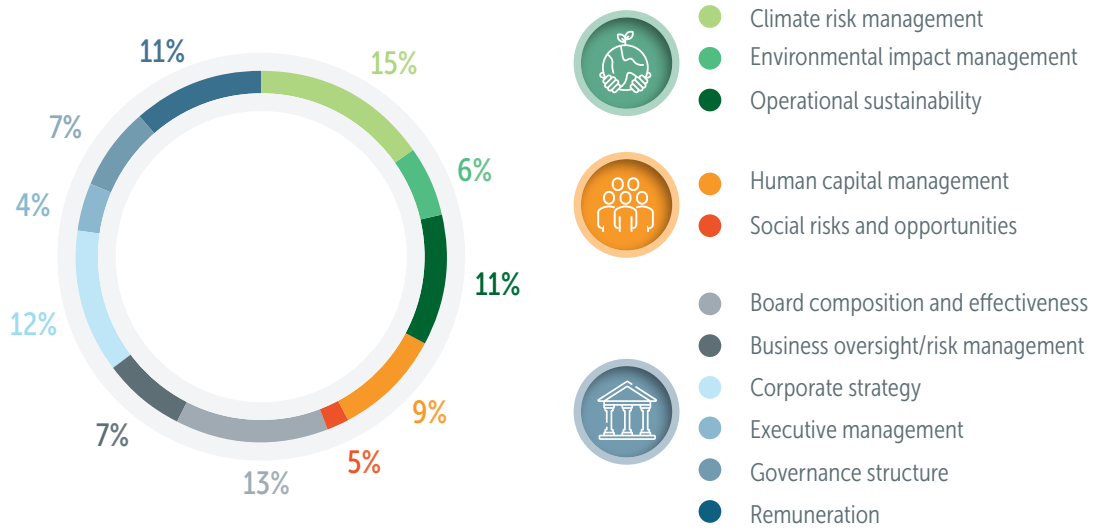
For the first time, we are reporting on PIC external managers’ active ownership practices. The domestic external managers will be fully included when evaluation and monitoring are conducted in the next financial year.

From the two global external managers – Blackrock and Robeco – there is a strong alignment with the PIC’s engagement focus. The view that good governance improves performance on social and environmental practices is carried through, followed by an alignment with engagements on remuneration and climate change.

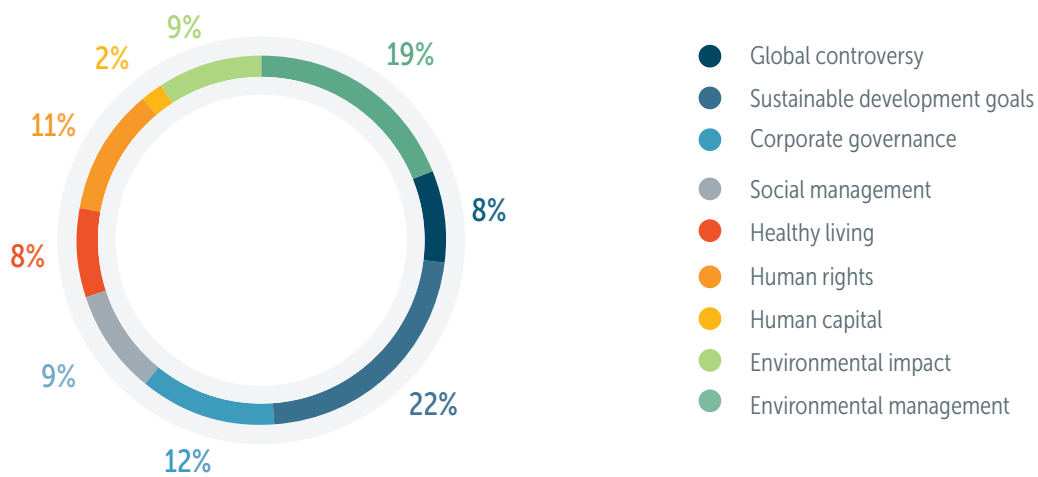
ENGAGEMENT BY PILLAR: BLACKROCK



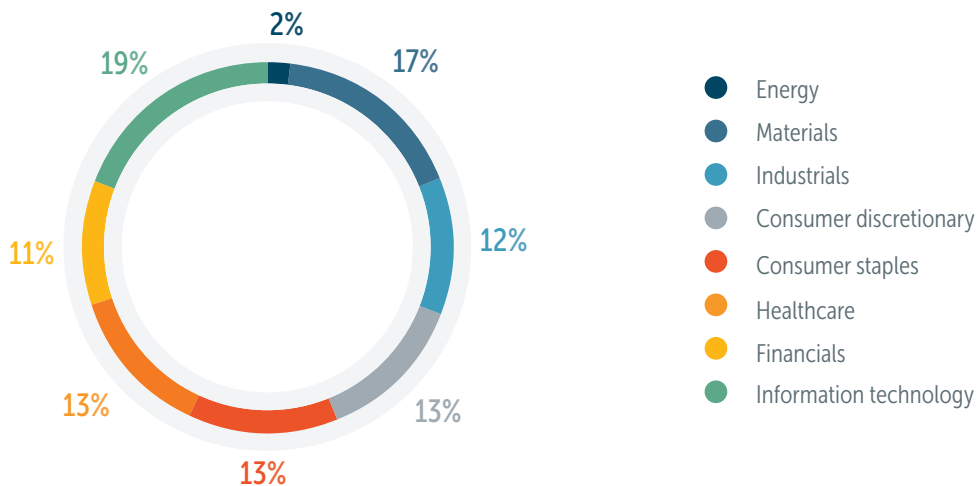
ENGAGEMENT THEMES: BLACKROCK



ENGAGEMENT THEMES: ROBECO



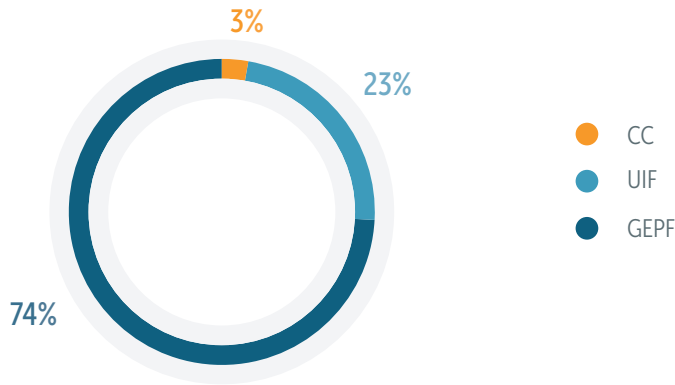
NUMBER OF ENGAGEMENT ACTIVITIES PER SECTOR: ROBECO



UNLISTED INVESTMENTS PORTFOLIO – ISIBAYA

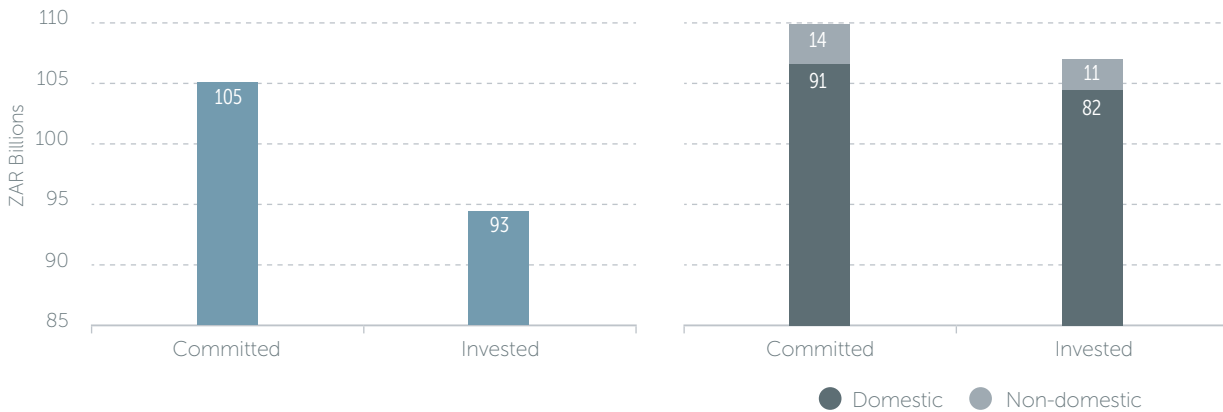
The Unlisted Investment mandates allows the PIC to invest domestically and on the rest of the African continent – through Isibaya Fund (Isibaya). The investments are made directly into companies to generate good financial returns while also supporting positive long-term economic, social and environmental outcomes for clients, the country and the continent. These investments are well-positioned to provide portfolio diversification benefits, as they are not listed on a registered exchange and have low correlation to listed investments. The Isibaya portfolio currently comprises 21 active funds with more than 135 underlying portfolio companies.

CLIENT SPLIT BY COMMITTED FUNDS

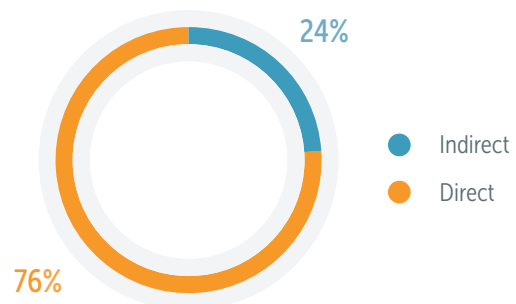


By 31 March 2022, Isibaya had committed about R105 billion, 86% of which was for domestic investments and the remainder for projects on the rest of the African continent.

ISIBAYA FUNDS COMMITTED AND INVESTED

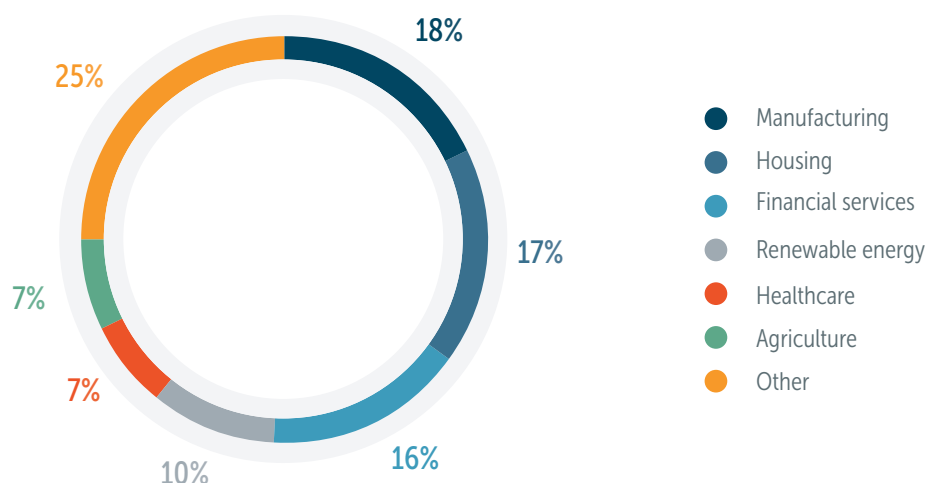


Isibaya invests directly in unlisted entities and indirectly via intermediaries to capture a broad spectrum of investment opportunities. The direct approach entails taking significant minority positions in unlisted entities to ensure active participation and driving value creation and transformation. Indirect investing is an effective mechanism to enhance the investment strategy as it extends the PIC’s reach and depth through investments in third parties.



Isibaya invests in key economic sectors to generate positive sustainable long-term returns, while simultaneously supporting social outcomes such as job creation, greening the economy, improving South Africa's competitiveness, supporting transformation and other government policy directives. The chart below depicts the current sector allocation.

SECTOR ALLOCATION



There were fewer new investments during the year under review than in the previous year, as the unlisted mandate with the GEPF was under review. The mandate was signed on 31 March 2022, with the GEPF committing R25 billion. This will be deployed over the next five years in both South Africa and the rest of Africa. The allocation is split among four main categories, as follows:

1) Developmental investments South Africa

The growth-oriented investment theme is sector agnostic, with a keen focus on investments that contribute to growing the South African economy, create jobs, develop and transfer skills, poverty alleviation and rural development. The fund's bias is towards agriculture, mining, manufacturing and financial services. The portfolio will comprise mainly entities that derive or will derive 50% or more of their revenues in South Africa.

2) Developmental infrastructure investments: South Africa

The focus is on economic and social infrastructure investments. Economic infrastructure will encompass transport and logistics, water and energy, and including renewable energy. Social infrastructure will cover affordable housing, healthcare and education. The mandate is for unlisted South African entities that are involved in the development and/or maintenance of infrastructure while achieving outlined objectives.

3) Developmental investment: Rest of Africa

The theme is growth-oriented and sector agnostic, with bias towards intermediaries. The fund will focus on direct

unlisted investment products and intermediaries, including investment into entities with infrastructure assets. The portfolio will comprise entities that generate 50% or more of their income from the rest of Africa, primarily through intermediaries such as financial institutions and funds in the PIC's core focus areas. The mandate will focus on unlisted African (excluding South African) entities.

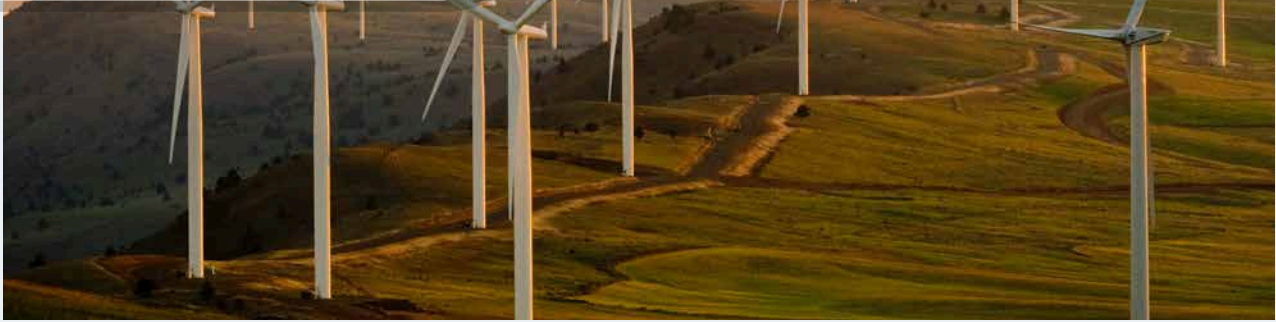
4) Developmental investments in intermediaries in South Africa

The mandate is to provide capital to intermediaries to invest in South African-based entities. Investments will address transformation in asset management across sectors, from specialised fund managers with a niche focus to generalist fund managers and financial institutions. Intermediaries refer to fund managers and financial institutions, including companies that hold infrastructure assets.

PORTFOLIO PERFORMANCE

The portfolio felt the effects of COVID-19 and a relatively tough economic environment more intensely in the review year than in the previous financial year, and this is reflected in the decreased portfolio value. Investee companies were supported throughout the pandemic, with payment holidays, extension of loan tenures and waivers of covenant breaches. Limited capital injections were offered to some companies. The portfolio value decreased by 7.79% to R75.15 billion due to impairments raised during the financial year. Disbursements for the year decreased by 60.52% to R2.25 billion compared to the previous year.

Roggeveld Wind Farm



The PIC invested R281 million on behalf of the GEPP in the construction of Roggeveld Wind Farm in Matjiesfontein, on the border of the Northern Cape and the Western Cape, which was completed during the review year. The total deployed by investors was R4 billion.

It has an installed capacity of 147MW and a contracted capacity of 140MW and claims to have the lowest tariff of all independent power producer projects awarded preferred bidder status by the Department of Mineral Resources and Energy, in its Renewable Energy Independent Power Producer Programme (REIPPP) bid windows 1 to 4.

Roggeveld started feeding much-needed electricity into the Eskom grid on 26 February 2022, having closed financially in April 2018.

The PIC's shareholding is 23.25%. Other shareholders include Red Rocket (majority shareholder) and the African Infrastructure Investment Managers IDEAS Fund, via a holding company (51% equity interest), H1 Holdings (23.25% equity interest) and local communities through the Roggeveld Wind Power Trust (2.5%). The investment is the first direct equity wind technology renewable energy plant added to the PIC renewable energy portfolio of largely solar-based plants.



The farm will displace **24 tons** of carbon dioxide annually while generating **613GWh** of electricity from its 47 Nordex Group wind turbines, sufficient for **49 000 households**.



At construction peak, the project provided **851 jobs**.

CASE STUDIES – ISIBAYA

Mpudulle project



Mpudulle is a specialised eye day-clinic facility in Suiderberg, northern Pretoria. Mpudulle will provide retinal, cataract and strabismus surgeries and is targeting middle-income earners from areas such as Soshanguve, Rosslyn, Amandasig, Ga-Rankuwa, Mabopane, Laudium, Atteridgeville, Centurion and Montana. The project is expected to complete in August 2022.

Lona investment bears fruit



During the financial year, the PIC investee company, the Lona Group, opened one of the biggest cold storage and packing facilities in Africa – Coega Fruit Terminal – in Gqeberha, Eastern Cape. It is a 16 000m² facility packing fruit for both export and local markets. In addition to automated fruit packing equipment, the complex includes de-greening facilities, local market pack-lines, dedicated part-pallet refrigerated storage and bin washing, nesting and storage facilities. This is a R500 million public-private partnership that includes the Department of Trade, Industry and Competition through the IDZ and the Lona Group.



Alzu a flourishing family affair



ALZU



Alzu Agri is an integrated agricultural business established in 1968 in Kwaggafontein, Middelburg, with more than 600 permanent employees and several blue-chip customers.

The company specialises in cattle farming, pork production, pig genetics, maize production, animal feed, and production of caged-bird and free-range eggs. It has more than 20 depots across South Africa from which it sells animal feed, health and wellness products to the public.

The PIC acquired 30% of Alzu equity in November 2019, satisfying the GEPF's mandate to invest in projects with high developmental impact.

The PIC's investment was earmarked to fund expansion in the different business units to drive growth in the business and stimulate job creation. The company is performing well in tough trading conditions, which is testament to the robust business model and strong management team.



UNLISTED PROPERTIES OVERVIEW

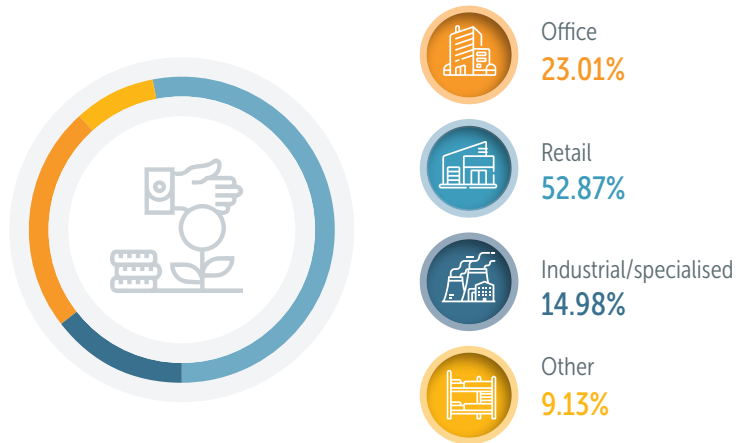
The PIC's property portfolio comprises directly- and indirectly held property investments valued at R52.62 billion. It is made up of domestic and rest of Africa property investments, including notable investments such as Pareto, the V&A Waterfront and Gateway Real Estate Africa.

Given its developmental mandate, the PIC, on behalf of its clients, has invested alongside other property developers to roll out 10 000 beds for student accommodation. At 31 March 2022, the portfolio had 1 579 beds under its management.

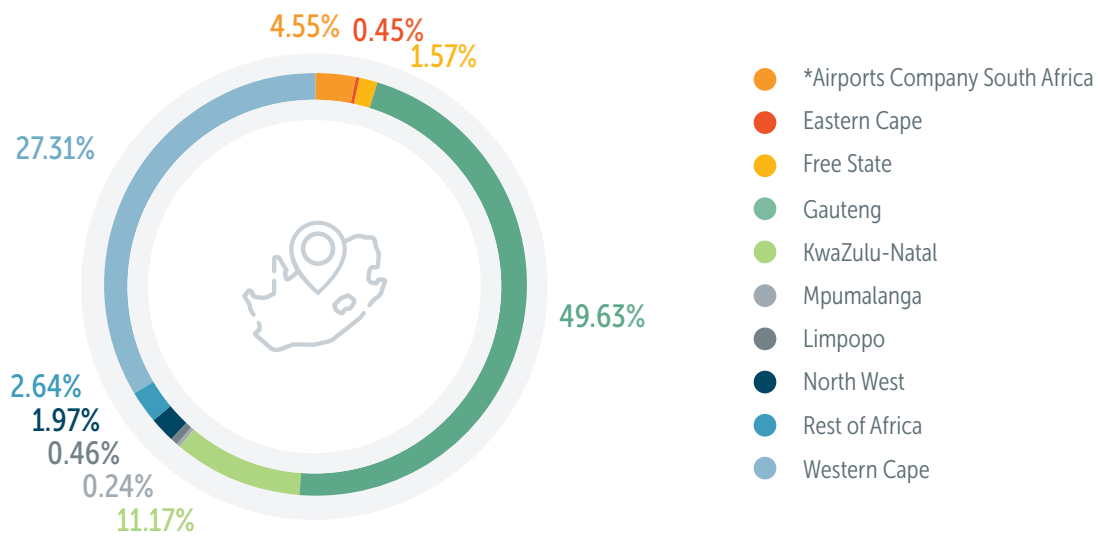
CLIENT SPLIT BY MARKET VALUE



PROPERTY SECTOR SPLIT BY MARKET VALUE – GEFP

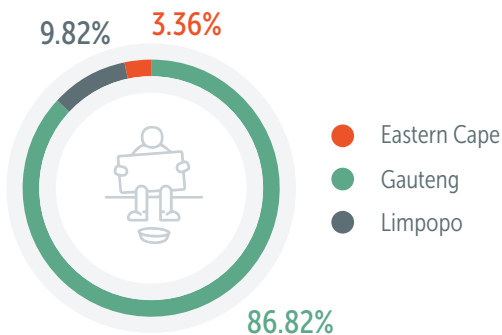


PROPERTY GEOGRAPHICAL SPLIT BY MARKET VALUE – GEFP

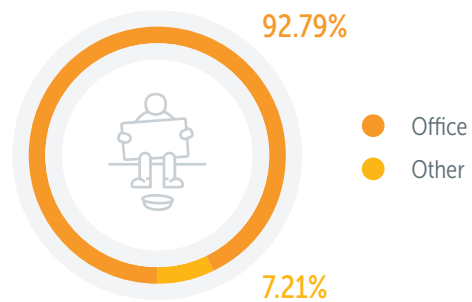


*Airports Company South Africa (ACSA) is reflected as a single network of airports. ACSA owns and operates South Africa's nine airports, including OR Tambo, Cape Town and King Shaka international airports.

