



PUBLIC INVESTMENT
CORPORATION®
Est. 1911

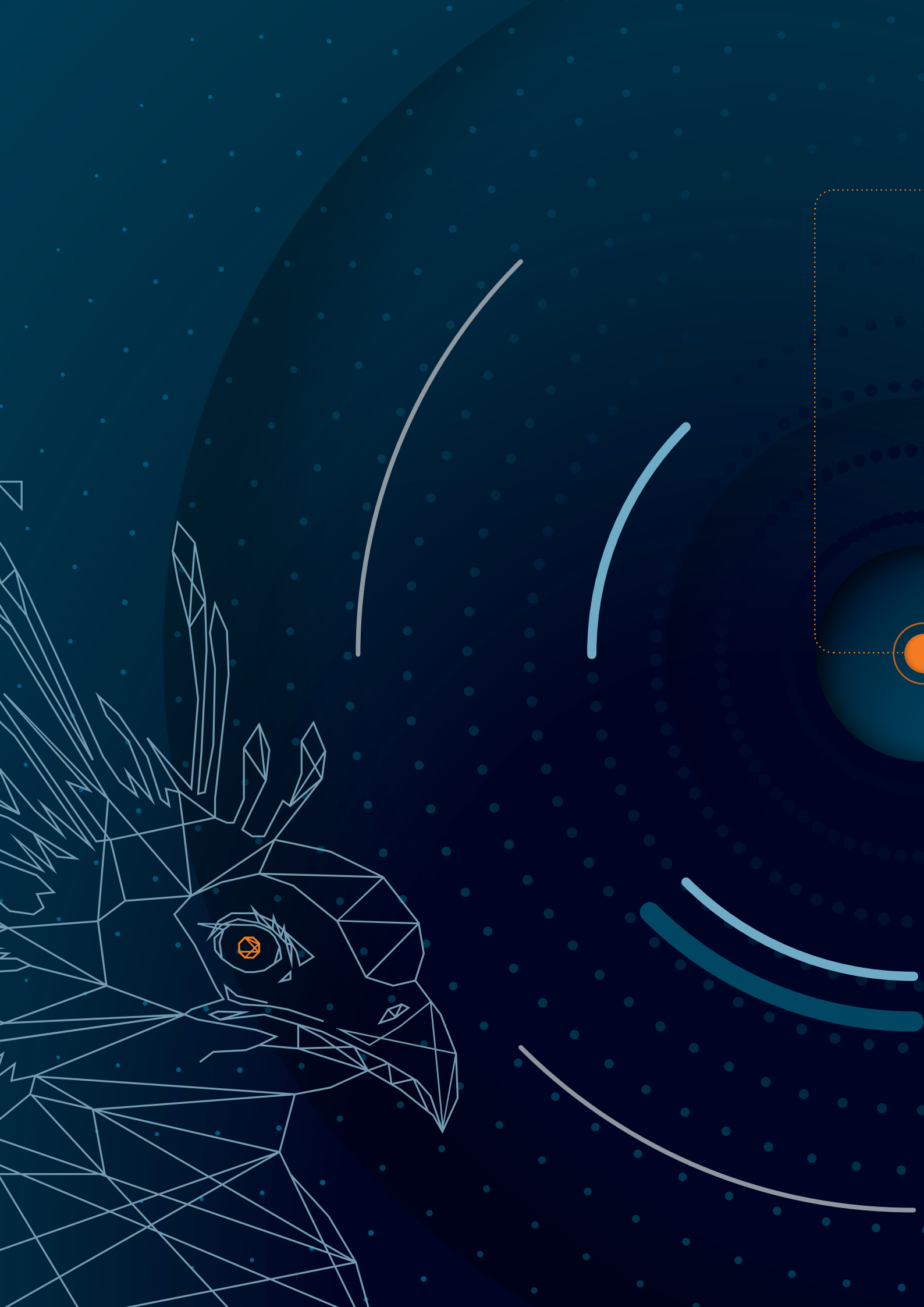
INTEGRATED ANNUAL REPORT TWENTY23



**ENVISIONING A
TRANSFORMED
FUTURE:**



EMPOWERING COMMUNITIES
WITH SUSTAINABLE
INFRASTRUCTURE FUNDING





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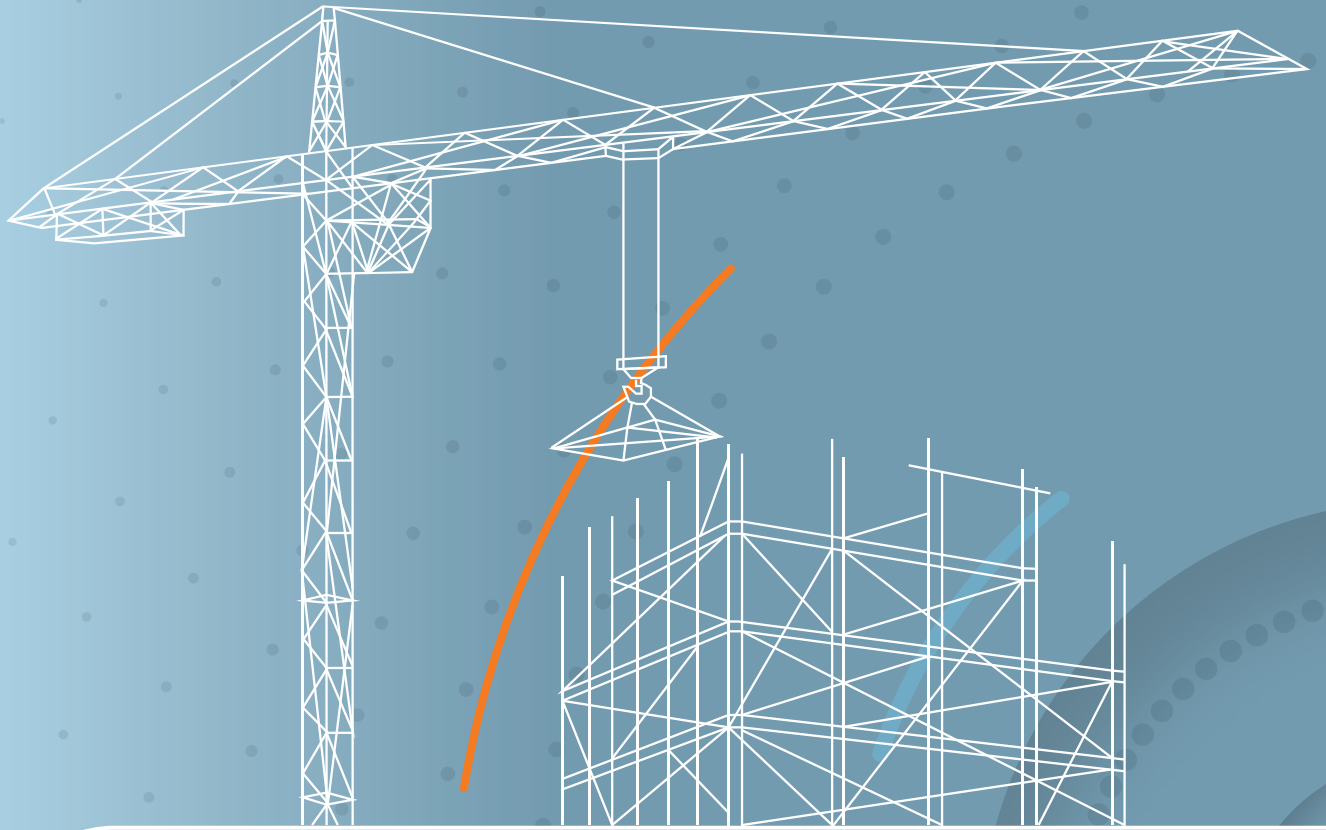
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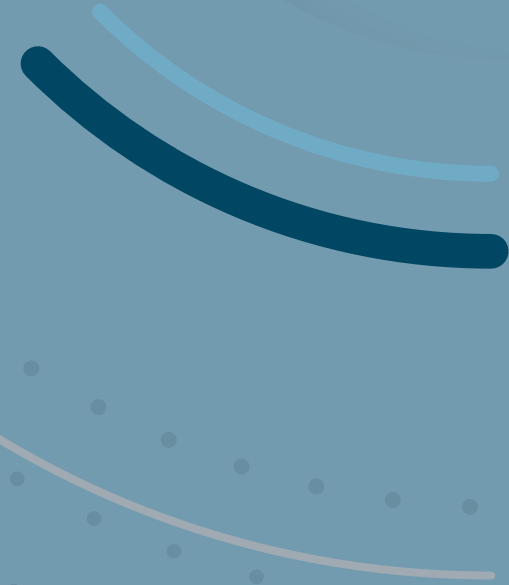
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**This Integrated Annual Report consists of two books:*

The **2023 Integrated Annual Report** and the **2023 Annual Financial Statements**.



**ENVISIONING A TRANSFORMED FUTURE:
EMPOWERING COMMUNITIES
WITH SUSTAINABLE
INFRASTRUCTURE FUNDING**



PART ONE

INTRODUCTION

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> MINISTER'S NOTE TO PARLIAMENT

Speaker of Parliament

In terms of Section 65 of the Public Finance Management Act (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 2022 to 31 March 2023.

Mr. E Godongwana, MP

Minister of Finance

September 2023

CORPORATE PROFILE

Overview

From its inception as Public Debt Commissioners in 1911, to its current Public Investment Corporation SOC Limited (PIC) identity, the organisation has accompanied South Africa through history, focusing on returning value to successive governments by exemplary management of public funds invested for maximum return.

Today, having been corporatised in 2005 with the Public Investment Corporation Act (Act 23 of 2004), it is a financial services provider registered with the Financial Sector Conduct Authority whose investment activities are subject to the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002).