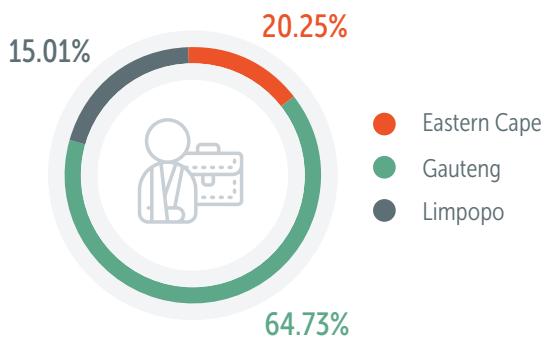
PROPERTY GEOGRAPHICAL SPLIT BY MARKET VALUE – UIF



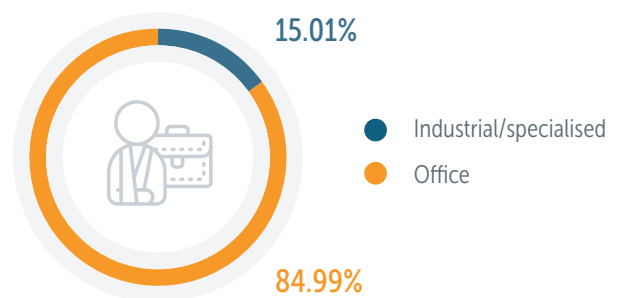
PROPERTY SECTOR SPLIT BY MARKET VALUE – UIF



PROPERTY GEOGRAPHICAL SPLIT BY MARKET VALUE – CC



PROPERTY SECTOR SPLIT BY MARKET VALUE – CC



PROPERTY PERFORMANCE

Performance of the property market is correlated to domestic GDP growth. During the year under review, the macro-economic environment was already subdued before global the COVID-19 pandemic.

Although the impact of the pandemic is still felt, many parts of the world have transitioned from hard lockdown restrictions to living with the virus. This has had a positive impact on the property industry as demand for commercial real estate has slowly picked up in sectors most affected by lockdown restrictions, such as office, retail space and hotel accommodation.

The office sector has improved slightly since the onset of COVID-19, but vacancy rates have not yet stabilised. Given the oversupply of office space, rental income continues to decline as a noticeable number of new leasing deals are being concluded at substantial discounts. Work-from-home policies are increasingly being adopted by employers and are also having a significant impact on this segment of the property market. This is expected to continue over the short- to medium-term.

The industrial sector has been resilient, with distribution centres relatively unaffected by COVID-19. Weak manufacturing fundamentals weighed down some sectors, but demand for logistics space continued unabated, with rental growth accelerating strongly. There is an acute demand for entry in this market segment, with good opportunities for development.

South African shopping centres saw trade rebound strongly in the fourth quarter of 2021 as the MSCI South Africa Quarterly Retail Trading Density Index recorded a 17.5% growth in annualised trading density. Notwithstanding the increase in the index's overall trading density, foot count has not recovered to the same extent. Throughout the pandemic, lower foot count was offset by higher spend per head.

Recovery in the retail and hotel segments remains market- and sub-sector specific. Forward-looking indicators point to an ongoing improvement in occupier activity with demand broadening across the sectors.

Development highlights

Despite tough economic conditions and the pandemic, the following developments were completed in the financial year:



Jakaranda Shopping Centre

The redevelopment of Jakaranda Shopping Centre, a 20 500m² community shopping centre in Rietfontein 5km from the centre of Pretoria, was completed in October 2021. The project involved an external facelift, an addition of 5 000 m² of gross lettable area and repositioning tenants. The centre hosts a good tenant mix, including restaurants, banks and national retail franchises, and has 55 residential apartments. It offers its clientele a relaxed, secure and convenient shopping experience with easy access to parking areas at the front, back or side. This asset is now expected to reclaim its position as a top performer.



94 WF Nkomo – UIF development

The redevelopment of the 17 000m² 94 WF Nkomo office block, was completed in February 2022 and is owner-occupied. 94 Nkomo is a redevelopment of the old UIF offices in Pretoria, along WF Nkomo Street.

Other unlisted properties portfolio highlights:



In November 2021, **Gateway Real Estate Africa** completed the Elevation diplomatic housing project in Ethiopia, which involved development of 112 upmarket residential units, 60% of which are let to the US Embassy for 10 years. The strength of this development is the tenant occupancy and the expected returns of the project make this an attractive investment.

The **V&A Waterfront in Cape Town** clinched the global award at the highly contested **World Responsible Tourism Awards** in London in November 2021, one of only a handful of winners of this, the competition's top award.



Menlyn Maine launched an exciting new service offering in the innovative co-working space solution **MM Collab**. Located in the iconic P-grade Park Lane West building of the Menlyn Maine precinct, MM Collab features state-of-the-art board- and conference room facilities, Coffee Lab, isolation-focus workpods and creative collaboration centres for clients in advertising and similar professions needing a creative outlet from which to draw inspiration. MM Collab is billed as being geared for the 'future of work' and is classified as 'watch this space' worthy.

The V&A Waterfront began construction of a P-grade 10 500m² multi-tenant office building in the canal district, to be anchored by a well-known banking tenant. The **V&A Waterfront complex**, being heavily dependent on international tourism, was significantly affected by the pandemic, but visitor numbers increased to 75% of the pre-pandemic levels, particularly over the festive season, which also boosted the retail segment. V&A also redeveloped the vacant Edcon space, which is now fully let to Zara.



PORTFOLIO OUTLOOK

The following active asset management interventions are being implemented in the short- to medium term, to align the portfolio performance to benchmarks and achieve divisional objectives:

- Portfolio optimisation;
- Disposal of strategically misaligned property assets;
- Reposition of existing assets through redevelopment and refurbishment where possible;
- Pursuit of alternative and emerging sectors;
- Alignment to the benchmark in sector exposure to increase correlations between portfolio and benchmark performance;
- Acquisitions to focus on high-quality income streams that can be sustained into the future (strategic property locations, strong lease terms and transactional covenants);
- Increasing strategic investment into real estate funds across the continent to ensure adequate market exposure and best-in-class partnerships; and
- Creation of capacity for unserved nodes and new market entrants.

The PIC Unlisted Property portfolio will continue to demonstrate:

- A bias towards township and rural property investments;
- Onboarding criteria to include youth, women and people with disabilities; and
- Enterprise supplier development programmes.

DIVISIONAL OPTIMISATION

The focus will be to continue improving the investment systems of the division to drive data analytics, monitoring, reporting, compliance and performance in line with the organisation's data improvement journey. This will ensure that the division can successfully execute its investment and development strategy on behalf of its clients. These systems will be crucial to increase risk management and advance environmental, social and governance principles that are aligned to the strategic objectives of the PIC and its clients.

Oceans retail project, Umhlanga, Durban



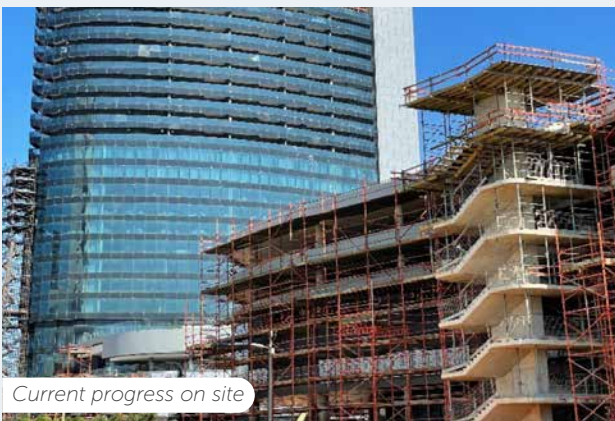
The PIC, on behalf of the GEPP, acquired 60% of the R1.3 billion Oceans retail project. The project is a portion of a circa R3.4 billion precinct development by Oceans Umhlanga Retail Co, which is developing the Oceans mixed-use precinct in Umhlanga, KwaZulu-Natal.



Approved concept

The development consists of a high-end 29 600m² retail mall, a five-star Radisson Blu hotel and two residential towers with 450 apartments. All roads surrounding the mall will offer easy vehicle access to parking, with 3 654 parking bays available, 1 200 of which are dedicated to the Oceans Mall.

The Oceans Umhlanga hotel, worth R680 million, was completed in early-2022. The hotel was completed despite construction sector headwinds and COVID-19 disruptions, providing a major boost to the KwaZulu-Natal economy as it sought to rebound from the pandemic, the July 2021 unrests and catastrophic floods.



Current progress on site

The PIC, on behalf of the GEPP, invested R187 million in the hotel project, in partnership with the Industrial Development Corporation and the founders. Thirty-one percent of the equity funding in the development was raised through a public offer to historically disadvantaged individuals, which was fully taken up, a historic achievement for economic inclusion in the highly sought-after Umhlanga suburb.

Construction created 1 500 jobs and the hotel has appointed 57 permanent employees, which will increase dramatically as the hotel ramps up and both the retail and residential sections begin operation and occupation.



Current progress on site



450 apartments



1 500 construction jobs



3 654 parking bays



57 permanent employees

CASE STUDY Oceans retail project, Umhlanga, Durban (continued)



The hotel has 206 stylish and well-appointed rooms ranging from luxury and junior suites to rooms for business travellers and families. The hotel caters for all travellers with a variety of amenities, including an outdoor pool, a play area for children, an executive business lounge and a fitness centre.

For the retail development, the world's top luxury brands in fashion, jewellery, designer furniture and interior décor will be showcased for the first time in KwaZulu-Natal in the 29 600m² mall of more than 120 stores. Tenants include Checkers, Woolworths, Clicks and luxury brands including Gucci, Burberry, Dolce & Gabbana, Ferragamo and Michael Kors.

The construction work for Oceans retail project is underway and completion is scheduled for October 2022. The retail centre's prelet is currently above the 90% mark, with the expectation that close to 100% occupancy will be achieved by the completion date.

Umhlanga, Durban's premier town on its north coast, is one of South Africa's primary tourist destinations and offers an abundance of entertainment, trendy restaurants, high-end retail and accommodation. The development is on South Africa's third-most expensive street, namely Lagoon Drive.



206
stylish rooms



>120
stores

CLIENT PORTFOLIO PERFORMANCE

The PIC's major clients are 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).

PIC CLIENT COMPOSITION

Government Employees Pension Fund (GEPF)
89.43%



Unemployment Insurance Fund (UIF)
4.64%



Compensation Commissioner Fund (CC)
2.05%



Compensation Commissioner Pension Fund (CP)
1.64%



Associated Institutions Pension Fund (AIPF)
0.69%



*Other
1.55%

* Various clients with smaller portfolios

OVERALL PORTFOLIO AND GROWTH PERFORMANCE

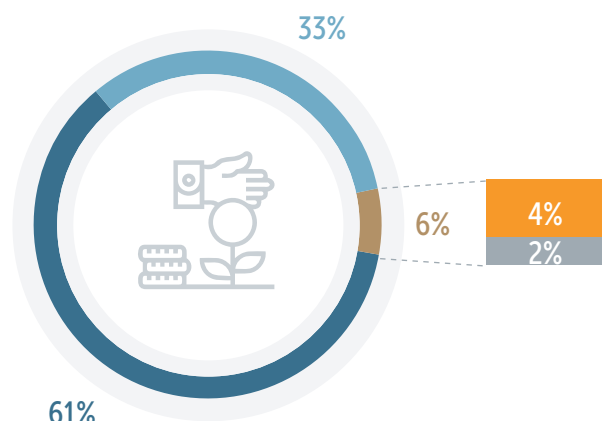
During the year under review, assets under PIC management (AuM) grew from R2.339 trillion to R2.548 trillion, an increase of R208 billion, or 8.90% growth compared to 2020/21.

Government Employees Pension Fund (GEPF)

ASSET ALLOCATION

The GEPF portfolio constitutes 89.43% of the AuM. The GEPF's is the most diversified portfolio, made up of equities, bonds, property, and cash and money market instruments. The equities asset class is further diversified and comprises local listed equities (South African), local unlisted equities, international and rest of Africa equities. Similarly, bonds are diversified and made up of local listed bonds, local unlisted bonds and international capital markets. The property asset classes contain listed and unlisted properties, with unlisted properties further divided into directly- and indirectly held portfolios. The portfolio also focuses on Developmental Investments (DI), Private Equity (PE) and Funds of Funds (FoF) vehicles.

GEPF ASSET ALLOCATION



Equities

Property

Bonds

Cash and Money Markets

PERFORMANCE

During the year under review, the GEPF listed portfolio outperformed the benchmark by 1.41%, returning 13.38% against the benchmark return of 11.80%. The outperformance has been consistent over an extended period.

Over the 24- and 36-month periods ending March 2022, the fund outperformed its benchmark by 0.38% (23.87% vs benchmark return of 23.41%) and 0.22% (10.12% vs benchmark return of 9.88%), respectively. The outperformance is attributable predominately to good stock selection within local equities and the underweight position in money markets. The table below provides a breakdown of the portfolio performance over 12-, 24- and 36-month periods.

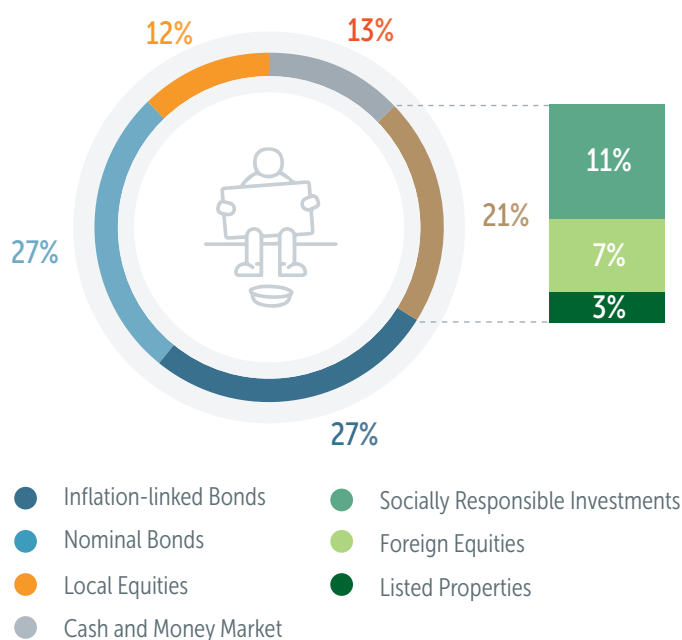
ASSET CLASS	12 MONTHS (1 APRIL 2021 TO 31 MARCH 2022)			24 MONTHS			36 MONTHS		
	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN
	%	%	%	%	%	%	%	%	%
DOMESTIC									
LISTED EQUITY	14.31	12.34	1.75	31.71	30.76	0.73	11.95	11.49	0.41
Internal Equity	14.34	12.34	1.78	31.46	30.76	0.54	11.80	11.49	0.27
External Equity	13.91	12.34	1.40	31.38	30.76	0.48	11.96	11.49	0.42
LISTED PROPERTIES	28.08	27.06	0.80	31.60	30.70	0.69	-4.25	-3.81	-0.45
Internal Listed Properties	27.25	27.06	0.15	30.49	30.70	-0.16	-4.63	-3.81	-0.85
External Listed Properties	28.25	27.06	0.93	31.63	30.70	0.71	-3.19	-3.81	0.64
CAPITAL MARKET	11.63	11.56	0.06	13.91	14.20	-0.26	8.36	7.84	0.48
Internal Conventional Bonds	12.65	12.37	0.25	14.39	14.64	-0.21	9.16	8.42	0.68
Internal Inflation-linked Bonds	10.60	10.76	-0.14	13.24	13.68	-0.39	7.43	7.19	0.22
External Conventional Bonds	13.34	12.37	0.86	15.02	14.64	0.33	8.63	8.42	0.19
MONEY MARKETS	3.77	3.94	-0.17	4.38	4.25	0.12	5.63	5.23	0.38
Cash	3.13	3.62	-0.47	3.39	3.71	-0.31	4.29	4.65	-0.34
TOTAL GEPF LISTED	13.38	11.80	1.41	23.87	23.41	0.38	10.12	9.88	0.22
AFRICA									
AFRICA LISTED EQUITY	15.75	2.16	13.31	11.13	6.18	4.67	4.85	3.01	1.78
Africa Equity – Internally managed	19.29	2.16	16.77	13.00	6.18	6.42	5.99	3.01	2.89
Africa Equity – Externally managed	2.02	2.16	-0.13	3.39	6.18	-2.62	0.18	3.01	-2.75
AFRICA FIXED INCOME	-0.68	-2.76	2.14	3.97	5.39	-1.35	10.83	4.88	5.67
INTERNATIONAL									
Global Equity	5.54	4.45	1.04	16.79	14.68	1.85	14.05	12.11	1.73
Global Bonds	-4.23	-8.16	4.28	-6.38	-12.68	7.22	1.62	0.28	1.33

The Unemployment Insurance Fund (UIF)

ASSET ALLOCATION

The UIF provides short-term financial relief to workers, among them those who have lost employment or are on maternity leave. The UIF is the PIC's second-largest client, representing 4.64% of AuM. The fund's assets are made of inflation-linked bonds, listed equities (both local and foreign), cash and money market, socially responsible investments, or developmental investments.

UIF ASSET ALLOCATION



PERFORMANCE

For the 12 months to March 2022, the UIF portfolio delivered 11.40% returns against the benchmark return of 11.35%, outperforming the benchmark return by 0.05%. This performance excludes global equity, which returned 5.54% against 4.45%, and outperformed the benchmark by 1.09%. However, the UIF portfolio underperformed the 24-month benchmark by 0.54% as of the end of March 2022 (19.14% vs benchmark return of 19.67%).

The underperformance was driven mainly by the overweight position in cash and money market and underweight inflation linkers. Stock selection in conventional bonds also contributed to the underperformance. Moreover, the fund outperformed the 36 months benchmark to end-March 2022 by 0.72% (9.19% vs benchmark return of 8.47%). The main contributors were cash, money market and listed equities.

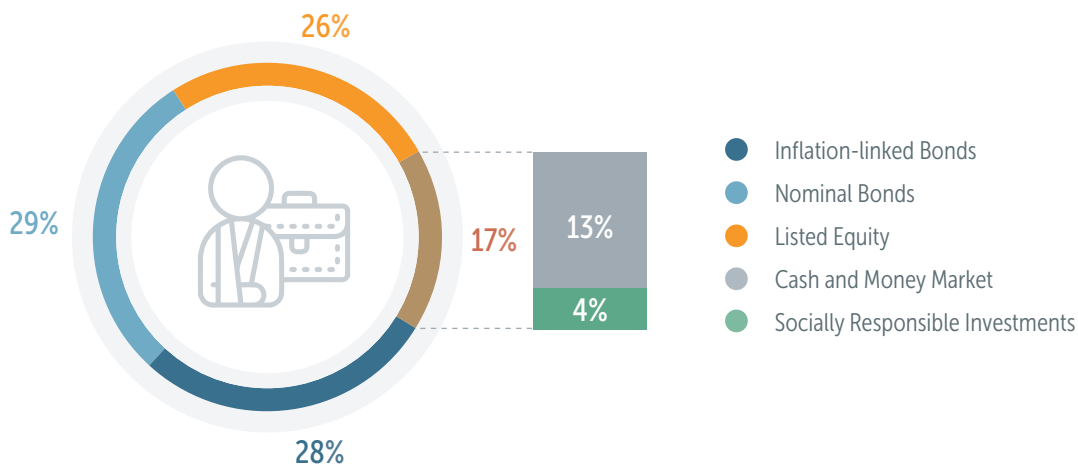
ASSET CLASS	12 MONTHS (1 APRIL 2021 TO 31 MARCH 2022)			24 MONTHS			36 MONTHS		
	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN
	%	%	%	%	%	%	%	%	%
DOMESTIC									
TOTAL BONDS	10.33	11.58	-1.25	13.09	14.21	-1.12	7.30	7.83	-0.53
Conventional	10.55	12.37	-1.81	13.46	14.64	-1.19	8.08	8.42	-0.34
Inflation-linked	10.23	10.76	-0.52	13.07	13.68	-0.61	6.80	7.19	-0.40
EQUITY	21.56	20.00	1.56	37.28	36.48	0.80	13.25	12.95	0.30
Internal Equity	21.37	20.00	1.37	37.13	36.48	0.65	13.43	12.95	0.48
External Equity	21.66	20.00	1.66	36.88	36.48	0.40	11.52	12.95	-1.43
LISTED PROPERTIES	28.04	27.06	0.98	31.69	30.70	0.99	-3.93	-3.81	-0.12
MONEY MARKET	4.14	3.94	0.19	4.95	4.25	0.70	5.98	5.23	0.76
TOTAL FUND	11.40	11.35	0.05	19.14	19.67	-0.54	9.19	8.47	0.72
Global Equity	5.54	4.45	1.09	13.09	14.21	-1.12	7.30	7.83	-0.53

The Compensation Commissioner (CC) Fund

ASSET ALLOCATION

The CC constitutes 2.05% of the PIC's AuM. The fund's portfolio comprises inflation-linked bonds, nominal bonds, listed equities, cash and money market, and socially responsible investments.