The PIC is one of the largest asset managers in Africa and the single biggest institutional investor on the Johannesburg Stock Exchange, favouring investments that stimulate sustainable economic growth, increase productive employment, address poverty and inequality and generate consistently healthy returns. Its proven track record of alpha generation over the past century not only ultimately benefits its clients, but boosts South Africa's economy and helps to transform society.

The PIC's clients are mostly public sector entities, which focus on the provision of social security. Among these are the Government Employees Pension Fund (GEPF), Unemployment Insurance Fund (UIF), Compensation Commissioner Fund (CC), Compensation Commissioner Pension Fund (CP) and Associated Institutions Pension Fund (AIPF).

Since its corporatisation, assets under management have grown from R461 billion to R2.599 trillion by 31 March 2023. Underlying its investment activities is a commitment to ethical conduct in dealings with all stakeholders and the foundation of sound corporate governance essential for an organisation handling public funds. It takes its legislative lead from the PIC Act, the Public Finance Management Act (Act 1 of 1999) and the Companies Act (Act 71 of 2008) and adheres to the provisions of the Financial Intelligence Centre Act (Act 38 of 2001).



Time, according to the expression, waits for no man. Time, however, is something the Public Investment Corporation (PIC) has enjoyed in abundance, with a proud history spanning 112 years. It is time that has allowed it to influence Africa's investing landscape and become a highly respected member of the continent's corporate community.