CC ASSET ALLOCATION



PERFORMANCE

For the 12 months ending March 2022, the fund returned 11.08% against the benchmark return of 11.82%, an underperformance of 0.74%. Over the 24 and 36 months to end-March 2022, it underperformed its benchmark by 1.69% (16.47% vs benchmark return of 18.16%) and 0.62% (8.30% vs benchmark return of 8.92%), respectively.

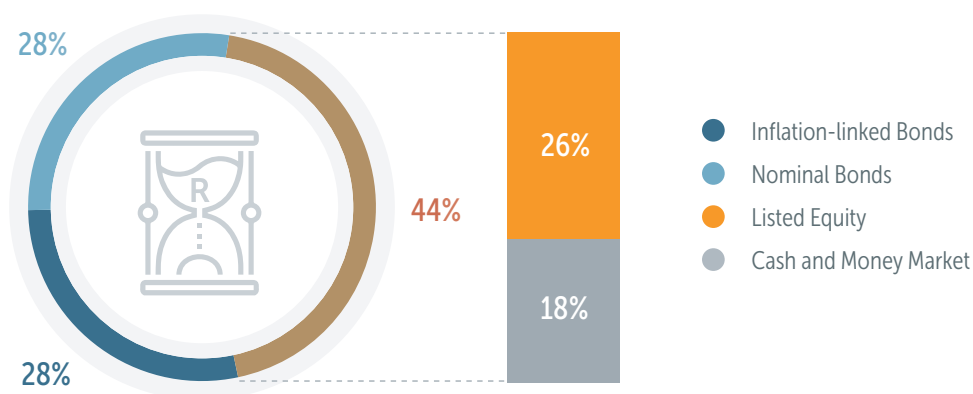
ASSET CLASS	12 MONTHS (1 APRIL 2021 TO 31 MARCH 2022)			24 MONTHS			36 MONTHS		
	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN
	%	%	%	%	%	%	%	%	%
DOMESTIC									
CAPITAL MARKET	11.32	11.66	-0.33	13.91	14.28	-0.36	7.81	7.95	-0.14
Conventional	12.18	12.37	-0.18	14.62	14.64	-0.02	8.86	8.42	0.44
Inflation-linked	10.33	10.76	-0.43	13.23	13.68	-0.46	6.78	7.19	-0.41
EQUITY	13.85	12.95	0.91	31.35	30.81	0.54	11.00	10.62	0.38
MONEY MARKET	4.34	3.94	0.40	4.80	4.25	0.54	5.81	5.23	0.58
TOTAL (excluding socially responsible investments)	11.08	11.82	-0.74	16.47	18.16	-1.69	8.30	8.92	-0.62

The Compensation Commissioner Pension (CP) Fund

ASSET ALLOCATION

The CP portfolio makes up 1.64% of the PIC's AuM. The portfolio is made up of nominal bonds, inflation-linked bonds, listed equities, and cash and money market.

CP ASSET ALLOCATION



PERFORMANCE

The CP portfolio returned 10.61% against a benchmark return of 11.54%, an underperformance of 0.93% over the 12 months to end-March 2022. Over the 24- and 36-month benchmark to end-March 2022, it underperformed its benchmark by 2.04% (15.91% vs benchmark return of 17.95%) and 0.39% (8.25% vs benchmark return of 8.63%), respectively.

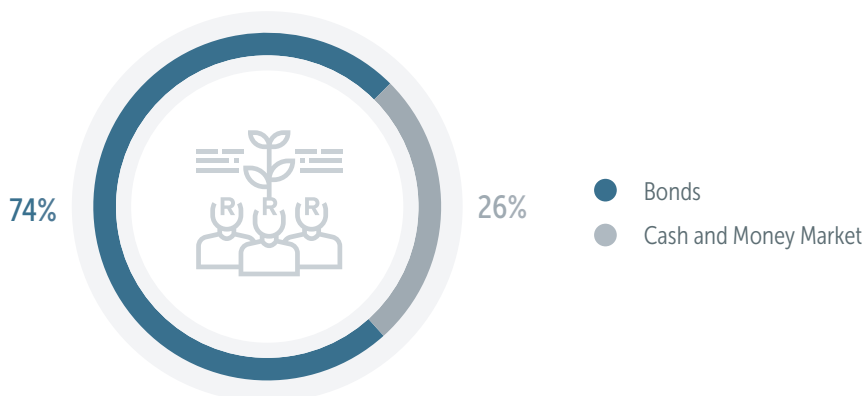
ASSET CLASS	12 MONTHS (1 APRIL 2021 TO 31 MARCH 2022)			24 MONTHS			36 MONTHS		
	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN
	%	%	%	%	%	%	%	%	%
DOMESTIC									
TOTAL BONDS	11.40	11.60	-0.19	14.17	14.22	-0.05	7.95	7.86	0.09
Conventional	12.10	12.37	-0.27	14.68	14.64	0.04	8.77	8.42	0.35
Inflation-linked	10.51	10.76	-0.24	13.37	13.68	-0.31	6.89	7.19	-0.31
EQUITY	13.45	12.95	0.50	31.17	30.81	0.36	10.91	10.62	0.30
MONEY MARKET	4.18	3.94	0.24	4.51	4.25	0.26	5.55	5.23	0.32
TOTAL FUND	10.61	11.54	-0.93	15.91	17.95	-2.04	8.25	8.63	-0.39

The Associated Institutions Pension Fund (AIPF)

ASSET ALLOCATION

The AIPF constitutes 0.69% of the PIC's AuM. Its asset allocation comprises bonds, and cash and money market.

AIPF ASSET ALLOCATION



PERFORMANCE

For the 12 months to end-March 2022, the fund returned 9.75% against the benchmark return of 10.26%, underperforming the benchmark by 0.52%. Over the 24 and 36 months to end-March 2022, it delivered 0.39% negative alpha (11.65% vs benchmark return of 12.04%) and 0.16% outperformance (7.88% vs benchmark return of 7.72%), respectively.

ASSET CLASS	12 MONTHS (1 APRIL 2021 TO 31 MARCH 2022)			24 MONTHS			36 MONTHS		
	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN
	%	%	%	%	%	%	%	%	%
DOMESTIC									
CAPITAL MARKET	11.91	12.37	-0.46	14.54	14.64	-0.10	8.49	8.42	0.07
MONEY MARKET	3.90	3.94	-0.04	4.39	4.25	0.13	5.50	5.23	0.28
TOTAL FUND	9.75	10.26	-0.52	11.65	12.04	-0.39	7.88	7.72	0.16

Other clients

The clients below constitute 1.55% of the assets under PIC management. Their assets vary and include listed equities, bonds, and cash and money market. Their individual performance over the various periods is provided below.

ASSET CLASS	12 MONTHS (1 APRIL 2021 TO 31 MARCH 2022)			24 MONTHS			36 MONTHS		
	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN	FUND RETURN	BENCHMARK RETURN	RELATIVE RETURN
	%	%	%	%	%	%	%	%	%
DOMESTIC									
Political office bearers*	11.74	12.37	-0.63	14.47	14.64	-0.17			
PIC Operating Fund Combined	12.72	15.35	-2.62	15.46	20.73	-5.27	7.89	6.79	1.10
Guardian Fund	4.37	4.00	0.37	4.96	4.50	0.46	5.99	5.65	0.34
National Skills Fund	4.20	3.94	0.26	4.62	4.25	0.37	5.59	5.23	0.36
Reconstruction and Development Fund	4.18	3.94	0.24	4.67	4.25	0.41	5.62	5.23	0.40
President's Fund	4.06	3.94	0.12	4.61	4.25	0.36	5.66	5.23	0.44
University loan investments	4.15	3.94	0.21	4.64	4.25	0.39	5.65	5.23	0.42
Temporary Employees Pension Fund	4.11	3.94	0.17	4.61	4.25	0.36	5.63	5.23	0.40
Small clients	3.17	3.62	-0.45	3.20	3.71	-0.51	4.18	4.65	-0.47
PIC Metropolitan Money Market Fund	4.01	3.94	0.06	4.30	4.25	0.05	5.25	5.23	0.02
PIC Metropolitan Bond Fund	12.55	12.37	0.19	14.86	14.64	0.22	9.21	8.42	0.79
PIC Old Mutual Balanced Fund**	18.22	4.89	13.33	24.43	4.05	20.38			
PIC Old Mutual Equity Managed Fund **	13.36	20.43	-7.07	23.92	36.29	-12.37			

* Mandate started on 9 September 2019

** Fund started on 17 April 2019

GENERATING SOCIAL RETURNS: SOCIAL IMPACT OF UNLISTED INVESTMENTS

The PIC's longstanding commitment to responsible investing and environmental, social and governance (ESG) concerns is demonstrated by its active participation in UNPRI and UNGC, and its endorsement of, and support for, CRISA and the UN's Sustainable Development Goals. The PIC now places greater emphasis on ESG integration into its investment processes in what is termed 'the new normal'.

The PIC acknowledges that climate change, based on scientific evidence that rising greenhouse gas emissions in the atmosphere are attributable to increased human economic activity, is driven by increasing demand for energy, goods and services, and by the conversion of natural ecosystems to intensive land use.

It recognises that climate change risks arise because of planetary changes through rising global temperatures that now require governments and society to introduce drastic measures to reduce greenhouse gas emissions and, as a result, modify energy and resource systems. Together, the consequences of global warming present a systemic risk to economies in the future, with substantial financial consequences.

For the PIC, companies with a greater understanding of their assets' exposure and vulnerability to climate change will be better positioned to increase asset value and avoid stranding. Consequently, investors must examine how risks and opportunities may vary under various climate change scenarios to appropriately account for possible implications.

The PIC's vision is to achieve net-zero by 2050, emulating South Africa's ambitions to participate in limiting global average temperatures to below 2°C above preindustrial average temperatures, and to 1.5°C to mitigate significant and far-reaching effects of climate change.

Mitigations will be guided by the best available science, while acknowledging common but differentiated responsibilities that consider national circumstances and capacities for a just transition. This is especially true of assets that have long-term implications for both environmental and socio-economic development. The PIC's ambition is to ensure there is no trade-off in driving an evolving sustainable low-carbon economy.

We recognise that climate change poses risks and opportunities both directly and indirectly through investments and will encourage investee companies to adopt climate change governance structures.

Our climate change position statement is currently moving through internal governance committees for approval. It understands our early-stage maturity in managing climate change risks. The statement sets the vision to direct actions on climate change management now and in the future. This will evolve with the organisation's maturity and better understanding of the intricacies of climate change management and risks. Importantly, the statement provides the foundation for a climate change strategy and plans to enhance our climate performance.

It will also provide the basis for discussions with PIC investee companies on best practices to ensure a beneficial influence on communities.

Generating Social Returns: Social Impact of Unlisted Investments

The PIC and its clients seek total returns, which must include income and capital appreciation, through investments that support and fund socially beneficial activities and developments. The Isibaya division believes that all investments have consequences – not just for investee companies, but for communities in which they operate and for the economy at large. This is informed and driven largely by the notion of a just transition, which connects investment opportunities with a common belief in fairness and the need to promote the socio-economic wellbeing of affected communities during redevelopment or structural adjustments in operations. The ESG approach looks for ways to facilitate good-quality jobs and identify sustainable investments.

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

As a responsible investor and a global leader in impact investing, the PIC strives to avoid negative effects or, where unavoidable, to mitigate and monitor them. It follows and

applies international norms and principles to address ESG risks. Isibaya investments' developmental indicators are aligned to the SDGs and South Africa's National Development Plan (NDP).

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

CREATING SOCIAL RETURNS

The PIC ensures that ESG and transformation permeate its investments and those of investee companies. As a signatory to UNPRI, it adheres to principles 2 and 6, which state: 'we will be active owners and incorporate ESG issues into our ownership policies and practices' and 'we will each report on our activities and progress towards implementing the principles'.

The PIC requires investee companies to advance the transformation strategy of the Broad-Based Black Economic Empowerment Amendment Act, No 46 of 2013. The following are among the key activities:

FACILITATING WOMEN EMPOWERMENT

Resultant Finance

Resultant Finance recently appointed a black woman to the position of Chief Operations Officer and through that appointment, she became an executive board member.

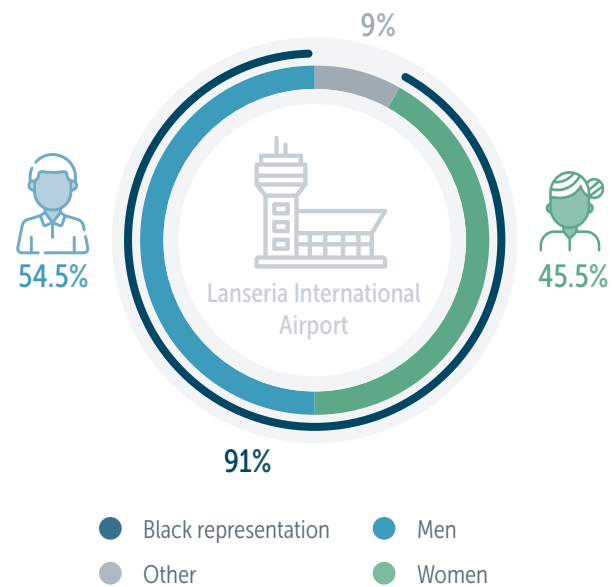
Resultant Finance's board has a 50% male-female split. This appointment has improved cognitive and board skill diversity as well as gender and racial diversity of both management and board. The board composition is not only in line with the provisions of the company's memorandum of incorporation and the recommendations of King IV™ but also adheres to the PIC's transformation objectives.

Bokpoort CSP and Xina Solar

In the financial year 2021/22, the board of Bokpoort CSP and Xina Solar each appointed a black female CEO. These appointments attest to the individual experience in the independent power producer industry and their understanding of the renewable energy engineering environment. The appointments speak volumes for women entering and advancing their careers in an industry historically dominated by men. These latest appointment are the fourth renewable energy PIC unlisted investment with a black woman CEO.

Lanseria International Airport

The PIC recently nominated a black woman as a director and chairperson of the board, improving the racial and gender diversity of the board as follows:



EMPLOYMENT OPPORTUNITIES

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

To date, **178 988** direct jobs were facilitated, including:



80 968
GENERAL FUNDS
(NOT SECTOR SPECIFIC)






20 298
AGRICULTURAL SERVICES



11 799
FINANCIAL SERVICES

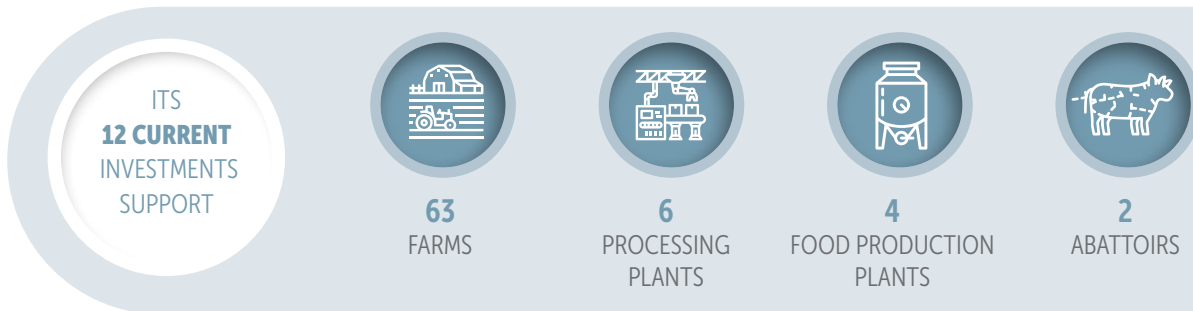
To date, the PIC, through its Unlisted Investment portfolios, has facilitated jobs totalling **178 988** in the following sectors:



 General funds 80 968	 Energy 9 486	 Manufacturing 7 893
 Healthcare services 8 238	 Properties 5 111	 Education 1 804
 Mining 14 575	 Financial services 11 799	 Tourism 194
 Transport infrastructure and logistics 9 883	 Oil and gas 99	 Agriculture 20 298
 Housing 2 397	 Energy (coal) 342	 Information and communications technology 3 028
 Student accommodation 1 296	 Construction 2 113	 Total: 178 988

AGRICULTURE

The PIC supports and promotes agriculture, forestry and fisheries through investment initiatives that enhance their sustainable use, and stimulate economic growth, job creation, food security and rural development.



Through the PIC client investment portfolios, economies were revitalised in remote rural villages and towns in the farming provinces of Northern Cape, Limpopo, Mpumalanga, KwaZulu-Natal and the Western Cape. The agriculture strategy's pillars are:

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

Agriculture and agro-processing are closely linked to the SDG 'zero hunger' by 2030. South Africa's recent trajectory of low economic growth and increasing unemployment, especially after the COVID-19 pandemic, as well as the effects of climate change, have severely affected food security. To date, there were 20 298* jobs facilitated across the 12 investments:

- 9 067 held by black persons
- 6 049 held by women
- 5 320 held by youth
- 35 held by differently abled individuals
- 11 815 permanent positions.

**Not all categories of persons are disclosed*



To date, **20 298 jobs** were facilitated across the 12 investments.

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

Impact of COVID-19

Supply chain constraints were experienced due to COVID-19-spurred shipping delays, caused by container shortages, and the July 2021 riots in KwaZulu-Natal and parts of Gauteng. Job creation efforts were also dampened by COVID-19.

CASE STUDY

Lona Group



Lona Group is an integrated agricultural business that was established in 1996 in the wake of the deregulation of the agricultural industry in South Africa. The company's head office is in Cape Town with subsidiary offices in Tzaneen (Limpopo), Nkwalini (KwaZulu-Natal) and Patensie (Eastern Cape). On 15 April 2015, the PIC approved funding of R261.5 million for the Lona Group.

The Lona Group has improved its B-BBEE scorecard rating from a level 8 at the inception of our investment to level 2, through its participation across the B-BBEE value chain. There is also improvement across all elements of enterprise and supplier development, equity ownership, management control and skills development. Lona has in its supply chain several emerging farmers from whom it sources fruit. This has given emerging farms access to export markets, which they may not otherwise have had.

Southern Farms



Another notable investment is Southern Farms, which is certified by SIZA (Sustainable Agriculture in South Africa). The Southern Farms Group, previously trading under the name Schuitdriif, is an independent grower and exporter of early seedless table grapes, which are grapes intended for consumption. On 13 December 2013, the Priority Sector, Small and Medium Enterprise Fund Investment Panel approved about R252 million to invest in Southern Farms, whose accreditation reflects ethical and environmentally sustainable trade, care for the environment and compliance with labour legislation.

The table below depicts social impact achieved in the agricultural sector:

ACTIVITIES	NUMBER ACHIEVED
Employee trusts supported	3
Emerging farmers – financial support and skills transfer	17
Access to healthcare	572
Access to education and skills development programmes, including matric, management, leadership and life skills	3 125
Housing for employees	1 431

BASIC EDUCATION

South Africa lags behind global enrolment trends in private education institutions. Demand for high-quality education in the country and for the rest of Africa continues to grow. Estimates, without taking into account future population and economic growth, are that 900 000 more learners could be eligible to attend independent schools.

Online/distance learning in tertiary schools increased by 40% between 2017 and 2021, and contact learning enrolments declined in 2020 and 2021 through deferment of studies amid the uncertainty of COVID-19. Despite a significant increase in remote learning, most households do not have digital assets such as laptops, tablets or internet access that would allow youngsters to learn remotely.

Education inflation recorded its lowest annual rate in three decades, according to data from Stats SA's latest consumer price index release. Education fees increased by 4.1% in 2021, following a rise of 6.4% in 2020. This is the lowest increase since at least 1991. The PIC supports independent schools that are geared to meet the requirements of the fourth industrial revolution. It also contributes to building schools through various interventions.

To date, the PIC has committed more than R1.2 billion to education, facilitating over 1 800 jobs and supporting more than 22 000 learners.

PIC has committed more than
R1.2 billion to education.