sustainable economic growth



increase productive employment

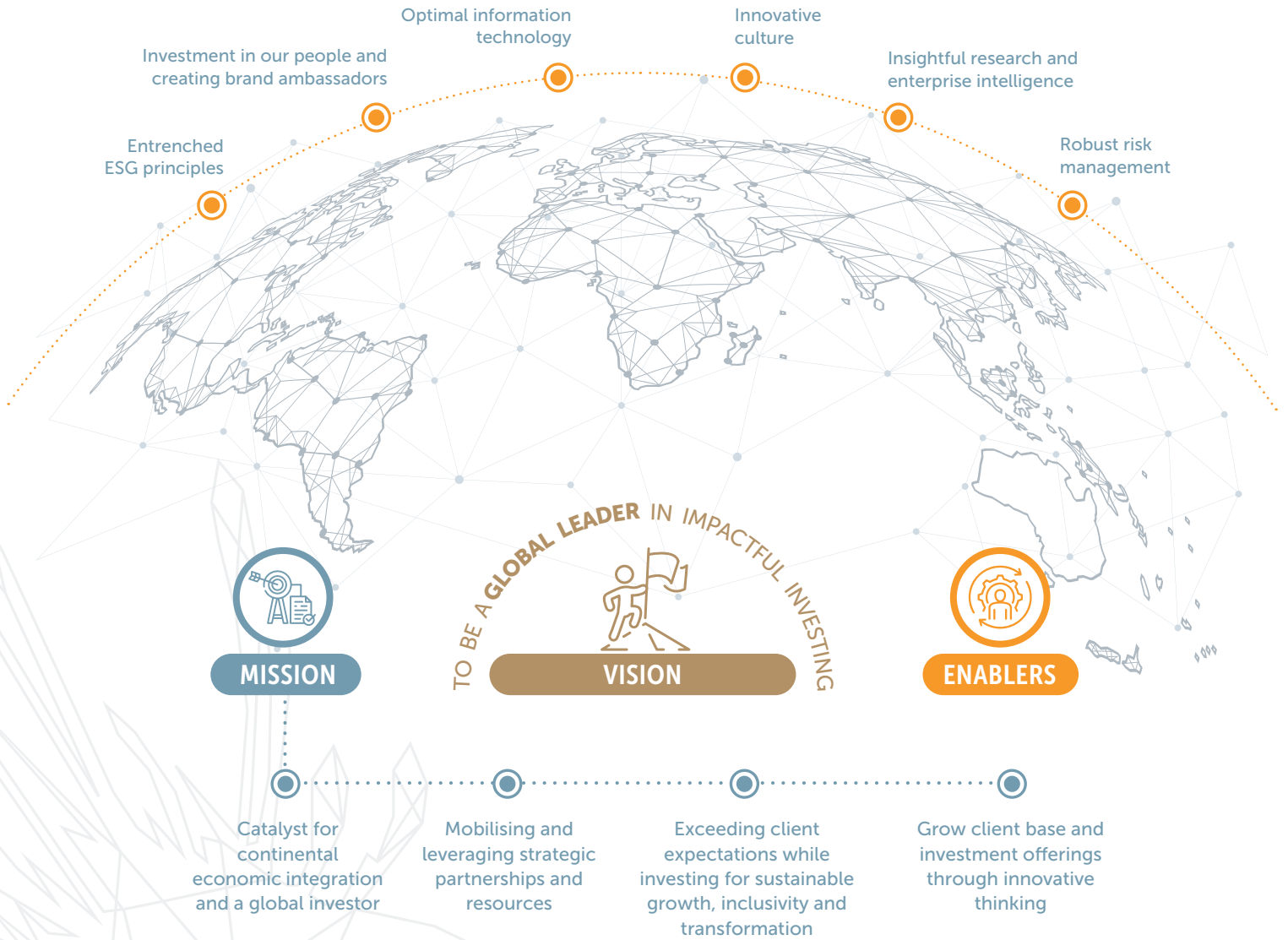


address poverty and inequality



generate consistently healthy returns

Our Mission and Vision



Our Values



COMMITTED



ACCOUNTABLE



RESPECT



EMPATHY



DILIGENCE



EXCELLENCE



LEADERSHIP



INNOVATION/
INTEGRITY



VALUE

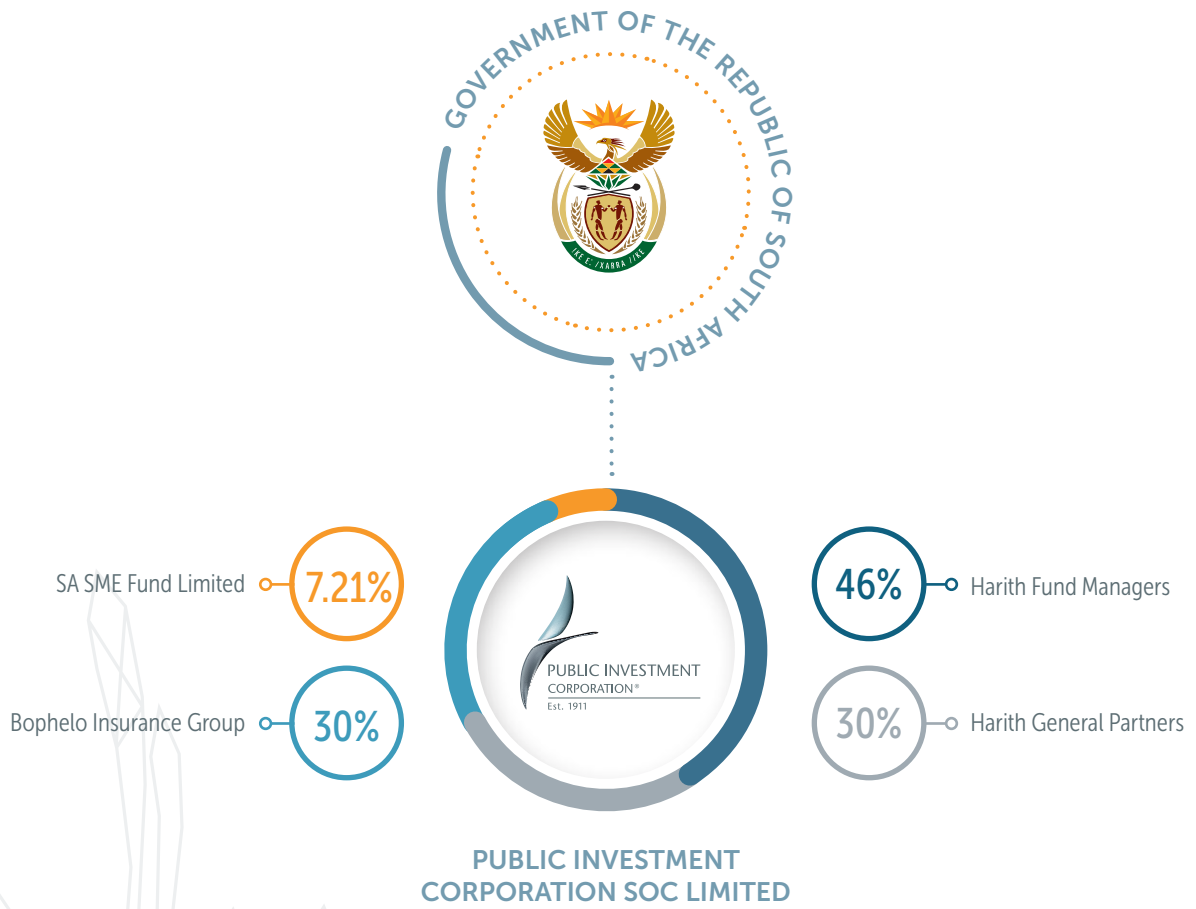


EFFICIENCY



RESPONSIBLE INVESTING

Group Structure



PERFORMANCE AGAINST KEY STRATEGIC OBJECTIVES

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2022/23		ACTUAL PERFORMANCE 31 MARCH 2023	ACTUAL PERFORMANCE (Achieved/Not Achieved)	PERFORMANCE COMMENTARY
FINANCIAL SUSTAINABILITY – (25%)				FINANCIAL SUSTAINABILITY – (25%)			
1a	Improve the PIC's financial sustainability and going concern through efficient operations and cost containment.	Total employee costs ratio (excluding PICeeds/management fees).	$x \leq 40\%$		40%	Achieved	Financial controls were implemented to ensure that recruiting was performed within the sustainability targets.
1b		Total costs/management fees.	$x \leq 80\%$		88%	Not achieved	The implemented cost containment plan resulted in an improvement from the previous financial year of moving the actual closer to the target.
INTERNAL BUSINESS PROCESSES/OPERATIONAL EFFICIENCY – (20%)				INTERNAL BUSINESS PROCESSES/OPERATIONAL EFFICIENCY – (20%)			
2a	Improve compliance and governance.	Submit all PFMA submissions within the stipulated deadline.	Submit all PFMA submissions within the stipulated deadline.		Submit all PFMA submissions within the stipulated deadline.	Achieved	Management implemented monitoring controls that were preventative to ensure that all PFMA submissions were made within the stipulated deadlines per the PFMA and also based on instruction from National Treasury.
		Achieve unqualified audit opinion with no material findings on performance information and annual financial statements.	Achieve unqualified audit opinion with no material findings on performance information and annual financial statements.		Unqualified opinion on the annual financial statements and performance against key strategic objectives with no material findings on performance information and annual financial statements.	Achieved	Management implemented monitoring controls that were preventative to ensure that performance information and annual financial statements were prepared without any material misstatements.
		Ethical behaviour – more than 80% of action taken when unethical conduct is confirmed.	>80% of consequence management actions initiated within one month of the investigation report being issued.		Five consequence management processes were initiated during the period in review. Out of five, four matters were initiated within one month, one matter was initiated after the prescribed one-month period. This equates to 80% not achieved.	Not achieved	Five consequence management processes were initiated during the period in review. Out of five, four matters were initiated within one month, one matter was initiated after the prescribed one-month period. This equates to 80% not achieved.
		% of employees who have completed Ethics Awareness Training.	80% of all PIC employees to complete ethics training per annum.		87.5%	Achieved	329 of 376 employees completed the online ethics training exercise by 31 March 2023.
2b	Improve enterprise risk management practices.	Reduce PIC risk exposure and improve the internal control environment, measured by a reduction in risk index.	1%-5% risk index reduction.		5%	Achieved	The PIC risk index reduced by 18.44% for the period 01 April 2022 to 31 March 2023 and the control environment improved.
2c	Achieve a rating of good on the corporate governance matrix as of 31 March 2023.	*Assessment against the PIC's corporate governance matrix ratings as per the PIC internally generated ESG assessment.	ESG rating score = 75%.		Assessment performed on the Integrated Annual Report for the year ended 31 March 2023, with an ESG rating of 81%.	Achieved	ESG rating is above 80%.

* The ESG assessment was performed by the PIC ESG team.

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2022/23	ACTUAL PERFORMANCE 31 MARCH 2023	ACTUAL PERFORMANCE (Achieved/Not Achieved)	PERFORMANCE COMMENTARY
CUSTOMERS/STAKEHOLDERS – (45%)			CUSTOMERS/STAKEHOLDERS – (45%)		
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 36-months rolling returns).	Individual top five funds α (meet or exceed benchmark returns).	α = 0.46%	Achieved	The main contributors to the outperformance were cash and money market, Africa listed equity, global equity, and local equity asset classes from the GEPF fund.
3b	Meet client benchmark portfolio returns (Unlisted Investments excluding Properties). Unlisted Investments (excluding Properties) Measured by hurdle return.	Total return higher or equal to the hurdle rate.	5.02%	Not achieved	Valuation declined due to the impairment of non-performing assets. The values used are based on external valuation for the year ended 31 March 2023.
3c	Exceed client benchmark portfolio returns Property) (as per IPD property index returns calculation, customised for the PIC unlisted). 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 2.46% (5.39%) below benchmark.	Not achieved	Unlisted Properties underperformed the benchmark, as measured over three years beginning in March 2020 (prior to COVID-19). This was, however, the first year of positive returns since COVID-19 (2.46%). The benchmark is heavily linked to CPI, which increased to 12.07% for the current financial year. Direct property returns and the direct property benchmark lagged behind CPI.
3d	Drive and facilitate transformation through investments in both Listed and Unlisted Investments. Listed Investments – (Externally Managed Portfolio) Maintaining a minimum of X % (percentage) of the total assets under management (AuM) of the Listed Investment Externally Managed Portfolio should be managed by transformed managers with BEE levels 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.	63.94% allocated to black-owned firms with 30% management control.	Achieved	63.94% allocated to black-owned firms with 30% management control. The majority of the Listed Investment Externally Managed Portfolio AuM is managed by transformed managers.
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 levels 1-4 certified 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 levels 1-4 BEE rating; 60% of a total brokerage shall be paid to brokers with 51% ownership and 30% management control by historically disadvantaged individuals (HDIs).	98.18% of brokerage was paid to brokers on levels 1-4 BEE rating; 70.14% of total brokerage was paid to brokers with at least 51% ownership by HDIs; and 30% management control by HDIs.	Achieved	The aim is to drive and facilitate transformation in the broking industry by allocating brokerage at or better than target levels set to brokers with levels 1-4 rating. The aim is to drive and facilitate transformation in the broking industry by allocating brokerage at or better than target levels set to brokers, with at least 51% ownership and 30% management control by HDIs.
3f	Drive and facilitate transformation through investments activities in both 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 are allocated to BEE managers (To qualify as a BEE asset manager, the service provider must at least have 51% black ownership and 30% management control by HDIs).	Above 70% of all the approved funds are allocated to BEE managers with 51% black ownership and 30% management control by HDIs.	Achieved	Above 70% of all the approved funds are allocated to BEE managers with 51% black ownership and 30% management control by HDIs.
	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. Between 10% and 50% of the approved BEE transactions must be allocated to women participant. The BEE shall have at least 40% black ownership.	100%	Achieved	One transaction approved in the current year that met this measure.
			100%	Achieved	One transaction approved in the current year that met this measure.