FACILITATING OVER
1 800 JOBS



SUPPORTING
22 000 LEARNERS

The table below reflects numbers of sustained jobs in the sector:

INVESTEES	TOTAL	PERMANENT	TEMPORARY	MEN	WOMEN	BLACK MEN	WHITE MEN	FOREIGN MEN	BLACK WOMEN	WHITE WOMEN	FOREIGN WOMEN	BEE LEVEL
Fundi	204	184	20	63	141	57	2	4	130	9	2	1
Schools and Education Investment Impact Fund of South Africa *	1 600	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	1
TOTAL	1 804	184	20	63	141	57	2	4	130	9	2	

*Numbers at 31 December 2021. The company reports once a year

ND = Not disclosed

ENERGY

South Africa needs 50 000MW of generation capacity added to the national transmission grid over the next 13 years to cover the energy supply gap and replace capacity of retiring coal stations¹. To reduce dependence on fossil fuels, while reducing greenhouse gas emissions, the opportunity for renewable energy sources is ever more pertinent, particularly with the declining cost of renewable energy technologies as the demand for clean energy grows globally.

The Renewable Energy Independent Power Producers Programme (REIPPP) has acquired around **6.42GW** of renewable energy from **112** independent power producers since the formation of the Independent Power Producers Office (IPPO) in 2010².



The PIC's investments contributed 1017MW to REIPPP, which has mitigated climate change by reducing carbon emissions, contributing to a low-carbon economy.

The table below reflects numbers of sustained jobs in the sector:

PROJECT TYPE	MW	JOBS	LOCATION
Concentrated solar power	375	369	Northern Cape
Photovoltaic and concentration photovoltaics	475	443	Limpopo, Free State and Northern Cape
Wind	167	146	Eastern Cape
Gas	40	53	Mozambique
Coal	200	346	Gauteng

The Department of Mineral Resources and Energy and the IPPO confirmed the revival of the REIPPP in 2021 to procure 11.83GW by 2030. This presents significant investment opportunities in an expanding renewable energy market over the medium- and long term as well as the accompanying socio-economic benefits. As at 31 March 2022, the PIC had allocated more than R300 million to community trusts, facilitating 9 486 jobs through direct and indirect investments in the energy sector.

OIL AND GAS

The PIC has invested in energy storage and fuel distributors in South Africa to support unrestricted energy availability, to enhance energy security and economic growth and to reduce the dependency on traditional power generation (from coal) in the residential, commercial and industrial sectors.

The PIC's investments in Royal Energy Terminals and Sunrise Energy have supported approximately 24 000L of petroleum storage and a liquid petroleum gas throughput capacity of 210 000MT/annum respectively for the two companies.

Its investment in oil and gas facilitated **99 JOBS**, as follows:



67
MEN (75% BLACK)



32
WOMEN (78% BLACK)



4
DIFFERENTLY ABLED



15
YOUTH

¹ <https://www.news24.com/fin24/economy/eskom/eskoms-grim-warning-sa-must-more-than-double-its-generation-capacity-in-just-13-years-20220512-2>

² https://www.greencape.co.za/assets/RE_MIR_29_3_22_FINAL.pdf
<https://www.statssa.gov.za/?p=14257>

HOUSING

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

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

Key developments in the affordable housing market include South Africa's first social bond in 2021, launched by TUHF. Supply of low-end residential property is inadequate and 20% of urban households still live in informal settlements. Key risks include inadequate financial options for the lower end of the market and a high unemployment rate, at 34.9%, that exacerbates affordability challenges.

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

The PIC finds direction for its investments from the gap housing policy, which details houses available for rent or purchase, depending on developers' ability to facilitate finance. The PIC has eight investee companies in this sector, which permanently employ more than 2 000 people.

To date, there are 2 397* existing jobs across all investments in the housing sector, as follows:

- 1 796 held by black persons
- 703 held by women
- 444 held by youth
- Three held by differently abled individuals
- 2 182 permanent positions.



To date, there are
2 397* existing jobs
across all investments.

*Not all categories of persons are disclosed

This table details the number of units that were built, sold or rented out by investee companies since inception:

INVESTEES COMPANY	UNITS BUILT/SOLD/RENTED
Trust Urban Housing Finance	25 901 units in servicing and 43 911 financed units since inception
Johannesburg Housing Company	4 513 rental housing units since inception
Housing Impact Fund South Africa	As at 31 March 2022, 17 500 houses and erven transferred, 17 300 of which are rental units and student beds finance (7 400 being the rental unit component)
ULI HOMII	More than 2 410 spaces in Johannesburg, Pietermaritzburg, Cape Town, Pretoria and Durban
South Africa Workforce Housing Fund	About 30 000 affordable housing units for sale and rent
Gauteng Partnership Fund/Aspri	At least 17 000 social and affordable housing units
Educor Property Holdings	The company is servicing 42 properties, 25 of which are in tertiary institutions

FINANCIAL SERVICES

The South African financial system is large and complex, with the five largest banks accounting for almost 90% of the sector's assets. The insurance sector is also concentrated, but it has an unusually diverse range of business models, with significant variation in risk profiles. Pension and investment funds are a significant part of the financial system. The sector has a small but growing fintech dimension, focusing primarily on payments, business-to-business support and lending activities, with a sharp recent growth in crypto assets.

Except for the PIC, state-owned financial institutions are relatively small.

The sector's fundamentals have remained strong in recent times despite tough economic and market conditions. While the sector has been increasingly resilient, profitability came under pressure during the COVID-19 pandemic. However, banks generally remain well capitalised to cushion the impact. The pandemic posed material risks to smaller financial institutions, as they are less diversified.

Long-term trends in the sector include a strong movement towards digitisation, shifts in strategy and continued efforts for growth in Africa. Broadly, the sector is expected to remain resilient and stable, with increased moves towards digitised solutions in the medium- to long term. With growing interest in sustainable financing, regulatory bodies in South Africa have adopted the regulatory landscape to include ESG standards. The PIC acknowledges the sector's vital role in societal transformation and to the quest for a better life for all South Africans.

The PIC has invested more than R26 billion through 13 investee companies involved in fintech, banking, developmental finance, investment services and asset finance, mortgage finance, small and medium enterprise finance and stock exchanges.

These companies employ more than **11 799** people, as depicted in the table below:



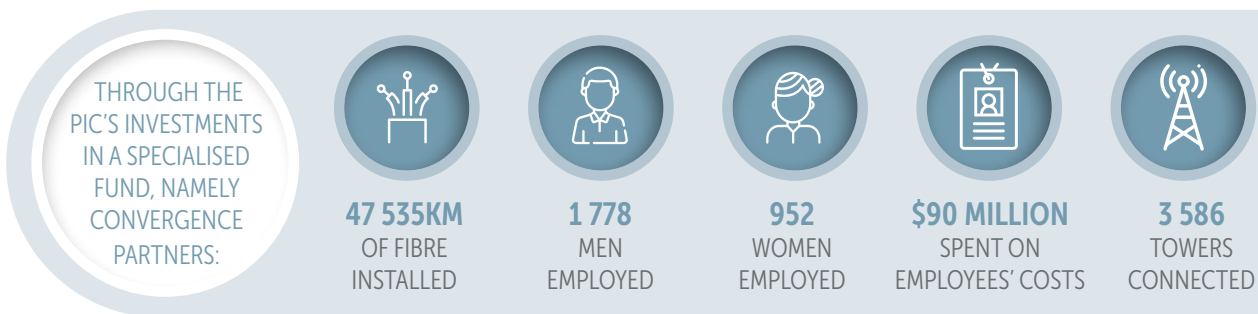
INVESTEE COMPANY	TOTAL JOBS	MEN	WOMEN
Lebashe	ND	ND	ND
African Bank	3 470	1 180	2 290
Mercantile Bank Limited	6 628	ND	ND
Bayport Financial Services	7	2	5
Resultant Finance	246	95	151
Business Partners	850	298	552
SA Home Loans	247	99	148
Grobank	11	7	4
Trade Capital Investments – Tiso	ND	ND	ND
Yalu	4	ND	ND
ZARX	288	108	180
Afixembank	48	16	32
Mazwe	11 799	805	3 362
TOTAL			

INFORMATION AND COMMUNICATIONS TECHNOLOGY

Given the global nature of businesses today, a global digital platform to support business operations and connect consumers, suppliers and workers is crucial. For Africa to progress in the digital services world and to begin to address the socio-economic imbalance in basic service delivery, broadband infrastructure is vital. It is estimated that the world needs about \$428 billion in investments for connectivity by 2030³ and it will cost about \$100 billion to build 400 000km of optic fibre to connect data centres across the continent⁴. In addition, Africa offers significant investment opportunities in information and communications technology (ICT), as data centre capacity in Africa is expected to grow by 49% between now and 2025⁵. This will be driven by Africa's broadband user base, which is expected to double in size over the next decade.

The PIC acknowledges these opportunities and the significance of moving the impact approach from the digital divide metrics (broadband infrastructure availability) to digital inclusion measures, which includes what services can and are supplied through infrastructure and to whom.

To date, the PIC has committed \$190 million and distributed \$181.44 million to ICT initiatives, which has facilitated more than 3 000 jobs.



The PIC's ICT investments will continue to enhance digital opportunities and social inclusion by enhancing the use of ICT for capacity-building, empowerment, governance and social participation.

MINING

With improved commodity prices, the mining industry aided South Africa's economy during the COVID-19 period. Through the Isibaya Fund, the PIC has invested in seven mining initiatives and has seen an increase in jobs year-on-year to a total of 14 575. This is a significant improvement in the sector compared to prior years. However, momentum has been concerningly hampered by rail and port infrastructure constraints, which saw an opportunity cost of R35 billion for 2020/21.

The Corporation has also invested in venture capital funds that unlock the hydrogen value chain, enabling a swift transition to sustainable energy. These funds additionally invest in storage and transportation, and hydrogen applications to address the structural constraints that affect sectors including mining, transportation and heavy industry. To date, Advanced Pioneer Ventures has facilitated 184 jobs for women and 211 jobs for men in growth technology companies across the hydrogen value chain, thereby upskilling individuals whose skills will be needed in the low-carbon future.



³ <https://a4ai.org/428-billion-investment-needed-to-connect-all-of-humanity-to-the-internet-by-2030/>

⁴ <https://qz.com/africa/1731628/africa-needs-100-billion-to-for-universal-internet-by-2030/>

⁵ <https://www.mea-markets.com/africa-is-undergoing-a-revolution-in-new-cloud-and-data-centre-capacity/#:~:text=In%20total%20DCP%20forecasts%20that,to%20the%20beginning%20of%202025>

PIC Research Team – Financial Sector Overview 2022

PROPERTIES

The property sector is an important and a significant contributor to gross domestic product. The buoyancy it experienced as a direct result of COVID-19, coupled with low-interest rates, has helped to keep the economy afloat since 2020.

At the same time, the pandemic and its lockdowns have had a significant adverse impact on South Africa's property market. Remote working has resulted in material changes to the perceived value of commercial properties.

The Government Employees Pension Fund (GEPF) approved a new mandate, aligned to the actual real estate market for unlisted properties, in which new investments' targeted assets under management are R29 billion for domestic investments and R23 billion for investments in the rest of Africa over the next 10 years.

The PIC aims to drive economic growth in South Africa (and the rest of Africa) while promoting good governance, prioritising people, caring for the environment, embedding transformation objectives in investment and emphasising active ownership. With an increased focus on green development and sustainability, the PIC applies new technology and innovation to meet ESG goals.

The PIC manages a **R50 billion** properties portfolio, comprising more than:



170
DIRECTLY HELD
PROPERTIES



13
INDIRECTLY HELD
PROPERTIES

Investments in properties to date sustained more than 5 000 jobs as depicted in the table below:

INVESTEES COMPANY	TOTAL	PERMANENT	TEMPORARY	MEN	WOMEN	BLACK MEN	WHITE MEN	FOREIGN MEN	BLACK WOMEN	WHITE WOMEN	FOREIGN WOMEN	BEE LEVEL
Emerging African Property Partners	8	8	0	5	3	4	1	0	1	2	0	2
Arch Property Fund	44	44	0	20	24	5	15	0	15	9	0	2
Airports Company South Africa	2 446	2 437	9	1 265	1 181	1 221	43	1	1 131	50	0	2
Gateway Real Estate Africa	1 237	287	950	1 152	85	ND	ND	51	ND	ND	5	N/A
Menlyn Main Investment Holdings	35	34	1	16	19	7	9	0	8	10	1	7
Pareto	26	26	0	9	17	9	0	0	15	2	0	3
Oceans	1 038	580	458	966	72	914	34	18	62	10	0	-
V&A	232	213	19	122	110	104	16	2	89	21	0	3
Riverside	5	5	0	4	1	4	0	0	1	0	0	1
Tshwane Regional Mall	40	39	1	14	26	14	0	0	24	1	1	1
GRAND TOTAL	5 111	3 673	1 438	3 573	1 538	2 282	118	72	1 346	105	7	

STUDENT ACCOMMODATION

The main objective of the PIC's education infrastructure investment is to provide quality student accommodation near South African universities and other tertiary institutions. Other objectives include:

- Creating jobs during the construction and operational phases;
- Providing affordable and adequate accommodation to South African universities in response to the call by the Department of Higher Education and Training to fill student accommodation gaps;
- Facilitating support structures and creating an environment conducive to learning;
- Supporting the national agenda of universal access to tertiary education; and
- Advancing B-BBEE through black ownership and management with property sector experience.

The COVID-19 pandemic highlighted several challenges in student accommodation, including the lack of essential amenities such as internet access, and uninterrupted and reliable electricity supply. Therefore, despite the emergence of hybrid online and in-person learning, the International Finance Corporation projects that it will take considerable time before students can safely and effectively study online from home. Therefore, the demand for affordable accommodation remains high. Meanwhile, the sector has adapted to COVID conditions, including the supply of:

- High-speed, uncapped Wi-Fi;
- Uninterrupted electricity supply with possible off-grid (green) solutions;
- Entrance security using facial recognition technology; and
- Smaller units to minimise social interaction and possible infections.

Key risks in this market segment include:

- Restrictive minimum norms and standards for student housing make new developments expensive;
- Uncertainty remains around dual education delivery models, which may affect demand for student accommodation, where students have access to stable internet connection at home;
- New policy framework for the accreditation of private student accommodation to be developed; and
- Weak employment growth threatens affordability of private funding.

The PIC regards student accommodation as an enabler to learning and has, through three investments, invested in 13 467 beds (including student beds under management and refurbishment). In addition, facilities are in construction that will provide 9 228 student beds. The investment covers Gauteng, the Western Cape, KwaZulu-Natal, Limpopo and the Eastern Cape.

As at 31 March 2022, through the PIC's focus on employment, these investments created more than 1 200 jobs (construction and operational).

Investments to date facilitated more than 1 296 jobs in student accommodation as depicted in the table below:

INVESTEES COMPANY	TOTAL JOBS	PERMANENT	TEMPORARY	MEN	WOMEN	BLACK MEN	WHITE MEN	FOREIGN MEN	BLACK WOMEN	WHITE WOMEN	FOREIGN WOMEN	BEE LEVEL
Adowa	137	62	75	91	46	86	4	1	44	-	2	2
K-SL	874	176	698	492	382	491	1	-	382	-	-	2
South Point	285	162	123	188	97	174	11	3	95	1	1	2
TOTAL	1 296	400	896	771	525	751	16	4	521	1	3	N/A

CONSTRUCTION

The construction sector is not only labour intensive but has the second-highest employment multiplier after manufacturing⁶. The sector is a driver of socio-economic development and contributes indirectly to jobs created in sectors such as manufacturing, business services, transportation, mining and real estate.

Despite its strategic importance, activity in the South African construction industry has slowed since 2011. Any potential recovery of the sector was hindered in the last two years by COVID-19, with construction being suspended. Nor did the civil unrest in KwaZulu-Natal and Gauteng in July 2021 leave the sector unscathed.

According to Stats SA, in the fourth quarter of 2021, the official unemployment rate was 35.3% and the number of construction jobs dropped markedly.

To date, the PIC's investment in construction facilitated 2 113 jobs.



To revive the economy, the government announced almost **R791.2 billion** in its 2021 budget for infrastructure development, among other initiatives to ramp up investment⁷.

HEALTHCARE

Accessible and affordable healthcare services are a basic human right enshrined in Section 27 of the South African Constitution and echoed in the NDP. The latter highlights the need to strengthen health systems, quality healthcare, and universal health coverage, as core elements of a decent standard of living.

The sector is made up of the larger public sector and smaller private sector (further split into private for-profit and not-for-profit healthcare providers and some public-private-partnerships) under the jurisdiction of the National Department of Health.

In South Africa, the healthcare sector provides essential services to the country's population, estimated at 60.14 million (recorded at mid-year 2021)⁸, with about 83% reliant on the public healthcare system of 7 900 facilities (including all classes of hospitals and clinics), which faces challenges deeply rooted in its past. These include unsatisfactory working conditions, low staff morale and critical staff shortages leading to health practitioners working overtime. All of this results in high staff turnover and compromised safety of doctors and patients. Other challenges include the compensation of healthcare employees, poor management or mismanagement of healthcare services and facilities, inadequately maintained equipment and facilities, and a shortage of essential services.

In addition, focus was diverted in 2020 on the public health response to the COVID-19 pandemic.

To provide accessible and affordable healthcare and eliminate inequality, the government is rolling out universal healthcare through national health insurance (NHI) and the approved 2030 Human Resources for Health Strategy: Investing in the Health Workforce for Universal Health Coverage. However, with the pandemic, the NHI experienced budget cuts in 2020 and 2021. In the national budget for 2022/23, Minister of Finance allocated a 54% nominal increase in allocations towards the NHI over the medium term.



National Treasury allocated **R259 billion** to public healthcare, up from **R256.2 billion** in 2021.

However, the sector's funding will drop by 4.3% over the next three years. With anticipated growth in numbers of public healthcare users, structural issues in the sector, an ageing population, and a high burden of disease⁹, compounded by budget cuts, the most vulnerable will be most at risk.

⁶ PIC Internal Research Paper on Construction, Sept 2020

⁷ Trends in the South African Construction Industry, November 2021, Who Owns Whom

⁸ <https://www.gov.za/about-sa/south-africas-people>

⁹ https://www.finddx.org/wp-content/uploads/2020/01/5A_South-Africa_Healthcare-profile.pdf

With healthcare being a crucial government initiative, the PIC has directly and indirectly invested in **35** hospitals and medical centres and **four** clinics, with **3 923** beds across South Africa.



35



4



3 923

Investments include Busamed, a majority black-owned South African private hospital group operating seven hospitals with more than 900 beds, and Razorite Healthcare Fund Managers, a B-BBEE fund to advance acute, sub-acute and primary healthcare.

In 2021, the PIC Investment Committee: Unlisted Investments approved transaction conditions for Mpudulle Eye Centre, a 100% black-owned and newly incorporated entity, with a licence from the Gauteng Provincial Department of Health, to develop a greenfield specialised eye day clinic facility in Suiderberg, northern Pretoria. Mpudulle will provide retinal, cataract and strabismus surgeries, targeting middle-income earners in Soshanguve, Rosslyn, Amandasig, Ga-Rankuwa, Mabopane, Laudium, Atteridgeville, Centurion and Montana. The licence allows the company to develop a facility with three theatres, six beds, three recliners, five scope rooms and a pharmacy. Construction began in August 2021, with completion scheduled for 2022. During the construction phase, on average, 49 jobs were created per month. The estimated value spend for local small, medium and micro-enterprise appointments during the construction phase is around R4.94 million, as at 31 March 2022.



In addition, the PIC has invested in healthcare-related services such as radiology and pharmaceutical businesses.

FUND OF FUNDS

The Fund of Funds (FoF) and the Co-Investments mandate allow for investing in unlisted indirect investments. The limited partnership structure is a vehicle of choice in both South Africa and the rest of the world to aggregate and invest capital in unlisted companies. The PIC is invested in 11 fund managers, which, in turn, are invested in various sectors. The Corporation's investment in FoF has facilitated 80 968 jobs to date.

MANUFACTURING

This sector stimulates the growth of economic activities (SDG 8) and promotes inclusive and sustainable industrialisation (SDG 9). Such economic activity further assists in employment creation. The PIC currently has ten investments in its portfolio. It has also facilitated job opportunities for marginalised groups by ensuring that employment opportunities are afforded to women (SGD 5) and those living with disabilities and who are unskilled (SDG 10). Occupational health and safety is prioritised in the PIC's manufacturing portfolio due to the punitive working conditions in the sector. The PIC encourages all companies to prioritise health and safety workplace standards in line with legislation and best practice. Investee firms such as Consol and Kansai are ISO-certified and, as such, have systems to safeguard the safety and wellbeing of all stakeholders (SDG 3).

To date, there are **7 893*** jobs across the **10** manufacturing investments, as follows:



- 1 618 held by black persons
- 564 held by youth
- 4 892 permanent positions.

**Not all categories of persons are disclosed*

Transformation in certain investee companies was impacted by COVID-19, hampering skills development and corporate social investment.

CASE STUDY

Ardagh Glass Packaging Holdings Africa



Consol Glass has been acquired by Ardagh Glass Packaging Holdings Africa and the PIC is exiting. Nevertheless, the investment had an ESG focus from inception to exit and the gains of this will continue.

Glass manufacturing in Africa has been boosted by this third-party strategic acquisition.

The existing N3 expansion project is envisaged to facilitate approximately 320 direct jobs with additional supply chain expenditure and related jobs. The Competition Commission, in its approval of the Consol Ardagh merger, provided certain public interest conditions that align closely with ESG imperatives. The merging parties will create an employee stock ownership plan, holding 7% as shareholders. The company will use cullet (recycled glass) in its production and increase procurement from small or historically disadvantaged persons. Furthermore, Ardagh will expand its owner-driver scheme, which creates jobs and enables inclusive participation in the economy.