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2022/23	ACTUAL PERFORMANCE 31 MARCH 2023	ACTUAL PERFORMANCE (Achieved/Not Achieved)	PERFORMANCE COMMENTARY
ORGANISATIONAL CAPACITY – HUMAN CAPITAL MANAGEMENT – (10%)			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.	100%	Achieved All newly appointed employees are from designated groups (43). In 2022/23, we realigned our efforts to enable the execution of the organisation's Transformation Charter by ensuring that our efforts in recruitment and talent retention promoted diversity, gender representation and inclusion.
4b			Maintain a minimum of 30% of females at senior management level based on the Paterson grading scales.	38.7%	Achieved 48 women are represented at senior and top management levels 48/124. In 2022/23, we realigned our efforts to enable the execution of the organisation's Transformation Charter by ensuring that our efforts in recruitment and talent retention promoted diversity, gender representation and inclusion.
4c	Increase number of employees living with disabilities.	% of people living with disabilities.	Maintain a minimum of 2% of employees living with disabilities as a percentage (%) of overall total staff.	2.3%	Achieved Nine employees = 9/389. In 2022/23, we realigned our efforts to enable the execution of the organisation's Transformation Charter by ensuring that our efforts in recruitment and talent retention promoted diversity, gender representation and inclusion.



> REPORT BY THE CHAIRPERSON

Dr David Masondo
Chairperson

The Board of Directors of the Public Investment Corporation (PIC), working with the company's executive management, has the duty to ensure that the PIC fulfils its mandate and responsibilities with the highest levels of integrity and ethical standards.

The Board sets the tone for the organisation to uphold the principles of good governance, integrity and ethics and engages the executive to foster a corporate culture with effective governance processes and robust risk management at all levels.

Good governance, with a dynamic and efficient operating structure, delivers strategic and organisational benefits and sustainable value creation for the extensive portfolio of assets for which the PIC is responsible on behalf of its public sector clients, their members and dependents.

In executing its fiduciary duties, the Board provides oversight over the company's business conduct and it promotes effective management to ensure the long-term success of the PIC. A commitment to good governance reinforces the confidence of directors that they make the right decisions to improve corporate performance and reduce the risk of reputational damage that may arise from improper business decisions.

The 2022/23 Integrated Annual Report of the PIC is tabled before Parliament as the current Board enters the mid-point of its three-year cycle, having been appointed by the shareholder from 1 November 2021 to 31 October 2024, in terms of the PIC Amendment Act, 14 of 2019. The current Board was appointed to bring stability to the company and to ensure that the findings and recommendations of the Mpati Commission of Inquiry are effectively and fully implemented.

As this Annual Report illustrates, the PIC has again delivered on the mandates of its clients. I am pleased to advise that the PIC has made considerable progress, not only to address multiple concerns of the Commission, but to re-establish an ethical business culture, premised

on the principles of integrity, good governance and due process. It has done so with the support of the Board and its engagements with management in a robust, frank, pragmatic manner in the best interests of the organisation, its clients and their beneficiaries, and all stakeholders.

Operating environment

The outlook for the domestic economy carries multiple risks, including weaker-than-expected global growth, further disruptions to global supply chains and renewed inflationary pressures as a result of the conflict in Ukraine. Continued electricity supply disruptions in our country, a deteriorating port and rail infrastructure, rising inflation, rising levels of public debt and widespread criminal activity contribute to a constrained fiscal and investment outlook. Gross domestic product (GDP) growth for 2023 is projected to be below 1%. These factors adversely affect all asset managers and investors.

During 2022/23, global investors had to contend with high inflation and higher interest rates. High inflation remains the biggest threat to economic growth and market performance. In these conditions, the portfolio of assets of the PIC grew by 2%, or R51.2 billion, to R2.599 trillion by 31 March 2023. This is commendable growth in a challenging domestic and global market.



Apart from growing the investment portfolios of all clients, as the Chief Executive Officer and Chief Investment Officer set out in the rest of this report, the Board declared a dividend of R141 million to the shareholder for the year under review. It is equally commendable that the PIC received an unqualified opinion on the annual financial statements and performance against key strategic objectives from the Auditor-General, which is an improvement from the previous financial year.

This shows that the PIC's investment performance is resilient and robust and that internal controls in the operating environment were applied with the required discipline and diligence in terms of the Public Finance Management Act and other legislation.

Based on these results the Board believes that the company's system of financial controls provides a sound basis for the preparation of reliable financial statements as part of this

report. The Board also believes that the company is in a sound financial position and that it has sufficient resources to fund itself for the foreseeable future.