320 direct jobs to be facilitated.

TRANSPORT AND LOGISTICS

The PIC recognises that road systems form the backbone of South Africa's socio-economic activities by facilitating the movement of people and goods. The PIC is invested in six assets in the transport and logistics industry, including three private toll concessions: N3, Bakwena N1-N4 and N4 TRAC, spanning more than 1 370km. Each concession designs, builds, finances, operates and maintains its section of routes and has long-term agreements (private-public partnerships) with the South African National Roads Agency.

To date, the PIC's investment in the transport and logistics sector facilitated 9 883 jobs, 80% of which (7 992) are permanent. Of the total, 1 780 are women, 1 426 of whom are black.

INVESTEES COMPANY	TOTAL JOBS	PERMANENT	TEMPORARY	MEN	WOMEN	BLACK MEN	WHITE MEN	FOREIGN MEN	BLACK WOMEN	WHITE WOMEN	FOREIGN WOMEN	BEE LEVEL
Trans-African Concessions	616	581	35	216	400	135	14	67	281	20	99	2
Lanseria Holdings	296	242	54	205	91	173	29	3	84	7	-	2
RTT Holdings	6 929	6 208	721	6 172	757	5 885	281	6	550	203	4	2
N3 Toll Concession	1 796	724	1 072	1 342	454	1 270	72	-	443	11	-	N/A
Zamalwandle Transport Logistics	90	130	-	115	15	111	1	3	10	4	1	7
Bakwena Platinum Corridor Concessionaire	116	107	9	53	63	40	11	2	58	5	-	3
TOTAL	9 883	7 992	1 891	8 103	1 780	7 614	408	81	1 426	250	104	

CASE STUDY

RTT Group



In 2014, the PIC, on behalf of GEPPF, invested in the RTT Group, a logistics partner that specialises in several distribution strategies across the globe.

RTT's product and service range includes contract logistics, small-parcel express, same-day express, dedicated fleet solutions and full truckload distribution. These products and services are offered through multiple business units. RTT had no formal ESG committee or any established reporting format. In 2014, an ESG sub-committee was formed with the adoption of an ESG charter (reviewed annually) and quarterly meetings were instituted. Direct feedback is also provided to the board. ESG is the responsibility of the group services executive, with the chief financial officer the custodian of corporate governance. Since the establishment of the ESG function, the following successful projects have been initiated:

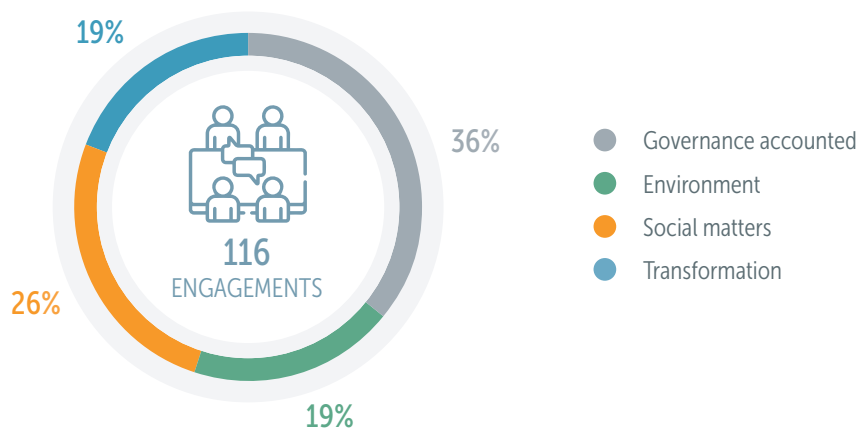
- A driver safety programme culminating in ISO 39001 (driver safety) accreditation;
- Rollout of driver safety programme for motorbike drivers in the RTT on-demand business division. This included defensive driver and customer service training. More than 2 000 drivers had been trained by 31 March 2022;
- Ongoing health and safety programmes with detailed reporting of all metrics analysed (including root cause), after which risk mitigation measures are implemented;
- In addition to ISO 39001 accreditation, several facilities were accredited with ISO 9001 and currently the business is undergoing accreditation for ISO 14001 and 45001. The business continuity plan is also being aligned with ISO 22301;
- A Wellness, Employment Equity, and Training Steering Committee has been established and transformation initiatives include implementing robust recruitment policies focusing on equity candidates, an internal development programme to fast track currently employed black staff and increasing black female representation on the Executive Committee (currently 40% black). A five-year transformation plan aligned with the national employee assistance programme has been adopted;
- Detailed succession planning has been done at Executive Committee level and succession planning is underway, with development plans for senior managers and other key staff with critical skills;
- Several environmental initiatives are ongoing and a strategy on climate change is aligned to the SDGs. Biannual carbon emission assessments are conducted and targets to reduce emissions are being developed. Other initiatives include the retrofitting of LED lighting in all main facilities, electricity rectification and the rollout of solar power at all main hubs. A comprehensive waste-management plan is in place with recycling targets; and
- The development and maintenance of environmental risk and legal risk registers.

RTT continues its focus on ESG and the business intends to employ a full-time ESG specialist in 2022/23 to improve ESG compliance and initiatives.

Unlisted Investments Engagements and Proxy

ESG ENGAGEMENT BY PILLARS

During the 2021/22 reporting year, the PIC discussed 498 ESG aspects, including transformation matters, with investee companies during 116 engagements. Governance accounted for 36%, environment 19%, social matters 26% and transformation 19%.



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

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



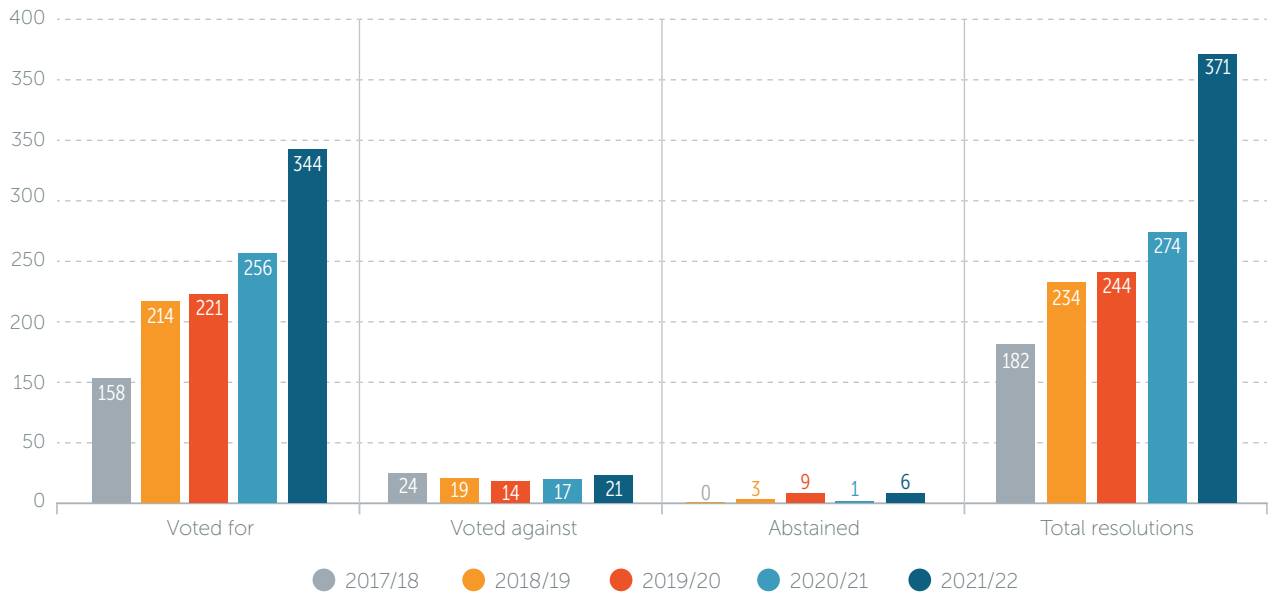
VOTING RECORD PERIOD:
1 April 2021 – 31 March 2022

It votes at all company meetings. During 2021/22, it voted on 371 resolutions at 69 companies.

The table and graph below show proxy voting trends:

VOTING PATTERN	2017/18	2018/19	2019/20	2020/21	2021/22
Voted for	158	214	221	256	344
Voted against	24	19	14	17	21
Abstained	-	3	9	1	6
Companies voted on	28	29	60	34	69
Total resolutions	182	234	244	274	371

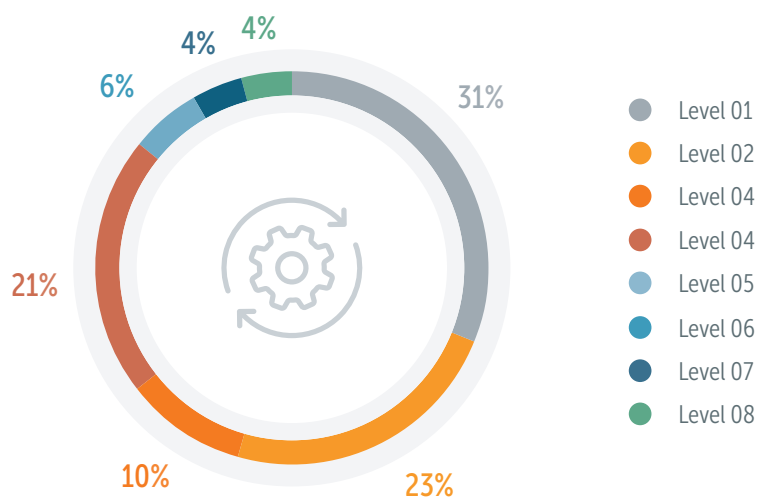
RESOLUTIONS AT 2021/22



TRANSFORMATION PERFORMANCE

Transformation is monitored mostly for investee companies in South Africa and it is part of ESG requirements. It remains a challenge to amend contractual obligation on legacy transactions. Investee companies contracted on transformation must compile a five-year transformation plan. B-BBEE performance ratings, ranging from levels 8 to 1 (with 1 being the best), also provide insight on company progress. The PIC encourages poor-performing companies to strive for level 3. Below are the results from companies reporting on B-BBEE performance:

B-BBEE PERFORMANCE 2021/22							
LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5	LEVEL 6	LEVEL 7	LEVEL 8
31%	23%	10%	21%	6%	0%	4%	4%





PART
FOUR

ENABLERS OF SUSTAINABLE RETURNS

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GOVERNANCE AT THE PIC

Introduction

The PIC Board, in fulfilling its mandate, subscribes and is committed to the best principles of corporate governance, integrity and ethics, and believes that good governance contributes to strategic and organisational benefits. The Board, in executing its fiduciary duties, remains responsible for sound corporate governance and for promoting and safeguarding effective management and the long-term success of the PIC. To this end, the Board continues to operate according to principles of fairness, accountability, responsibility, appropriate transparency, integrity and competency in all dealings with stakeholders, as embodied in the fourth King Report on Corporate Governance for South Africa, 2016 (King IV™), insofar as these align with the legislation governing the PIC.

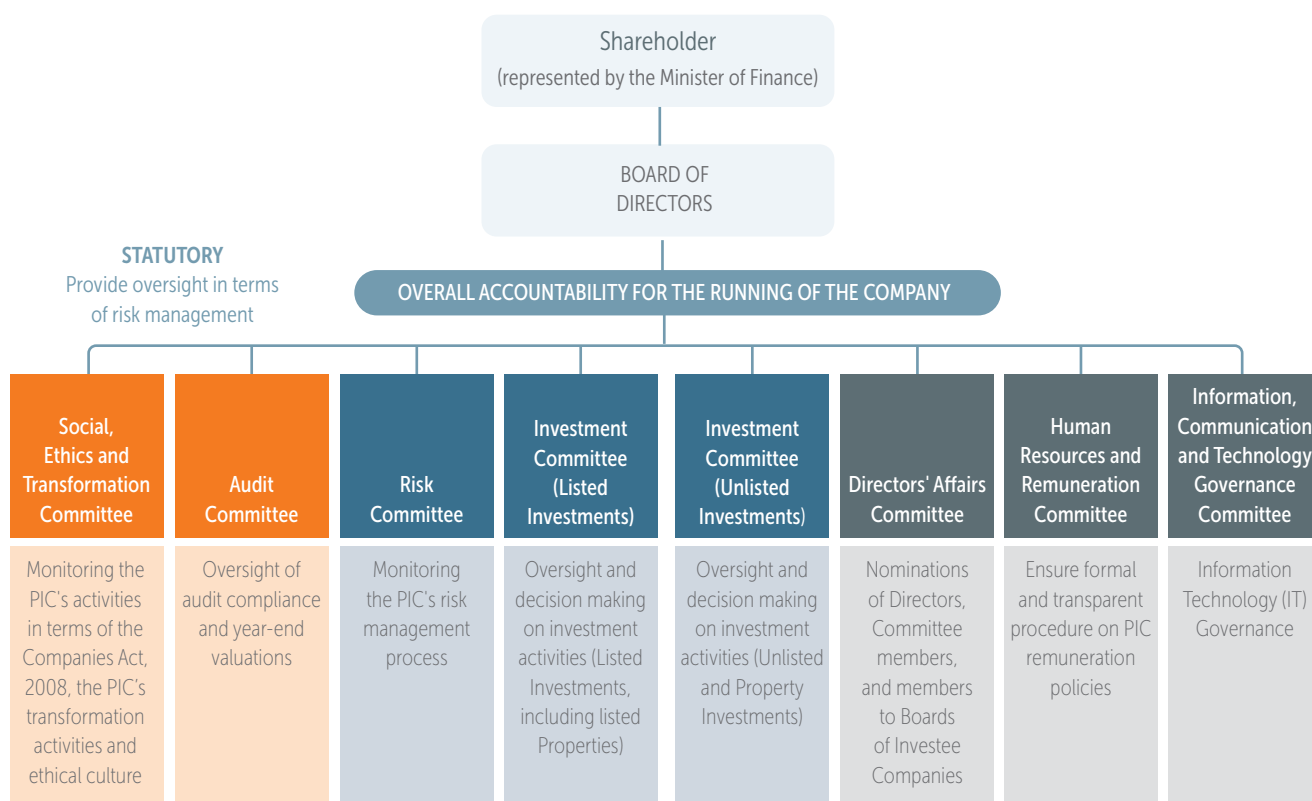
Good governance is embedded in every step the Board takes in pursuing its vision, mission, mandate, financial objectives and corporate responsibilities. It reinforces directors' confidence that they make the right decisions, improves corporate performance, and reduces the risk of failure and

reputational damage. Good corporate governance is an integral part of the business of the PIC.

The Board must ensure that PIC executives its mandate and operates in compliance with applicable laws, regulations and standards. The duties and responsibilities of the Board, as individuals and as a collective, are determined by sections 72 to 78 of the Companies Act, 71 of 2008, as amended (Companies Act), the Memorandum of Incorporation (Mol), Chapter 6 of the Public Finance Management Act, 1 of 1999, as amended (PFMA), the Public Investment Corporation Act, 23 of 2004, as amended (PIC Act), and common law.

Board Governance Structure

The PIC Board reports to the Minister of Finance, who is the shareholder representative on behalf of the South African government. In terms of Section 6(1) of the PIC Act, the Minister, in consultation with Cabinet, appoints the Board members of the PIC, and in terms of Section 7 of the PIC Act, the Board may establish the committees it considers necessary. Below is the PIC Board structure and its Board committees.



As a responsible corporate citizen, the PIC holds itself accountable for the social, financial and environmental impact of its activities on a variety of communities, while maintaining profitability for its stakeholders. To achieve this goal, it acknowledges the importance of a strong foundation of corporate citizenship, and is committed to ethical behaviour through balancing the needs of its stakeholders, communities and the environment.

As an authorised financial services provider and custodian of considerable assets on behalf of its clients, the PIC conducts its business with prudence, diligence, integrity, transparency and attendant ethical conduct, i.e. conforming to a standard of doing the right things at the right time and in the right way. Corporate governance remains integral to due diligence, efficient allocation of funds, post-investment monitoring and support for investee companies. The PIC's investment activities and achievements contribute to the wellbeing of workers, present and future generations of pensioners, and their beneficiaries.

All members of the Board and management are responsible for ensuring that the PIC achieves and maintains the highest level of ethical conduct through developing and overseeing an implementable strategy.

The Board acknowledges that there is no 'one size fits all' in what constitutes good corporate governance for an organisation. Given the PIC's recent challenges, which resulted in the institution of the Judicial Commission of Enquiry into Allegations of Impropriety at the Public Investment Corporation (Mpati Commission). The Board is satisfied that the Corporation, while restoring its integrity, applied the principles fundamental to good governance during the year under review. The Board confirms the PIC's compliance with the Companies Act, the PFMA and the PIC Act for the reporting period.

The role of the Minister of Finance

The PIC is listed as a Schedule 3B public entity in terms of the PFMA. The Executive Authority of the PIC is the Minister of Finance, who is the sole shareholder representative of the South African government and appoints the Board of Directors of the PIC in consultation with Cabinet, as contemplated in Section 6 of the PIC Act.

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.

Parliamentary Oversight

As a state-owned entity, the PIC is subjected to parliamentary oversight of the Standing Committee on Public Accounts (SCOPA). SCOPA considers annual financial statements, business performance and ethical conduct of all executive organs of state, constitutional institutions and other public bodies. SCOPA reviews the PIC's Annual Financial Statements and audit reports submitted by the Auditor-General of South Africa (AGSA).

Committees of Parliament, such as the Standing Committee on Finance (SCOF) in the National Assembly and the Select Committee on Finance in the National Council of Provinces review non-financial information contained in the integrated annual reports of state-owned entities. These committees exercise oversight over service delivery and consider entities' performance in terms of the key performance indicators included in their corporate plans. The PIC was called to present on and account for its audit outcomes for the previous financial year (2020/21) by SCOF in February 2022.

Purpose and role of the PIC Board

The Board is ultimately responsible for overall governance and oversight. The Board is further responsible for the management, formulation and review of the strategic direction of the Corporation, and for delivering accountable corporate performance according to the Corporation's goals and objectives. The Board must lead ethically and effectively in promoting the interests of the PIC and its shareholder, taking into account the Corporation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development – inseparable elements of the value-creation process.

The Board operates independently of the PIC's management, free of organisational impairment and is accountable to the shareholder. It provides leadership to the PIC, and conducts independent reviews on all issues related to strategy, performance, resources and standards of conduct, either directly or through its committees.

Conflict of Interest Management and Ethics

The PIC is entrusted with the management of public funds. It is therefore critical that the PIC is and is seen to be, an organisation that maintains the highest standards of competency, ethics and integrity. In embracing the principles of King IV™, it has developed a Compliance Framework and Manual, a Code of Conduct, a Code of Ethics and a

Conflict of Interest Management Policy. These obligate the Board and employees to adhere to legislation, best practice and high standards of integrity. The Board and employees are further obliged to treat clients' assets with prudence and communicate with stakeholders fairly and honestly.

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

Directors must be independent in character and in judgment, and must avoid situations that are likely to affect, or appear to affect, their independence.

All directors are required on appointment, and thereafter annually or whenever the disclosure circumstances of the director change, to submit a declaration of interest form, disclosing all financial interests held by the director and/or related parties. Each director has a legal duty to complete the form in terms of Section 75(4) of the Companies Act.

At the beginning of each meeting, Board and committee members are required to disclose any conflict of interest in a matter on the agenda. Any conflicts are managed in terms of Section 75(5) of the Companies Act.

Conflict of interest is and will remain a matter of concern to external stakeholders, given situations or relationships that may appear to influence the decisions of the Board and management. Realising that failure to disclose potential conflict may lead to ethical failures, the Board addresses these concerns and perceptions through transparent and proactive communication.

Mpati Commission of Inquiry

The interim Board had reported previously that it received the Mpati Commission report in March 2020 and that it had started in earnest to address and implement its findings and recommendations, with the assistance of an advisory panel led by retired Justice Yvonne Mokgoro. The main role of the advisory panel was to provide non-binding guidance and strategic advice to the Board on the recommendations and remedial steps set out in the Mpati Commission report and any ancillary matters to be executed by the Board. The term of the advisory panel ended on 31 December 2021 and it provided the Board with its final report on 31 January 2022.

The advisory panel verified and confirmed what management had done by 31 December 2021 and also recommended further action. The PIC's approach is to first complete the work recommended by the Mpati Commission, after which the additional work recommended by the advisory panel will be considered where practically possible. At the time of this report, 70% of the Mpati Commission recommendations had been implemented and 30% were in progress. The 30% are matters still under investigation and those to be implemented by third parties.

Implementation of Mpati Commission recommendations continues to be a priority for the Board. Valuable lessons have been learnt from the control weaknesses that occurred and work continues to strengthen governance processes. The Board has delegated the PIC's Internal Audit function to independently verify management's implementation of outstanding Mpati Commission recommendations.

Executive Management

The interim Board revised the PIC's Mol with the shareholder and introduced changes to the PIC operating model to remediate weaknesses caused by an overconcentration of executive power in the positions of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Following the review of the Mol, a Chief Investment Officer (CIO), Chief Operations Officer (COO), Chief Risk Officer (CRO) and Chief Technology Officer (CTO) were appointed. The recruitment of a permanent CFO is at an advanced stage.

Investment processes are now overseen and implemented by the CIO, while investment operations are overseen and implemented by the COO. Commercial operations are overseen and implemented by the CEO.

The Board believes a strong foundation has been established since 2019 to ensure that ethical principles, sound corporate governance and accountability guide the future work of the PIC.

Stakeholder Management

The PIC is a stakeholder-centred organisation and stakeholder management is an important component. The PIC Board subscribes to principle 16 of the King IV™, which states that: '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.' Stakeholder engagement activities are monitored by the Social, Ethics and Transformation Committee (SETCO). During the year under review, the PIC maintained engagement with its

various stakeholders, guided by the Stakeholder Management Framework and with an understanding that stakeholders are central to its success. A detailed discussion on stakeholder engagement activities appears on page 129 of this Integrated Annual Report. The details of engagements with listed and unlisted investee companies are contained under the Environmental, Social and Governance section on pages 61 to 65 and 100 to 101 respectively.

External Audit and Assurance

The Board, as the Accounting Authority and in accordance with Section 55 of the PFMA, is obliged to prepare financial statements for each financial year and to submit these to the shareholder within two months of financial year end. The Companies Act further requires the Corporation to appoint an auditor and to have audited annual financial statements.

The shareholder, at the Annual General Meeting (AGM) held on 30 March 2022, confirmed the reappointment of the Auditor-General of South Africa (AGSA) to perform the external audit of the PIC for the financial year ending 31 March 2022, in accordance with the PIC Mol. The Audit Committee was authorised during the AGM to determine the terms of engagement and fees of AGSA. The work of AGSA complements the work of the PIC's internal assurance providers.

Board's Commitment to Executing its Strategy

The Board is responsible for oversight of the affairs of the PIC. This includes strategic planning, steering the strategic direction of the PIC, and the monitoring, implementation and execution of the strategy by management. The Board remains accountable for organisational performance through reporting and disclosure.

The Centre for Innovative Leadership assisted the Board and management to agree on strategic priorities during its strategy session on 24 and 25 May 2021. Six focus areas were identified:

- Build organisational trust;
- Raise transparency;
- Develop new revenue streams;
- Simplify and streamline processes;
- Rebuild the PIC brand; and
- Build a high-performance culture.

The Board constantly monitored the implementation of the action plans developed by management for each focus area.

The interim Board reviewed the PIC's Corporate Plan for financial years 2022/23 to 2024/25 and Shareholder's Compact for the financial year 2022/23. The new Board approved the Corporate Plan and Shareholder's Compact on 1 February 2022, after which they were submitted in line with the PFMA and approved by the Minister of Finance.

Board Composition

The term of the interim Board expired on 31 October 2021.

On 3 November 2021, Cabinet approved the appointment of the new Board for three years from 1 November 2021 to 31 October 2024. The composition of the new Board complies with the PIC Act, which was promulgated into law on 16 February 2021. The Act decrees that the PIC Board be constituted as follows:

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

The Deputy Minister of Finance was appointed Chairperson of the Board.

Mr Abel Sithole, Chief Executive Officer, Mr Brian Mavuka, Acting Chief Financial Officer, and Ms Makano Mosidi, Chief Technology Officer, were appointed ex-officio Executive Directors for three years from 1 November 2021 to 31 October 2024.

The Board is highly curated with a balance between Executive 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.

At 31 March 2022, the Board comprised three Executive Directors and 10 Non-Executive Directors. Of the 13 directors, five are female and eight are male.

The Board, at its meeting on 3 December 2021, elected and appointed Ms Ntombifuthi Mtoba independent Non-Executive Director, Deputy Chairperson of the Board and Chairperson of the Audit Committee. In accordance with sections 94(2) and 94(4) of the Companies Act, and Paragraph 14.4 of the Mol, the shareholder, at the AGM of 30 March 2022, ratified the appointment of Ms Mtoba as Chairperson of the Audit Committee for the period 3 December 2021 to 30 March 2022, and reappointed her as Chairperson of the Audit Committee from the date of the AGM until the next AGM.

Board Induction and Development

Following the Board appointments, and as required by Section 88(2)(a) of the Companies Act, all directors took part in a high-level induction programme on 2 and 3 December 2021. During the induction, the Board met members of the Executive team and received information about the role, duties and responsibilities of the Board and individual directors, and an overview of the PIC's business. The session was followed by comprehensive, tailored inductions per Board committee between January and February 2022, at which directors received information about the committee's responsibilities and delegated powers.

During the year under review, directors attended the following training or workshops:

- Board ethics training, by The Ethics Institute South Africa;
- Lessons from Tongaat Hulett and African Bank, by the Institute of Directors South Africa;
- Risk management workshop (internal);
- Delegation of authority workshop (internal); and
- Board induction (as a collective and individually).

The PIC is committed to continue developing the capabilities of its directors so that they may build on their expertise and develop a more detailed understanding of the business and environment in which the PIC operates. The newly appointed directors were requested to complete a skills-analysis form that assists the Company Secretary to develop an appropriate training and development programme for directors, individually and collectively.

All directors have access to the advice of the Company Secretary, as well as to internal legal and independent external professional advice, at the Corporation's expense, on any matter relating to the affairs of the PIC and their duties and responsibilities.

Delegation of Authority

Subsequent to the recommendations of the Mpati Commission, and being mindful of the potential reputational risk associated with transactions, the interim Board temporarily suspended the limits of the Portfolio Management Committees (PMCs) until a Chief Investment Officer was appointed. The decision was particularly important since neither the Investment Committee (IC) nor the Board could confirm whether the investment process supporting the decisions made by the PMCs was either sufficiently robust or ethically sound, as expressed in the Mpati Commission report.

The Delegation of Authority Framework (DoA) was reviewed and workshopped by the interim Board in October 2021 to ensure alignment with the Corporation's organisational structure, the revised governance structures and changing business environment.

The key principles adopted as part of the DoA review are as follows:

- Reservation of key decisions for approval by the Board to ensure that the Board meets its responsibilities;
- Delegation of authority for the day-to-day management of the business to the CEO;
- Inclusion of C-suite positions across all DoAs, including demarcation and alignment of responsibilities and those of Executive Heads;
- Incorporating appropriate separation of duties, avoiding concentration of executive power and raising accountability; and
- Sub-delegation from Executive Heads to Senior Management to ensure quick turnaround on decision making and appropriate sharing of authority.

During the review year, the Board reviewed its Charter and approved the terms of references for all its committees and sub-committees to ensure focused oversight and alignment with the DoA and best practice.

Risk Management

While the Board is responsible for the overall governance of risk, it is assisted by the Risk Committee and supported by the PIC's control functions, which include Internal Audit, Enterprise and Financial Risk Management, and Compliance functions. All Board committees monitor risks according to their responsibilities and report any risks identified to the Board through the Risk Committee.

The Board further ensures that the PIC's risk management and internal control systems are regularly reviewed for effectiveness.

Progress was made to improve the PIC's risk management, governance and internal control environment.

The PIC appointed a service provider to conduct an end-to-end gap analysis of the risk management function and practices.

Following that, the Board added the following risks to the risk matrix for monitoring:

- Bribery and corruption;
- ESG (environmental, social and governance), including climate change; and
- Ethics.

Based on reviews and maturity assessments presented to the Risk Committee, the Board is confident that the PIC's integrated Enterprise-wide Risk Management Framework, which identifies, assesses and measures PIC risks, adequately identifies current and emerging risks and ensures that these risks are managed appropriately.

All matters identified to be addressed through the framework were completed.

Remuneration Governance

Non-Executive Directors are not employees of the Corporation, do not have employment contracts with the PIC nor participate in any of its incentive schemes. Their fees are approved in accordance with Section 66(9) of the Companies Act and the prevailing Non-Executive Directors' Fee Policy. The shareholder approved the fees for financial year 2022/23 by special resolution at the AGM on 30 March 2022.

Compliance Governance

The Board views governance and compliance as inseparable, and acknowledges its responsibility for ensuring compliance with laws and regulations. While governance sets the tone for the Corporation'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 Committee, the Risk Committee and the Investment Committee, considers compliance reports quarterly.

Throughout the financial year ending 31 March 2022, the Board believes that the PIC complied with all norms, laws and regulations.

Corporate Performance and Reporting

During the review year, the Board approved and rated the 2020/21 corporate balanced scorecard in line with achieved performance targets based on the audit outcome. It also approved the 2021/22 scorecard, which will be rated during 2022/23. The scorecard includes information on PIC performance objectives for financial sustainability, how the organisation met the financial expectations of clients, improvement on ethical behaviour and leadership, transformation, ESG integration, staff turnover, the retention of critical skills and skills development impact. Quarterly reports were presented to the Board to allow it to monitor progress in attaining scorecard goals, objectives and targets.

The Board also received and approved for submission to the shareholder the annual budget, the Shareholder's Compact for 2022/23 and the Corporate Plan for 2022/23 to 2024/25.

The Board receives quarterly reports from management giving detailed and comprehensive analysis of financial and operational performance, including variance analysis between budgeted and actual figures, activities and prospects.

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

COVID-19 Pandemic

The Board's priority has been to protect the health and safety of all PIC employees and customers during the COVID-19 pandemic. Most employees continued working remotely and meetings successfully proceeded via digital platforms. Despite the impact of COVID-19 and the prospect that it may have destabilised the entity, the PIC continued to function and the Board fully exercised its fiduciary responsibilities.

Company Secretary



Ms Bongani Mathebula

POSITION

Company Secretary

QUALIFICATIONS

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

DATE APPOINTED

1 August 2015

The Board

BOARD MEMBERS

The PIC strives to maintain the right balance of experience, skills, continuity and diversity required to be successful. It comprises technical, financial, investment, commercial, legal and social expertise and background to fulfil its fiduciary duties. From 1 April 2021 to 31 October 2021, the interim Board comprised 10 Non-Executive Directors and two Executive Directors appointed by the Minister of Finance in consultation with Cabinet. A new Board, consisting of 10 Non-Executive Directors and three Executive Directors, was appointed by the Minister of Finance in consultation with Cabinet, effective from 1 November 2021. The Board is considered diversified in gender, race and age.

1. Dr David Masondo, Chairperson*
2. Ms Ntombifuthi Mtoba, Non-Executive Director**
3. Ms Barbara Watson, Non-Executive Director**
4. Prof Bonke Dumisa, Non-Executive Director**
5. Mr Mugwena Maluleke, Non-Executive Director**
6. Ms Tryphosa Ramano, Non-Executive Director*
7. Ms Beverley Boucher, Non-Executive Director*
8. Mr Walter Hlase, Non-Executive Director*
9. Mr Frans Baleni, Non-Executive Director*
10. Dr Lufuno Mulaudzi, Non-Executive Director*
11. Mr Abel Sithole, Chief Executive Officer**
12. Mr Brian Mavuka, Acting Chief Financial Officer**
13. Ms Makano Mosidi, Chief Technology Officer*
14. Dr Reuel J Khoza, Chairperson***
15. Dr Angelo David Sabelo de Bruyn, Non-Executive Director***
16. Adv Makhubalo Ndaba, Non-Executive Director***
17. Mr Pitsi Moloto, Non-Executive Director***
18. Ms Karabo Morule, Non-Executive Director***
19. Ms Tshipiso Moahloli, Non-Executive Director****
20. Ms Matshepo More, Chief Financial Officer*****

*Members appointed from 1 November 2021 until 31 October 2024

**Members' terms ended on 31 October 2021, reappointed from 1 November 2021 until 31 October 2024

***Members' terms ended on 31 October 2021

****Member resigned on 15 October 2021

*****Member on precautionary suspension since 20 March 2019, employment terminated on 7 October 2021

CHAIRPERSON

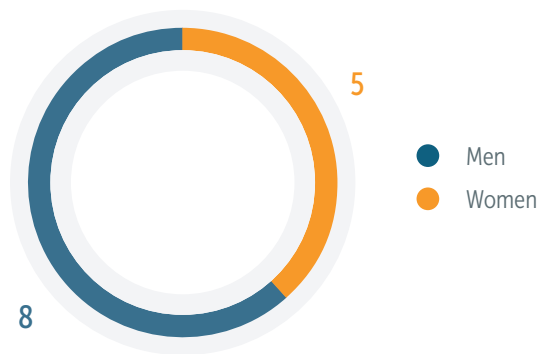
The Chairperson of the Board is appointed in accordance with Section 6(1A) by the PIC Act. The Deputy Chairperson is elected by the Board. The roles and responsibilities of the Chairperson are documented in the Board Charter and are separate from those of the CEO.

While the Board acknowledges the recommended practice of the King IV™, to appoint an independent Non-Executive Director as Chairperson, the Chairperson of the Board, Dr David Masondo, by virtue of being the Deputy Minister of Finance, is not an independent director.

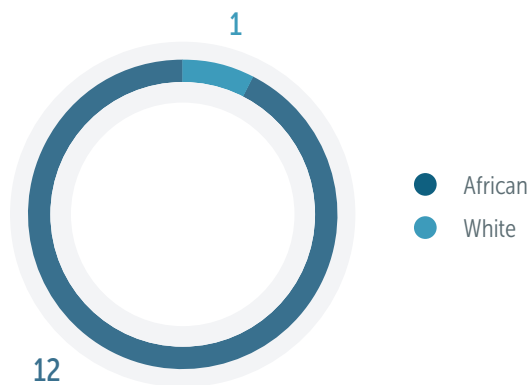
COMPOSITION AND MEETING ATTENDANCE SUMMARY

The Board ordinarily meets six times a year, and on a biannual basis with the boards of its major clients (Board-to-board).

BOARD COMPOSITION AT 31 MARCH 2022



RACE DIVERSITY



BOARD EVALUATION

The Board performs three major roles in a company: Direction (i.e. steers the strategic direction of the company), control (i.e. monitors the management of the company), and support and advice (advisory role). Board evaluations typically determine the effectiveness of the execution of these roles, and whether members are acting in the best interests of the Corporation and promoting the highest standards of corporate governance.

In April 2021, the PIC appointed the Institute of Directors South Africa (IoDSA) to facilitate a Board composition, individual directors' peer evaluation and skills gap review. The report was received and considered by the interim Board at its meeting of 27 August 2021. The areas of assessment are depicted in the below figure:

Areas of assessment



The report by the IoDSA concluded that the PIC interim Board consisted of strong professional calibre and experience with exceptional leadership by the Chairperson.

The PIC has elected to perform a Board evaluation every second year. With the appointment of the new Board in November 2021, no assessment was conducted during the review period. To allow the newly appointed Board sufficient time to familiarise itself with the business of the PIC, an assessment is planned for 2023/24.

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

* Date appointed: 1 November 2021.

* Board meeting attendance: 7/20.



***MS NTOMBIFUTHI MTOHA**
DEPUTY CHAIRPERSON

POSITIONS

- Deputy Chairperson of the Board
- Independent Non-Executive Director
- Chairperson of the Audit Committee until 31 October 2021
- Member of the Directors' Affairs Committee until 31 October 2021
- Member of the Risk Committee until 31 October 2021
- Deputy Chairperson of the Board as of 1 November 2021
- Chairperson of the Audit Committee as of 1 November 2021
- Member of the Directors' Affairs Committee as of 1 November 2021
- Member of the Risk Committee as of 1 November 2021

QUALIFICATIONS

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

* Term of office ended on 31 October 2021.

* Reappointed on 1 November 2021.

* Board meeting attendance: 19/20.



***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

* Date appointed: 1 November 2021.

* Board meeting attendance: 7/20.

BOARD OF DIRECTORS



***MS BEVERLEY BOUWER**

POSITIONS

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

* Date appointed: 1 November 2021.

* Board meeting attendance: 7/20.



***PROF BONKE DUMISA**

POSITIONS

- Independent Non-Executive Director
- Member of the Audit Committee until 31 October 2021
- Member of the Investment Committees until 31 October 2021
- Member of the Human Resources and Remuneration Committee until 31 October 2021
- Member of the Risk Committee as of 1 November 2021
- Member of the Information, Communication and Technology Governance Committee as of 1 November 2021
- Member of the Investment Committees as of 1 November 2021

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

* Term of office ended on 31 October 2021.

* Reappointed on 1 November 2021.

* Board meeting attendance: 19/20.



***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

* Date appointed: 1 November 2021.

* Board meeting attendance: 7/20.



*MR MUGWENA MALULEKE

POSITIONS

- Independent Non-Executive Director
- Member of the Social, Ethics and Transformation Committee until 31 October 2021
- Member of the Investment Committees until 31 October 2021
- Chairperson of the Human Resources and Remuneration Committee as of 1 November 2021
- Member of the Investment Committees as of 1 November 2021
- Member of the Directors' Affairs Committee as of 1 November 2021

QUALIFICATIONS

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

* Term of office ended on 31 October 2021.

* Reappointed on 1 November 2021.

* Board meeting attendance: 17/20.



*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

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

* Date appointed: 1 November 2021.

* Board meeting attendance: 7/20.



*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

* Date appointed: 1 November 2021.

* Board meeting attendance: 7/20.

BOARD OF DIRECTORS



***MS BARBARA WATSON**

POSITIONS

- Independent Non-Executive Director
- Chairperson of the Social, Ethics and Transformation Committee until 31 October 2021
- Member of the Directors' Affairs Committee until 31 October 2021
- Member of the Investment Committees until 31 October 2021
- Chairperson of the Social, Ethics and Transformation Committee as of 1 November 2021
- Member of the Human Resources and Remuneration Committee as of 1 November 2021
- Member of the Directors' Affairs Committee as of 1 November 2021

QUALIFICATION

- Bachelor of Social Science

** Term of office ended on 31 October 2021.*

** Reappointed on 1 November 2021.*

** Board meeting attendance: 20/20.*



***MR ABEL SITHOLE**

POSITIONS

- Executive Director of the Board (Ex-Officio Executive) (Chief Executive Officer)
- Member of the Directors' Affairs Committee until 31 October 2021
- Member of the Social, Ethics and Transformation Committee until 31 October 2021
- Member of the Information, Communication and Technology Governance Committee until 31 October 2021
- Member of the Investment Committees as of 1 November 2021
- Member of the Directors' Affairs Committee as of 1 November 2021

QUALIFICATIONS

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

** Reappointed on 1 November 2021.*

** Board meeting attendance: 20/20.*



***MR BRIAN MAVUKA**

POSITIONS

- Executive Director of the Board (Ex-Officio Executive) (Acting Chief Financial Officer)
- General Manager: Finance
- Member of the Social, Ethics and Transformation Committee until 31 October 2021
- Member of the Information, Communication and Technology Governance Committee until 31 October 2021
- Member of the Social, Ethics and Transformation Committee as of 1 November 2021
- Member of the Information, Communication and Technology Governance Committee as of 1 November 2021

QUALIFICATIONS

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

** Reappointed on 1 November 2021.*

** Board meeting attendance: 14/20.*



***MS MAKANO MOSIDI**

POSITIONS

- Executive Director of the Board (Ex-Officio Executive) (Chief Technology Officer)
- Member of the Information, Communications and Technology Governance Committee

QUALIFICATIONS

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

** Date appointed: 1 November 2021.*

** Board meeting attendance: 7/20.*



***DR REUEL KHOZA CHAIRPERSON**

POSITIONS

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

QUALIFICATIONS

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

** Term of office ended on 31 October 2021.*

** Board meeting attendance: 10/20.*



***DR ANGELO DAVID SABELO DE BRUYN**

POSITIONS

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

QUALIFICATIONS

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

** Term of office ended on 31 October 2021.*

** Board meeting attendance: 13/20.*

BOARD OF DIRECTORS



***MS TSHEPISO MOAHLOLI**

POSITIONS

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

QUALIFICATIONS

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

** Resigned on 15 October 2021.*

** Board meeting attendance: 9/20.*



***MR PITSI MOLOTO**

POSITIONS

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

QUALIFICATIONS

- Master in Business Administration
- Master in City Planning

** Term of office ended on 31 October 2021.*

** Board meeting attendance: 12/20.*



***MS MATSHEPO MORE**

POSITION

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

QUALIFICATIONS

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

** Precautionary suspension from 20 March 2019.*

** Employment terminated on 7 October 2021.*



***MS KARABO MORULE**

POSITIONS

- Independent Non-Executive Director
- Member of the Investment Committees
- Chairperson of the Investment Committees (as of 1 January 2021)
- Member of the Directors' Affairs Committee (as of 1 January 2021)
- Member of the Risk Committee
- Member of the Audit Committee (as of 16 November 2020)

QUALIFICATIONS

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

** Term of office ended on 31 October 2021.*

** Board meeting attendance: 11/20.*



***ADV MAKHUBALO NDABA**

POSITIONS

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

QUALIFICATIONS

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

** Term of office ended on 31 October 2021.*

** Board meeting attendance: 13/20.*

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 Board, however, understands that delegation of its responsibilities to a particular director or a committee does not constitute a discharge of its accountability. The roles and responsibilities of the Board, Board committees and Board sub-committees are recorded in the Board Charter and the terms of reference for each committee are reviewed annually and adopted by the Board. Feedback on the activities of the committees is submitted to the Board at each Board meeting, following the relevant committee meeting.

The Board has established seven Board committees in accordance with section 72 of the Companies Act. The activities for the reporting period are detailed below.