Our economy needs massive investment to grow, create jobs and reduce inequality. Inadequate electricity supply remains the most immediate and significant constraint to production, investment and employment. This is compounded by disruptions to and underinvestment in freight and logistics networks, which erode competitiveness. A lack of infrastructure investment and maintenance also widens inequality.

The PIC focuses on investments that stimulate sustainable economic growth, increase productive employment and reduce poverty and inequality while generating the requisite client returns.

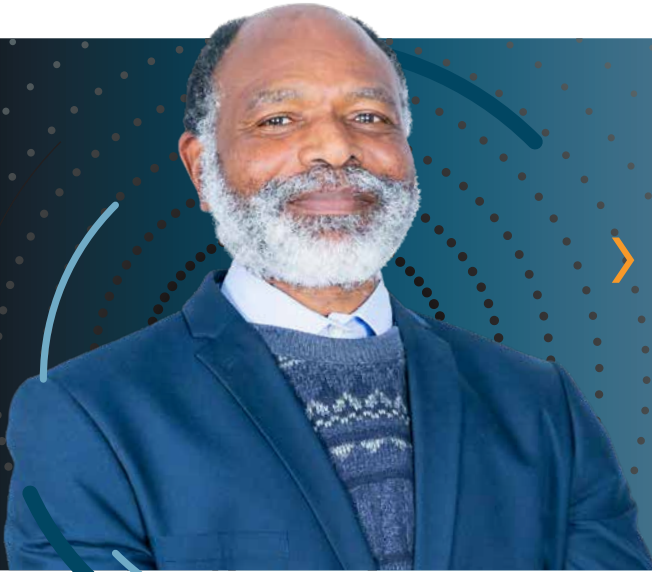
What sets the PIC apart from other asset managers is the requirements in the PIC Act, as amended, and client mandates that investments must generate socio-economic returns alongside financial returns. The PIC's investment focus must stimulate GDP growth, create jobs, advance transformation, promote infrastructure development, develop renewable energy, be a catalyst for economic empowerment and create meaningful, inclusive opportunities for black businesses and women in the economy.

How the PIC responded to these imperatives in the year under review and how it will address them in the future are documented in detail in this report. The audited data provide a benchmark to evaluate the PIC in the performance against its mandate.

For the remainder of its term, the PIC Board will continue to work with management to build a workplace culture aligned with the PIC's stated purpose, values and mandate. This will include promoting ethical, responsible and lawful decision-making; building an inclusive workplace where the PIC holds itself to account; creating lasting social, environmental and economic value for the PIC's clients, and ensuring that the PIC fulfils its statutory obligations as prescribed by legislation and the functions outlined in its terms of reference.

My gratitude goes to the shareholder, my fellow Directors, management and all employees for their commitment to the PIC. Thank you for discharging your duties with the diligence and care that enable the PIC to meet the formidable demands of its mandate.


Dr David Masondo
 Chairperson



> REPORT BY THE CHIEF EXECUTIVE OFFICER

Abel Sithole
Chief Executive Officer

This Integrated Annual Report provides an assessment of how our organisation executed its mandate as an asset manager for the 2022/23 financial year. This includes our achievements against the requirements of our client investment mandates in line with the PIC Act, as amended.

Investment performance

The report presents the PIC's work in the context of global inflation rising to the highest levels seen in a generation, according to the South African Reserve Bank, and higher interest rates as a result.

Slower global growth, disruptions to oil and food supply chains due to the conflict in the Ukraine, elevated levels of daily electricity supply disruptions and growing unemployment in the domestic economy were other significant macro-economic constraints.

While inflationary pressures started to ease towards the end of this reporting period, they remain above the target ranges of central banks globally. Responding to rising inflation, banks raised interest rates, which increased pressure on household and corporate balance sheets the world over.

The International Monetary Fund (IMF) estimates that global growth will slow from 3.4% in 2022 to 2.8% in 2023, narrowly avoiding a recession in major economies. Increased levels of power outages in South Africa will continue to restrain the local economy for the rest of 2023. This will affect productivity among investee companies in both our listed and unlisted portfolios and will substantially increase their operating costs and reduce our investment performance.

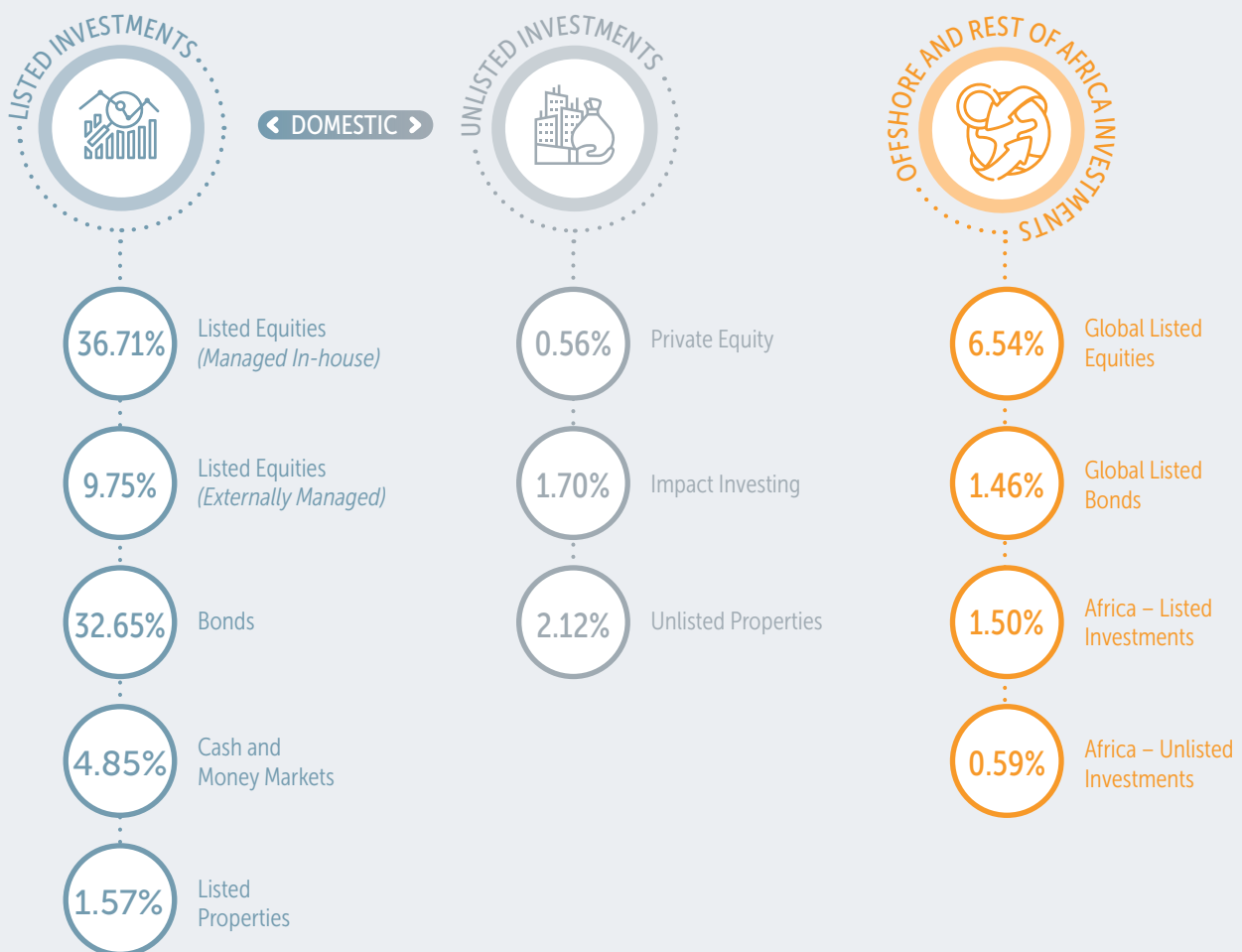
Investment performance

Considering weaker economic conditions and higher levels of risk aversion among major investors, the PIC's investment performance for 2022/23 delivered admirable returns to the investment portfolios of all clients. Total assets under management by the PIC grew by 2% to R2.599 trillion at 31 March 2023, compared to R2.548 trillion by the close of the previous financial year.

The GEPF portfolio, comprising 88.61% of total AuM, grew by 1.1% to R2.3 trillion. The Unemployment Insurance Fund (UIF) portfolio, comprising 5.14% of total AuM, grew by 13% to R135 billion and the CC, accounting for 2.09% of total AuM, increased by 4.3% to R54.4 billion. There are 15 smaller clients that make up the balance of the PIC's total portfolio and their assets grew by 7% to R61 billion.

This performance is grounded in a disciplined investment approach that has proven to be resilient. Its focus is on delivering positive, risk-adjusted returns and sustainable growth to client mandates. Listed equities, our major asset class, again delivered positive returns for clients, growing by 7.9% over the 12 months and outperforming benchmark returns by 1%.

As of 31 March 2023, the asset class composition as a percentage of AuM was as follows:



Evaluating the PIC

The PIC, as a large asset manager in the country, on the African continent and globally, must be ethical and trustworthy, conduct its affairs lawfully and assure the members and beneficiaries of its clients that their contributions, savings, pensions and benefits are well-managed, secure and achieving the required financial and social returns.

The first test, primarily, is the control environment in which the PIC manages its own affairs: an effective ethical and risk management framework, risk mitigation and robust, ethics, compliance and internal audit functions. I am pleased to report that the Auditor-General of South Africa, our external auditor, issued an unqualified opinion on the PIC's financial statements for the second year running. No fruitless and wasteful expenditure was incurred during the financial year.

Secondly, the year's investment performance under unfavourable market conditions ought to give confidence to the public and the members and beneficiaries of our client funds that the PIC continues to deliver on its mandate notwithstanding the few instances that have resulted in criticism and reproach.

The Integrated Annual Report shows that the GEPF has a growing, sustainable portfolio of assets. The pension funds of government employees are prudently managed and secure. The PIC closely monitors its investments in some of the struggling state-owned companies, largely through bonds, and safeguards the best interests of its clients, while remaining cognisant of the role of state-owned enterprises (SOEs) and their importance to the broader portfolio and our economy. The GEPF exceeds its liquidity ratio requirements in that it can comfortably meet all immediate debt obligations and future liabilities, including the payments of pensions for the life and duration of beneficiary benefits. The UIF portfolio also showed exponential double-digit growth, recovering from the large emergency drawdowns since 2020 that provided billions in much-needed emergency COVID-19 relief to thousands of vulnerable firms and employees under the Temporary Employer-Employee Relief Scheme.

The pension funds of government employees are **prudently managed and secure**.



The PIC continues to increase its focus on investing in development and transformation in line with the PIC Act of 2019, which under section 10 requires it to ensure its security and financial sustainability and to create and protect local jobs, promote sustainable development and transform the economy and society, among other objectives.

This annual report highlights the PIC's unquestionable commitment to empowerment and to fund and grow black firms, especially those in the control of women. Our investment criteria focus on funding investee companies that have diverse gender, age and racial representation, ownership, boards and appropriately representative management teams. Investee companies are required to meet prescribed BEE targets in ownership, shareholding, workforce composition and procurement. They must develop skills, talent and retain black professionals, and they must incorporate appropriate succession planning as part of the corporate strategy.

Transformation anchors our business and investment decisions and these are overwhelmingly geared in favour of black companies.

The Externally Managed Funds Programme for black asset managers has for many years been the hallmark of the PIC's transformation journey. Since 2009, this programme has increased the participation of black asset managers in the savings, investments and asset management industries. The PIC acts as an anchor investor at inception and allocates client funds to these firms to manage.

In 2009, external black-owned firms managed 17% of the R65 billion in externalised assets allocated by the PIC. By the end of 2022/23, these allocations had grown substantially to R154 billion. Domestic firms in the programme have more than 51% black ownership, 30% black management control and are responsible for 64% of assets allocated to domestic firms.