AUDIT COMMITTEE

The Audit Committee (AC), as a Board committee, was established in terms of Section 72 of the Companies Act and, as a statutory committee, in terms of Section 94(7) of the Companies Act. It oversees internal financial controls and accounting systems, Internal Audit, external audit, Annual Financial Statements and the PIC's Integrated Annual Report.

The purpose and role of the AC, with key activities during the reporting period, are detailed on page 139 of this report.

Composition and meeting attendance summary

MEMBER	MEETINGS ATTENDED/HELD
Ms Ntombifuthi Mtoba (Chairperson)	10/10
Ms Tshepiso Moahloli*	6/10
Prof Bonke Dumisa**	7/10
Ms Tryphosa Ramano***	1/10
Ms Beverley Bouwer***	1/10
Mr Walter Hlaise***	1/10

*Member until 15 October 2021

**Member until 31 October 2021

***Member since 3 December 2021

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE (SETCO)

SETCO, as a committee of the Board, 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 Companies 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, to the Board, and annually to the shareholder at the AGM.

SETCO's purpose, role and key activities during the reporting period are detailed on page 135 of this report.

Composition and meeting attendance summary

MEMBER	MEETINGS ATTENDED/HELD
Ms Barbara Watson (Chairperson)	6/6
Mr Mugwena Maluleke**	5/6 (attended one meeting by invitation)
Adv Makhubalo Ndaba**	5/6
Ms Tshepiso Moahloli*	2/6
Mr Abel Sithole**	4/6
Mr Walter Hlaise***	2/6
Mr Frans Baleni***	2/6
Dr Lufuno Mulaudzi***	2/6
Mr Brian Mavuka	5/6

*Member until 15 October 2021

**Member until December 2021

***Member from 3 December 2021

DIRECTORS' AFFAIRS COMMITTEE (DAC)

The DAC is a committee of the Board established in terms of section 72 of the Companies Act that assists the Board in the execution of its oversight responsibilities for corporate governance, Director evaluation and remuneration, and the nomination of Directors for appointment to the boards of investee companies.

Purpose and role of DAC

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

Composition and meeting attendance summary

MEMBER	MEETINGS ATTENDED/HELD
Dr Reuel J Khoza (Chairperson)*	5/7
Adv Makhubalo Ndaba*	5/7
Mr Pitsi Moloto*	5/7
Ms Karabo Morule*	5/7
Dr David Masondo (Chairperson)**	2/7
Ms Ntombifuthi Mtoba	7/7
Mr Mugwena Maluleke	7/7
Ms Barbara Watson	7/7
Ms Tryphosa Ramano**	2/7
Mr Frans Baleni**	2/7
Ms Beverley Boucher**	2/7
Mr Abel Sithole	7/7

*Member until 31 October 2021

**Member since 3 December 2021

INVESTMENT COMMITTEE – LISTED AND UNLISTED INVESTMENTS (IC-LI AND IC-UI)

IC is a committee of the Board established in terms of Section 72 of the Companies Act that ensures the integrity and efficiency of the PIC's investment processes, considers and approves new investments, considers the extension and disposal of existing investments, and makes recommendations to the Board about other investments falling outside its delegated authority.

The IC is split into two committees – listed and unlisted investments.

Purpose and role of IC-UI

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

Composition and meeting attendance summary

MEMBER	MEETINGS ATTENDED/HELD
Ms Karabo Morule (Chairperson)*	27/29
Dr Angelo David Sabelo de Bruyn*	27/29
Ms Barbara Watson*	28/29 (attended one meeting by invitation)
Ms Tryphosa Ramano (Chairperson)****	2/29
Prof Bonke Dumisa	28/29
Mr Mugwena Maluleke	28/29
Mr Abel Sithole**	4/29
Mr Sholto Dolamo***	21/29
Mr Vuyani Hako***	21/29

*Member until 31 October 2021

**Member from 8 October 2021

***Member until 27 August 2021

****Member from 3 December 2021

PURPOSE AND ROLE OF IC-LI

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

Composition and meeting attendance summary

MEMBER	MEETINGS ATTENDED/HELD
Ms Karabo Morule (Chairperson)*	10/14
Dr Angelo David Sabelo de Bruyn*	10/14
Ms Barbara Watson*	10/14
Ms Tryphosa Ramano (Chairperson)****	4/14
Prof Bonke Dumisa	14/14
Mr Mugwena Maluleke	13/14
Mr Abel Sithole**	4/14
Mr Sholto Dolamo***	7/14
Mr Vuyani Hako***	6/14

*Member until 31 October 2021

**Member from 8 October 2021

***Member until 27 August 2021

****Member from 3 December 2021

INFORMATION, COMMUNICATION AND TECHNOLOGY GOVERNANCE COMMITTEE (ICTGC)

The ICTGC is a committee of the Board 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.

Purpose and role of ICTGC

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

Composition and meeting attendance summary

MEMBER	MEETINGS ATTENDED/HELD
Mr Mugwena Maluleke (Chairperson)*	3/4
Dr Angelo David Sabelo de Bruyn**	3/4
Mr Pitsi Moloto**	3/4
Mr Abel Sithole**	3/4
Mr Frans Baleni (Chairperson)***	1/4
Dr Lufuno Mulaudzi***	1/4
Prof Bonke Dumisa***	1/4
Mr Brian Mavuka*	4/4
Ms Makano Mosidi***	1/4

*Member from February 2021

**Member until 31 October 2021

***Member from 3 December 2021

HUMAN RESOURCES AND REMUNERATION COMMITTEE (HRRC)

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

Purpose and role of HRRC

HRRC assists the Board to oversee the development and implementation of the human resources strategy adopted by the Board, and the governance of remuneration, including the establishment of a remuneration policy, and setting remuneration principles and parameters.

Composition and meeting attendance summary

MEMBER	MEETINGS ATTENDED/HELD
Adv Makhubalo Ndaba (Chairperson)*	6/8
Dr Angelo David Sabelo de Bruyn*	6/8
Mr Pitsi Moloto*	6/8
Prof Bonke Dumisa*	6/8
Mr Mugwena Maluleke (Chairperson)**	2/8
Dr Lufuno Mulaudzi*	2/8
Ms Barbara Watson**	2/8

*Member until 31 October 2021

**Member from 3 December 2021

RISK COMMITTEE (RC)

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

Purpose and role of RC

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

Composition and meeting attendance summary

MEMBER	MEETINGS ATTENDED/HELD
Mr Pitsi Moloto (Chairperson)*	4/5
Ms Tshepiso Moahloli***	2/5
Ms Karabo Morule*	3/5
Ms Beverley Boucher (Chairperson)**	1/5
Ms Ntombifuthi Mtoba	4/5
Mr Walter Hlase**	1/5
Mr Frans Baleni**	1/5
Prof Bonke Dumisa**	1/5

*Member until 31 October 2021

**Member from 3 December 2021

***Member until 15 October 2021

SUB-COMMITTEES

The Board, at a special Board meeting held on 1 February 2022, resolved, from a governance perspective and taking into account the separation of duties between investments (CIO) and operations (CEO), to rescind the decision of the interim Board and to dissolve the Portfolio Management Committees (PMCs), the Asset Allocation Committee and the Valuations Committee as sub-committees of the Investment Committee. These are now sub-committees of the Executive Committee.

EXECUTIVE COMMITTEE

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



MR ABEL SITHOLE

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



***MR SHOLTO DOLAMO**

POSITIONS

- Acting Chief Investment Officer from 6 August 2020 to 09 May 2022
- Executive Head: Research and Project Development

QUALIFICATIONS

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

** Resigned on 24 June 2022.*



***MR VUYANI HAKO**

POSITIONS

- Chief Operating Officer
- Acting Executive Head: Properties

QUALIFICATIONS

- Master of Business Management and Administration
- Business Management and Administration (Honours)
- Bachelor of Science in Town and Regional Planning
- Property Development Programme
- Executive Leadership Programme

** Precautionary suspension from 31 May 2022.*



MR BRIAN MAVUKA

POSITIONS

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

QUALIFICATIONS

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



*MS MATSHEPO MORE

POSITION

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

QUALIFICATIONS

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

** Precautionary suspension from 20 March 2019.*

**Employment terminated on 7 October 2021.*



MS MAKANO MOSIDI

POSITIONS

- Chief Technology Officer
- Ex-officio Executive Director

QUALIFICATIONS

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

EXECUTIVE COMMITTEE



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



***MR KABELO RIKHOTSO**

POSITION

- 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)

* *Date appointed: 10 May 2022.*

STAKEHOLDER ENGAGEMENT REPORT

During the year under review and since the development of the stakeholder management plan, the following engagements took place. The details of engagements with listed and unlisted investee companies are contained under the Environmental, Social and Governance section on pages 61 to 65 and 100 to 101 respectively.

STAKEHOLDER CATEGORY	ENGAGEMENT CHANNELS	ENGAGEMENT ISSUES	NUMBER OF ENGAGEMENTS
Financial Sector Conduct Authority	Formal quarterly meetings via Microsoft Teams	Ongoing compliance with the Financial Advisory and Intermediary Services Act (FAIS) and other legislation.	4
South African Reserve Bank	Formal quarterly meetings via Microsoft Teams	PIC ownership in banks, including the banking strategy.	3
National Director of Public Prosecutions	Formal meeting via Microsoft Teams	The implementation of the Mpati Commission recommendations, including actions in relation to the collapse of VBS Mutual Bank and Steinhoff.	1
Directorate for Priority Crimes Investigations (Hawks)	In-person meetings	Information gathering and feedback on the investigations into Steinhoff, Lancaster 101 and VBS Mutual Bank.	5
National Treasury	Formal meetings via Microsoft Teams	Dividend Policy as well as unclaimed benefits.	2
Development Bank of South Africa	Formal meetings via Microsoft Teams	Discussions on approach to unlisted investments.	2
Clients	In-person and Microsoft Teams meeting	Client investment portfolios performance, mandate related-issues and other emerging issues.	19
Media*	Microsoft Teams	Presentation of the PIC Annual Report. Response to several issues of public interest. Roundtable engagement with Arena Holdings' editorial team.	2
Parliament (Standing Committee on Finance)	Zoom meeting	Implementation of Mpati Commission report and two meetings dealing with certain investments involving Dr Surve and Mr Maponya.	3
Staff	Microsoft Teams	The meetings focused on, among others, presentation on the PIC Annual Report and financial results. Report back after Board decisions, including update on the implementation of the Mpati Commission and organisational restructure.	4

* This excludes the issuance of media releases and response to media queries.

HUMAN RESOURCES AND REMUNERATION REPORT

Overview

Our people, who dedicate themselves to ensuring that the PIC delivers on clients' mandates and realises its strategic objectives, remain a crucial component of our success. We strive to improve the PIC's value proposition as a preferred employer known for its world-class talent. In our pursuit for the effective management of the organisation, its people and the PIC's core objectives, our Human Resources Strategy is guided by four pillars: capacity development, enabling the workplace, inspiring leadership and human resource digital transformation. These goals are geared to drive a culture of performance and create a work environment that engages and motivates people. Our success in these areas will enhance the PIC's ability to attract, develop and retain engaged and capable employees.

The review of our organisational structure to enhance efficiencies, the rollout of leadership and management development programmes and relationship by objectives to improve employee morale, engagement and mutual trust, were some of the focal areas for the past financial year. Human resources also prioritised:

- Implementing the Mpati Commission's recommendations, specifically the conclusion of disciplinary processes;
- Review of key human resources policies to address fault lines identified by the Commission; and
- Digitisation and automation of human resource processes.

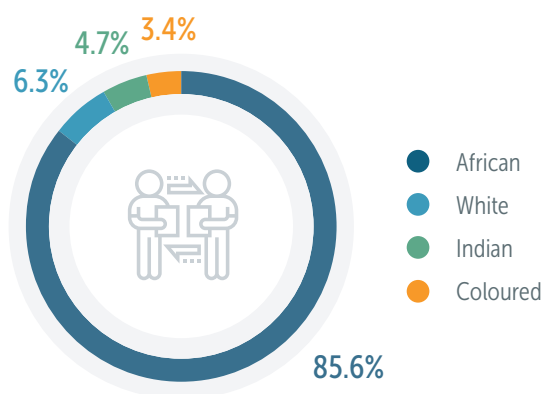
Workforce gender and race profile

Our employment equity drive ensures that the demographics of South African society are reflected at the PIC.

At 31 March 2022, we had **381** employees (2021: 382), **50%** of whom are women.



Africans represent 85.6% of the workforce, followed by Whites (6.3%), Indians (4.7%) and Coloureds (3.4%). The percentage of people with disabilities has increased from 1.6% to 2.4%.



Investment in and development of women are longstanding PIC objectives. We strive to increase representation at leadership levels and at the financial year-end, women accounted for 38% of senior and top management.

Skills and talent development

Skills development is essential for the continued growth and progression of employees. PIC employees have fully adopted a hybrid learning model and demonstrated change agility and adaptability. In the year under review, the organisation invested in skills development initiatives and interventions, benefitting both employees and the unemployed youth.

Employee skills development



In 2021/22, the organisation invested more than **R12 million** in skills development.

In 2021/22, the organisation invested more than R12 million in skills development, representing 2.7% of the total cost-to-company.

This enabled training and development interventions, which included employee bursaries, unemployed youth bursaries, and graduate development and training initiatives. The lion's share went to PIC flagship programmes and management and leadership development programmes to build ethical, empathetic and values-based leadership capabilities.

These programmes were commissioned through partnership with South Africa's top business schools.

Forty-four employees were enrolled in the programme, **66%** of whom were female.



Youth development programmes

In line with the PIC's strategic objective to support youth development and alleviate youth unemployment, the organisation awarded more than R3 million in bursaries, benefitting 73 unemployed youth, 64% of whom were female. The beneficiaries were mostly from public higher education institutions.

Employee health and wellness

Employee wellbeing is core as we continue to adapt as the economic landscape adjusts with shifts in infection rates from the COVID-19 pandemic. Employees participated in various health checks during the year to understand their physical and mental status and to learn how to manage it. Our employees also have access to and are encouraged to use the various wellness services offered by our partner, ICAS.

Aligned to the government's lockdown changes, staff were allowed to work from home, but came into the office on a rotational basis. As of year-end, 95 COVID cases were reported, with a 100% recovery rate.

The PIC COVID task team continues to monitor protocols through a risk-based approach and recommends changes needed to the PIC Executive Committee. Through various mediums, we encourage staff to vaccinate. As the impact of the pandemic on financial wellbeing cannot be downplayed, we invited external financial services institutions to offer our staff bespoke lifestyle products, including reduced interest rates.

PIC remuneration philosophy and practices

The PIC remuneration philosophy reinforces and rewards excellent performance that supports the values, vision, mission and strategic objectives of the organisation. The Remuneration Policy guides and provides the framework for reward practices that enhance the employee value proposition. As the asset management market is highly competitive, with great demand for qualified and experienced skills, the PIC is committed to attracting and retaining talented employees, rewarding achievement and reinforcing strategy execution behaviours. During the year under review, eligible employees received inflation-linked annual increases. Short- and long-term incentives were awarded to qualifying employees. The Remuneration Policy was reviewed and approved by the Board in March 2022 and the Minister of Finance in June 2022.

The PIC remuneration policies and practices are continually benchmarked in the market to highlight any gaps that could impair our ability to attract and retain scarce skills. The focus in the next financial year is to understand the implications and assess the practicality of instituting a hybrid working model.



Note: Disclosure of remuneration as at 31 March 2022 is contained in the Annual Financial Statements.

CASE STUDY

Clarence Bilankulu



The PIC not only invests for financial returns but in human resources. Clarence Bilankulu is among those who have benefitted from investment in academic training.

He joined the PIC four years ago as a refreshment coordinator. With only a matric certificate, he began his journey as a temporary employee and was later appointed permanently.

Clarence accomplished his dreams by obtaining a formal qualification and gained knowledge in information technology. With the PIC's support, he enrolled at the Management College of South Africa in 2018 and completed his BCom degree in information technology at the end of 2021.

Hardworking and unassuming, but with a great sense of purpose, Clarence has joined the graduate programme in our Information Technology division.



INFORMATION TECHNOLOGY REPORT

A workplace for the future

During the year under review, the PIC accelerated the adoption of cloud technologies to enable workplace transformation and efficiency. As a result, our technical environment is now at its most stable, robust, flexible, secure and fit for purpose. As part of upgrading its service offering, a comprehensive review was undertaken of all IT policies, standards and operating procedures. During the review period, the following functions and processes were automated through a combination of carefully selected technologies to enhance user experience and efficiencies, and ensure quicker turnaround of:

- Annual declaration of interest;
- Ad hoc conflict of interest and declaration of gifts and entertainment;
- Approvals of internal memos; and
- General documents and procurement memos.

At the time of completing this annual report, work was underway to optimise and digitise the processing of committee submissions (e.g. Investment Committee packs). The process to automate and simplify the following business processes is well advanced: the appointment of nominee Board members to investee companies, the properties procurement supplier database, the client relations case management system and investment enquiries via the PIC website.

The right fundamentals to accelerate delivery through information technology are in place and have been approved and adopted by the Board. These include digital-, IT-, cloud-, data- and analytics strategies.

The information security strategy has reduced the number of security threats and improved proactiveness; and none of the several cyberattack attempts made during the year was successful.

LEGISLATIVE COMPLIANCE (LICENCE TO TRADE)

Regulatory compliance is crucial. The IT Division introduced a learning management solution, accessible remotely on a secure platform, where employees are now able to attend training from anywhere, at any time. The solution has changed the way refresher training is conducted for compulsory regulations, statutes and internal policies. It has notably improved efficiencies in managing the training process, and has increased compliance and employee participation. Assessment scores are fully auditable.

ELECTRONIC SIGNATURES

The PIC has introduced and adopted an electronic signature framework to ensure consistency and rapid document processing, and resolve the overdue document status that became prevalent during the COVID-19 lockdown.

BOARD AND MEETING MANAGEMENT

A modern, efficient, cloud-based, secure and cost-effective meeting solution has been implemented, which enhances collaboration, reading rooms and voting capabilities for Board and management meetings. Meetings are now run far more efficiently.

Investment management

AUTOMATION OF UNLISTED INVESTMENTS

The PIC has advanced automation of investment management processes – notably, Isibaya's private equity processes. Having invested in one of the leading private equity solutions, eFront, the Corporation went live with the platform and core features that were prioritised. The solution, when fully implemented, will facilitate investment

The IT Division introduced a learning management solution, accessible remotely on a secure platform, where employees are now able to attend training from anywhere, at any time.



management, from application for funding, deal pipeline, financial processes, post-investment monitoring and exiting the deal. Further functionality is now being implemented and historical data migrated so that clients and investee companies can collaborate more effectively.

AUTOMATION OF LISTED INVESTMENTS

In the year under review, we continued to enhance our front-office listed investment management solution, by upgrading it to the latest supportable version and migrating it to a leading cloud platform.

The focus is now on replacing the legacy general ledger solution with a modern back-office listed investment management solution. Extensive work has been done to identify a suitable solution and the project is expected to start as soon as a service provider has been appointed.

INVESTMENT RISK MANAGEMENT

A single solution investment risk management system for both internally held and externally held portfolios has been automated. Previously, this was performed on different solutions, which generated different analysis views in each solution. The development significantly accelerated data-driven decision-making. Investment teams can now assess risks, better model expected investment performance and perform scenario planning on the same platform.

Operations

MIGRATION TO CLOUD PLATFORM

In the year under review, we migrated the PIC's IT technical aspects, including production and disaster recovery, to the cloud environment, thus unlocking new and agile capabilities. The PIC IT community is now leveraging information security and cloud certifications that are accredited on the platform.

The physical disaster recovery site has been decommissioned, except for one legacy application, which will be moved during the financial year 2022/23. The PIC's environments can now be recovered remotely from anywhere. For the first time, the PIC can perform failover tests, making simulated disaster recovery tests a thing of the past. The focus now is to implement other solutions on the cloud platform and increase process automation.

MODERNISATION

The PIC has, over the years, procured technology solutions as and when required. Its ageing application systems have become incapable of meeting required levels of robustness, agility, scalability and mega-processing requirements.

In response, the Corporation decided to acquire an enterprise resource planning solution following a comprehensive benchmarking exercise. The solution will consolidate and modernise disparate corporate support capabilities (including finance, human resources, procurement, customer services and relationships, legal and combined assurance). This work is in progress.

CONTINUOUS MAINTENANCE OF CURRENT APPLICATIONS

For the year under review, the PIC continued to maintain its legacy applications to ensure the availability of supportable versions. To enhance performance and security, the human resources management system was upgraded with an enhanced functionality. The back-office investment management solution was also upgraded and will be replaced during the financial year 2022/23.

A repository was created for easy access to artefacts that inform and guide all changes in the organisation. IT governance processes are evolving with the changing architecture.



In the year under review, we migrated the PIC's IT technical aspects, including production and disaster recovery, to the cloud environment, thus unlocking new and agile capabilities.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE (SETCO) REPORT

We are pleased to present the PIC's SETCO report for the financial year ended 31 March 2022.

This report informs our stakeholders on how the SETCO discharged its duties, set out in the Companies Act of South Africa, and aligned to the recommendations of the King IV™

The PIC remains committed to maintaining highest standards of ethical behaviour and to upholding ethical standards in all its activities.



The PIC remains committed to maintaining highest standards of ethical behaviour, to upholding ethical standards in all its activities, and to complying with laws applicable to its business and the environment in which it operates. Our ethical commitment is driven by the Board, the Executive Committee, and the PIC Code of Ethics, which commits the Board, management and employees to the highest ethical conduct and standards.

Composition and attendance

SETCO acts in terms of Section 72(4) of the Companies Act, Regulation 43(5) of the Companies Act, and Principle 8 of King IV™, under the delegated authority of the Board.

At the beginning of 2021/22, under the interim Board, the SETCO was chaired by an Independent Non-Executive Director and comprised three additional Non-Executive Directors and two Executive Directors. When the permanent Board was appointed on 3 November 2021, the SETCO Chairperson remained, and three new Non-Executive Directors and one Executive Director were appointed as members.

The skills set of members are varied and appropriate, ensuring that deliberations are comprehensive and robust. Members' qualifications and experiences are detailed on page 113 of the corporate governance report.

Standing invitees of the SETCO include representatives from the Environmental, Social and Governance (ESG) division, the Ethics Office, Finance, Risk Management, Legal Counsel, Human Resources, Corporate Affairs and Internal Audit.

There were six SETCO meetings held during the year under review and two PIC/Government Employees Pension Fund (GEPF) joint SETCO engagements. Meeting attendance is set out in page 121 of the corporate governance report.

Functions of the SETCO

The SETCO role and responsibilities are recorded in its terms of reference, which are reviewed and approved annually by the Board, and are in line with the requirements of the Companies Act and King IV™.

In terms of its Board-delegated and statutory responsibilities, SETCO has oversight of and reports on organisational ethics, ethical culture, transformation, responsible corporate citizenship, sustainable development, stakeholder relationships, safety, security, health, environmental, social, and labour and employment practices.

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

It also has oversight over ethics and reputational risks emanating from the PIC and its investee companies.

Key Focus Areas for the Year Ended 31 March 2022

GOVERNANCE MATTERS

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

POLICIES

The SETCO reviews the PIC's governance documents on ethics, social and economic development, good corporate citizenship, sustainable development, stakeholder relationships and transformation. During the year under review, the SETCO considered and recommended the following policies to Board committees and/or the Board for approval: the PIC Code of Ethics, the Safety, Health and Environmental Policy, the Politically Exposed Persons Policy, the Policy Against Unfair Discrimination, the Harassment and Sexual Harassment Policy, the Transformation Charter, the Employment Equity Policy, the News and Social Media Policy, the Stakeholder Management Framework, the Language Policy, the Anti-bribery and Anti-Corruption Policy, and the Whistleblower Policy.

SOCIAL AND ETHICS MATTERS

The SETCO facilitates a sustainable ethical corporate culture within the PIC, promotes and monitors ethical behaviour of employees, oversees the implementation of the ethics programme, monitors ongoing investigations, and promotes equality, the prevention of unfair discrimination and the elimination of corruption.

BUDLENDER REPORT IMPLEMENTATION

Following the directive given to the Board by the Minister of Finance in December 2020 to implement the recommendations from a forensic report, issued to the Minister of Finance by Advocate Geoff Budlender on allegations of improprieties, the SETCO was mandated by the Board to consider ways to implement the recommendations. The SETCO recommended to the Board for approval an implementation plan outlining issues in the report and proposed actions. The SETCO monitored implementation of the actions as approved by the Board until completion. In October 2021, the SETCO recommended the closure of the process, as management had implemented the actions in full. The Board sent a letter to this effect to the Minister of Finance, who approved the request.

MPATI COMMISSION ACTIONS ON ETHICS

A key SETCO responsibility following the Mpati Commission report was to inculcate a culture of good governance and ethics into company processes and staff behaviour. The SETCO closely oversaw the following activities:

- Capacitation of the Ethics Office by filling vacant positions, following the appointment of the Ethics Officer to ensure effective implementation of the Ethics Strategy;
- A review, update and approval of the PIC Code of Ethics to strengthen organisational ethics and promote ethical conduct;
- Ongoing awareness and communication with employees on the whistleblower hotline, anti-bribery and anti-corruption practices, and the Code of Ethics;
- Ethics training as part of induction for new employees and the Board;
- Rollout of training on the Code of Ethics and ethics-related policies;
- Automation of the Conflicts of Interest Register. This was rolled out to all employees in March 2022; and
- The independent validation of conflicts of interest is still in progress.

ETHICS RISK STRATEGY AND MANAGEMENT PLAN

The Ethics Strategy and Management Plan was approved by the Board in May 2021. As part of its implementation, the Ethics Office conducted training on the new Code of Ethics and related ethics policies. A statement from the Chief Executive Officer is included in the Code of Ethics and an ethics helpdesk has been established to advise employees. Ethics awareness and communication are continuous.

ETHICS AND REPUTATIONAL RISK MANAGEMENT

An ethics risk register has been developed and is monitored by the SETCO, quarterly. Our investee companies are expected to share our commitment to integrity by doing business fairly, ethically and in compliance with laws and regulations. The committee engaged on reputational risks and/or ethical risks identified in existing and potential investee companies, and advised on how to address these. The Ethics Office developed a guideline for referrals to the SETCO on ethics and reputational risks identified in investments. The guideline was approved by the Board for approval in May 2021.

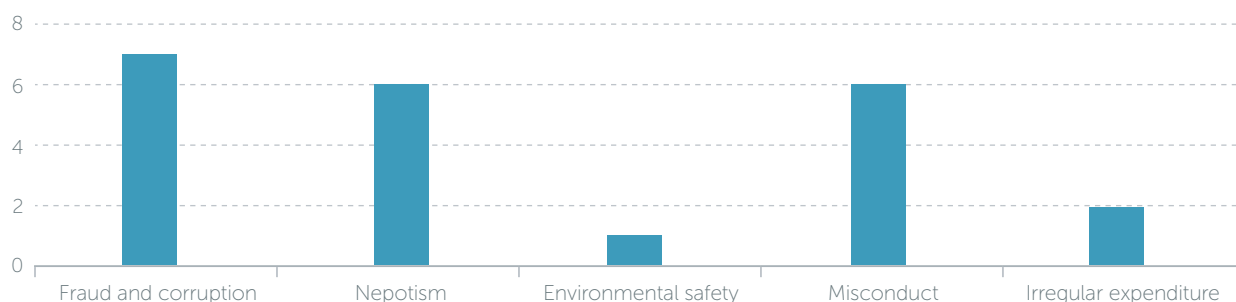
ANTI-BRIBERY AND ANTI-CORRUPTION

The SETCO monitors the anti-bribery and anti-corruption risk register, which reviews the PIC's standing and progress on Principle 10 of the United Nations Global Compact (UNGC) and the Organisation for Economic Cooperation and Development anti-corruption recommendations.

ASSURANCE OF THE EXTERNAL PIC WHISTLEBLOWER HOTLINE

The SETCO obtained a report on the PIC's external whistleblower hotline that provides assurance that the whistleblower is protected and that matters reported are treated confidentially, safely and timeously. Of the 23 reported allegations, nine have been completed, with 14 still under investigation. Completed means the investigation is completed and the recommendations are being implemented.

RECORDED ALLEGATIONS



LABOUR AND EMPLOYMENT PRACTICES

To monitor and report on workplace equity, the Broad-Based Black Economic Empowerment Act, employment practices and the protection of employees' rights, the SETCO reviewed the Harassment and Sexual Harassment Policy and the Employment Policy. It also received a quarterly report from the Employment Equity Committee.

COVID-19 PANDEMIC

One of the main activities of the SETCO in the year ended March 2022 was overseeing the PIC's response to COVID-19, particularly in the safety and wellbeing of the PIC's employees and clients. Strict social distancing and remote working protocols were implemented. Health and safety measures are in place at all operations in line with

our commitment to provide a safe and healthy working environment for all employees, contractors and service providers.

The PIC promoted a hybrid work model, which combines working from home and in the office. Our COVID-19 strategy was influenced and evaluated against the lockdown alert levels determined by government. Whenever an employee was affected by COVID-19, internal communication was sent to all employees, including the number of employees affected, their recovery and the deep cleaning schedule for the PIC's offices.

STAKEHOLDER ENGAGEMENT

The SETCO monitored the PIC's engagement with key stakeholders by reviewing and noting quarterly stakeholder



Health and safety measures are in place at all operations in line with our commitment to provide a safe and healthy working environment for all employees, contractors and service providers.

and media coverage reports. The Stakeholder Management Framework was recommended by the SETCO to the Board for approval. The PIC recognises that transparent and open communication with stakeholders is crucial to its long-term success. We engage constantly with stakeholders, including regulators, to understand their key concerns and identify ways to address them. These engagements provide input that helps to strengthen our programmes, identify risks, opportunities and material issues, and ensure compliance with the Companies Act and King IV™, among others. The SETCO held joint meetings with the GEPF on ethics matters of both entities. More information on corporate stakeholder engagements can be found on page 129. The details of engagements with listed and unlisted investee companies are contained under the Environmental, Social and Governance section on pages 61 to 65 and 100 to 101 respectively.

TRANSFORMATION RESPONSIBILITIES

The PIC is committed to transformation and views it as a principle inextricably linked to the sustainability of the business. The Chairperson of the Employment Equity Forum shares a quarterly report with the SETCO. The SETCO also reviewed the Employment Equity Policy and Transformation Charter and recommended both to the Board for approval.

The SETCO further monitors transformation in investee companies through the quarterly Listed and Unlisted ESG reports. It ensures integration of the Transformation Charter in investment processes, and monitors reporting requirements on demographic and racial diversity of investee company boards.

The procurement team presented to the SETCO a report on gender-disaggregated procurement, detailing how the PIC procurement budget is used to empower women economically. The report was recommended to the Board for noting.

To explore synergies in fostering transformation, a meeting was held between the PIC and the Financial Sector Transformation Council.

Key focus areas for the year ahead include:

- Overseeing and monitoring compliance with UNGC Principle 10 on corruption;
- Conducting an ethical climate survey to measure whether ethics interventions have strengthened adherence to ethical standards, including corporate behaviour and practices towards clients, employees, suppliers and legal requirements;
- Implementation of the Transformation Charter; and
- Ongoing awareness and training on ethics.

B-BBEE ACT COMPLIANCE

The PIC continues to monitor compliance with the provisions of the B-BBEE Act (Act 53 of 2002) and has fully complied during the period under review.

CONCLUSION

The SETCO is satisfied that it has discharged the duties of its term of reference. We are pleased with the PIC's progress in implementing the recommendations on ethics of the Mpati Commission.

On behalf of the SETCO, I wish to thank the previous committee members for their support and contribution during the year. I welcome the new members of the committee and look forward to driving the SETCO mandate with them.



Ms Barbara Watson
Chairperson: SETCO

AUDIT COMMITTEE REPORT

Introduction

The PIC Audit Committee is a statutory committee constituted in terms of the Companies Act, 71 of 2008, as amended and the Public Finance Management Act, 1 of 1999, as amended (PFMA). All its members, including the Chairperson, are Independent Non-Executive Directors. The responsibilities of the Audit Committee are set out in its terms of reference, which are approved by the Board and reviewed annually.

The Audit Committee carried out its oversight functions independently and in full compliance with its terms of reference during the reporting year. The PIC's executive management, internal auditors, external auditors and other assurance providers attended all the Audit Committee meetings in an ex-officio capacity. Management and internal and external auditors met independently with the Audit Committee.

Composition and Independence

The Audit Committee comprises four Independent Non-Executive Directors. The members of the Audit Committee meet the independence requirements of the Companies Act and King IV™ on Corporate Governance in South Africa 2016 (King IV™). The Audit Committee has an appropriate mix of relevant knowledge and experience. Each member's qualifications and experience are set out in their profiles on pages 113 to 119.

Roles and Responsibilities

The Audit Committee assists the Board in fulfilling its oversight responsibilities for the PIC's financial reporting processes, risks system of internal financial controls, as well as processes for monitoring compliance with laws and regulations for financial reporting and internal control (including internal financial controls).

The PIC's system of internal financial controls is designed to ensure:

- Integrity and reliability of financial information;
- Compliance with all applicable laws and regulations;
- Achievement of objectives;
- Economy and efficiency of operations; and
- Safeguarding of assets.

The Audit Committee is satisfied that the internal financial controls system is adequately designed and operates effectively to form a sound basis for preparing reliable financial reports. This assessment is based on reports from management, risk management, internal auditors and external auditors.

The Audit Committee considered, and is satisfied with, the expertise and experience of the Acting Chief Financial Officer (ACFO) in the preparation of the Annual Financial Statements. The Finance function in the PIC has the expertise and adequate resources to support the ACFO.

Combined assurance

The PIC has adopted a combined assurance approach, in line with King IV™, to increase the effectiveness of assurance activities by the functionaries within the three lines of assurance. The Combined Assurance Forum ensures ongoing review of the approach, model and processes, as well as regular discussions, information sharing and coordination of efforts among assurance providers. This approach contributes significantly to an effective control environment and supports the integrity of information used for internal decision-making by management, the Board and the Board committees.

The Combined Assurance Forum was established during the year to implement the approved framework and its terms of reference were approved by the Audit Committee. The forum reports quarterly on its activities and adequacy of the assurance provided on the PIC top risks to the Audit Committee.

The Chairperson of the Audit Committee is also a member of the Risk Committee to ensure that relevant information is shared regularly between these two committees.

Annual Financial Statements

After reviewing the PIC Annual Financial Statements and the associated external auditors' report, the Audit Committee recommended their approval to the Board. The Audit Committee is satisfied with the going-concern status of the PIC.

Internal Audit

The PIC's Head of Internal Audit reports functionally to the Audit Committee and administratively to the Chief Executive Officer. The Internal Audit function is a key independent internal assurance provider and forms an integral part of the PIC's risk management process. The reports on the activities of Internal Audit, along with those from other assurance providers, are used by the Audit Committee to assess the adequacy and effectiveness of the PIC's system of internal control and risk management.

During the period under review, the Audit Committee:

- Considered the performance of the Head of Internal Audit and was satisfied that he possesses the necessary expertise to meet his responsibilities in that position;
- Monitored and supervised the functioning, effectiveness and performance of the Internal Audit function;
- Approved the Internal Audit Charter and Internal Audit Plan and monitored the implementation of the charter and the plan;
- Approved that an independent external service provider performs an external quality assurance review on the Internal Audit function; and
- Received and reviewed reports from Internal Audit concerning the effectiveness of internal controls, systems and processes, as well as the adequacy and appropriateness of management's corrective action plans.

In terms of the risk-based Internal Audit Plan, the Internal Audit function performed all the planned engagements for the 2021/22 financial year as per the audit plan approved by the Audit Committee.

The Audit Committee is satisfied that the Internal Audit Department is independent and appropriately resourced to provide objective assurance on the adequacy and effectiveness of the PIC's internal control environment.

External audit

The PIC is classified as a Schedule 3B PFMA entity and is audited by the Auditor-General of South Africa in terms of the Public Audit Act, 25 of 2004. The Audit Committee is not involved in appointing external auditors.

In terms of Section 94(7)(b) of the Companies Act, the Audit Committee approved fees for the audit for the financial year ended 31 March 2022. The Audit Committee further approved the engagement letter and External Audit Plan,

setting out the terms of the audit, the resources allocated and the audit timelines.

The external audit performed by the Auditor-General of South Africa entailed:

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

The Audit Committee is satisfied with the independence of the external auditors of the PIC. This assessment was made after considering the audit strategy document from the external auditors, continuous monitoring and approval of non-audit services, and a formal partner rotation process. The Audit Committee reviewed the external auditors' proposed audit scope, approach and audit fees for the year under review.

Non-audit services

The Audit Committee approves the performance of non-audit services by the PIC external auditors. The non-audit service limits are set at levels that safeguard the external auditors' independence, to ensure that such non-audit services do not create a public perception of a conflict of interest for the external auditors.

The PIC, as a financial services provider, must subject its computer control environment to an International Standard on Assurance Engagement (ISAE 3402). Deloitte was appointed to perform the ISAE 3402 audit for the PIC's clients.

The Audit Committee considered these reports and management's responses to address any risks identified.

Compliance

The PIC's Head of Regulatory Compliance reports functionally to the Audit Committee and administratively to the Chief Executive Officer. The Audit Committee monitored and supervised the functioning, effectiveness and performance of the Regulatory Compliance function. The Audit Committee approved the Compliance Charter and risk-based Compliance Annual Plan and monitored the implementation thereof.

The Audit Committee considered the performance of the Head of Regulatory Compliance and was satisfied that he possesses the necessary expertise to meet his responsibilities.

The Audit Committee is satisfied that the PIC's processes and controls ensure compliance with laws and regulations of financial reporting. This is based on the Audit Committee's review of reports received from both internal and external auditors, as well as from executive management and relevant departments.

Information and technology

The Audit Committee is satisfied with the PIC's information technology capability and that its controls are appropriate to support the integrity of financial reporting. This is based on a continuous review of assurance reports from the internal and external auditors.

Whistleblowing

Based on submissions received from the Internal Audit Department, the Audit Committee is satisfied with the PIC's procedures to receive, evaluate, investigate and report on confidential and anonymous complaints on matters of integrity and ethics at the PIC.

Year-end valuations

As required by the PIC's clients mandates, external valuations of the PIC's listed investments, unlisted investments, property investments and derivatives are performed by external service providers appointed through an open tender process. The mandates further require that year-end valuations be performed and presented by external valuation experts and be recommended to the client by the PIC's governance structures.

The external experts present the year-end valuations to the Audit Committee, which then recommends them to the clients. The Audit Committee is satisfied with the valuations report.

Conclusion

The Audit Committee is satisfied that it has fulfilled its statutory obligations prescribed by legislation and the functions set out in its terms of reference, and that it has, therefore, complied with its legal, regulatory, oversight and other responsibilities.

The Audit Committee thanks management and the Board for their support, and the external auditors for their services, dedication, diligence and cooperation.



Ms Ntombifuthi Mtoba
Chairperson: Audit Committee

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE

South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Asset Management

DIRECTORS

Dr David Msondo (Chairperson) (Non-Executive Director)
Ms Ntombifuthi Mtoba (Deputy Chairperson) (Non-Executive Director)
Mr Frans Baleni (Non-Executive Director)
Ms Beverley Boucher (Non-Executive Director)
Prof Bonke Dumisa (Non-Executive Director)
Mr Walter Hlase (Non-Executive Director)
Mr Mugwena Maluleke (Non-Executive Director)
Dr Lufuno Mulaudzi (Non-Executive Director)
Ms Tryphosa Ramano (Non-Executive Director)
Ms Barbara Watson (Non-Executive Director)
Mr Abel Sithole (Chief Executive Officer) (Executive Director)
Mr Brian Mavuka (Acting Chief Financial Officer) (Executive Director)
Ms Makano Mosidi (Chief Technology Officer) (Executive Director)

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

Office of the Auditor-General of South Africa registered auditors

COMPANY SECRETARY

Ms Bongani Mathebula

COMPANY REGISTRATION NUMBER

2005/009094/30

COMPANY ANNUAL FINANCIAL STATEMENTS

The Company's Annual Financial Statements were prepared under the supervision of the Company Acting CFO, Mr Brian Mavuka.

ADDRESS OF SECRETARY

Menlyn Maine Central Square
Corner Aramist Avenue and Corobay Avenue
Waterkloof Glen Extension 2
Pretoria
0181

PUBLIC INVESTMENT CORPORATION SOC LIMITED DISCLAIMER

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

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

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

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

Directors: Dr David Masondo (Chairperson), Ms Ntombifuthi Mtoba (Deputy Chairperson) | Mr Frans Baleni, Ms Beverley Bouwer, Prof Bonke Dumisa, Mr Walter Hlaise, Mr Mugwena Maluleke, Dr Lufuno Mulaudzi, Ms Tryphosa Ramano, Ms Barbara Watson | Mr Abel Sithole (Chief Executive Officer), Mr Brian Mavuka (Acting Chief Financial Officer), Ms Makano Mosidi (Chief Technology Officer) | Company Secretary: Ms Bongani Mathebula.

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

ACRONYMS

AC	Audit Committee
ACSA	Airports Company South Africa
AGM	Annual General Meeting
AIPF	Associated Institutions Pension Fund
AuM	Assets under Management
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BOE	Bank of England
CC	Compensation Commissioner Fund
CEO	Chief Executive Officer
CoBT	Class of business training
CP	Compensation Commissioner Pension Fund
CPD	Continuous professional development
DAC	Directors' Affairs Committee
DOA	Delegation of Authority
ECB	European Central Bank
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
FSCA	Financial Sector Conduct Authority
GEPF	Government Employees Pension Fund
GDP	Gross Domestic Product
HDIs	Historically Disadvantaged Individuals

HRRC	Human Resources and Remuneration Committee
IC	Investment Committee
IC-LI	Investment Committee - Listed Investments
ICTGC	Information, Communication and Technology Governance Committee
IC-UI	Investment Committee - Unlisted Investments
IMF	International Monetary Fund
IoDSA	Institute of Directors of Southern Africa
IT	Information technology
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
Libstar	Liberty Star Consumer Holdings
MOI	Memorandum of Incorporation
PFMA	Public Finance Management Act, 1999
PIC	Public Investment Corporation SOC Limited
PIC Act	Public Investment Corporation Act, 2004
PMC	Portfolio Management Committee
RC	Risk Committee
SAICA	South African Institute of Chartered Accountants
SDGs	Sustainable Development Goals
SETCO	Social, Ethics and Transformation Committee
SIPs	Structured investment products
UIF	Unemployment Insurance Fund
US	United States





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