The PIC's contribution to the balance sheets of incumbent black managers ranges from 15% to 75% of revenues, depending on the stage in the lifecycle and size of the business. Fees paid for portfolio management services on domestic assets totalled R837 million (base and performance fees combined) by 31 March 2023, with R516 million (62%) going to BEE firms. While managers earned R330 million in base fees for services rendered, most managers outperformed their mandates and earned an additional R186 million in performance fees.

For the year in review, our brokerage spend with B-BBEE brokers was 70%, well above the requirements of BEE legislation.



Our internal policies stipulate that at least 55% of the listed equities brokerage should be allocated to brokers whose BEE credentials meet the PIC's requirements. Brokers must be certified as levels 1 to 4 BEE contributors (based on the new broad-based black economic empowerment – B-BBEE – codes) and must be 51% owned or have 30% management control by historically disadvantaged individuals. For the year in review, our brokerage spend with B-BBEE brokers was 70%, well above the requirements of BEE legislation, sector transformation charters and our own internal benchmarks.

Impact and development

Through the Isibaya Fund, our unlisted division invested more than R11.5 billion in the domestic economy this past financial year.

These investments provided capital directly to private entities and indirectly via external fund managers and intermediaries in key strategic sectors of the economy: renewable energy, financial services, agriculture, housing and manufacturing. These are developmental or impact investments designed to generate positive, sustainable, long-term financial returns and simultaneously support the social outcomes of job creation, transformation, greening the economy and improving South Africa's global competitiveness.

A review of our participation in the government's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) shows that the PIC has funded or enabled funding for 25% of all REIPPPP initiatives since the programme's inception. This represents R51.7 billion of the R229 billion invested in REIPPPP projects and shows the depth, commitment and vision of the PIC's decade-long journey to help diversify the country's energy mix by investing to develop cleaner and greener power sources. Investments include the facilitation of R2.3 billion in socio-economic development (1.3% of total revenues to date) and R699 million in enterprise development (0.4% of total revenues to date). To date, 69 554 jobs have been created through the REIPPPP, 10 359 of which were created directly by the companies in the PIC portfolio.

This represents real investment to develop essential economic infrastructure, it creates jobs and it provides opportunities for rural communities to become participants in the energy sector and the co-custodians of infrastructure development. A complete account of the Isibaya Fund's investment activities and their socio-economic impact is presented on pages 82 to 88 of this annual report.

The PIC continued to support the capital requirements of major SOEs to invest in essential economic infrastructure. While major SOEs were able to repay maturing debt during 2022 and took on slightly less new debt funding, new debt was raised at a higher average cost due to higher interest rates.

Without the PIC's continued support through bond purchases, the borrowing costs for SOEs such as Eskom, Transnet and Sanral would almost certainly have been substantially higher. In turn, this would further increase the cost of basic services such as electricity and transport, in an environment where elevated levels of electricity supply disruptions and deteriorating rail freight performance already constrain domestic output.

The PIC is the largest holder of bonds in Eskom (R85.5 billion), Transnet (R18.6 billion) and Sanral (R13 billion). We retain our exposure to other important development finance institutions, including the Development Bank of Southern Africa and the Industrial Development Corporation. These investments are aligned with our client mandates and sustain essential services in our economy. We continue to achieve returns commensurate with the associated risks of these investments for the benefit of clients, their members and beneficiaries.

Inside the PIC

Guided by the work of the PIC Board, with oversight by the Minister of Finance as shareholder representative, as mandated by the President, implementing the findings and recommendations of the Mpati Commission of Inquiry is virtually complete.

An advisory panel led by retired Justice Yvonne Mokgoro monitored the implementation plan and handed its report to the Board in December 2022 with its oversight of the implementation of the recommendations. To date, 96% of the recommendations have been addressed by the PIC and 4%, which concerned matters under investigation by law enforcement agencies or that required action by third parties, are being attended to.

> REPORT BY THE CHIEF EXECUTIVE OFFICER

The process should be completed in the coming financial year once the President, as the owner of the Mpati Report, through the Minister, has considered and accepted the status of the implementation.

The Board provides further detail in its governance review on page 150 of this report.

The organisational structure of the PIC was realigned during the financial year to enhance its ability to meet and exceed client mandates and to support its investment strategy more effectively. The executive management team was reconstituted to make provision for a new structure and the new roles of chief officers in line with the Commission's recommendations. An important milestone was the appointment of Kabelo Rikhotso as Chief Investment Officer (CIO) in May 2022.

Under his watch, the PIC approved funding of R11.19 billion for investments in the challenging unlisted space, in terms of new unlisted mandates entered into with the GEPF and other clients. The funding approvals included both direct and indirect investments in South Africa and the rest of the continent. Of the six transactions approved in the multimanager private markets, four were for majority black-owned and -managed firms and two were majority female-owned and -managed businesses.

The CIO provides a full account of both listed and unlisted investments on pages 54 to 123 of this annual report.

Our employee count remained stable during 2022/23, rising marginally to 389 employees from 381 in the previous financial year. Recruitment is positively geared towards appointing black professionals, particularly women.

The PIC management team continued to regularly engage staff to reinvigorate the organisation after the ravages of the scrutiny of investigations and the findings of the Commission of Inquiry into allegations of impropriety. The journey to reinforce morale and build an ethical, proficient, high-performance culture and institutional excellence at the PIC continues.

We are addressing the internal environment to improve relations with employees and to respond meaningfully to the concerns of the Commission. Our commitment is to create a working environment that is inclusive, absent of fear and mistrust and where positive staff morale raises productivity.

Conclusion

The year under review presented formidable challenges to our operating environment. I am confident that we have in place a capable management team, led by the Board, to steer our organisation to even greater success in executing our core mandate.

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

I thank our clients for entrusting us with their assets, our management and employees for their commitment to this organisation and our shareholder, the Minister of Finance, for his constant support and strategic leadership.



Abel Sithole
Chief Executive Officer



> REPORT BY THE CHIEF INVESTMENT OFFICER

Kabelo Rikhotso
Chief Investment Officer

*Global financial markets
were influenced by multifold
and interlinked factors.*

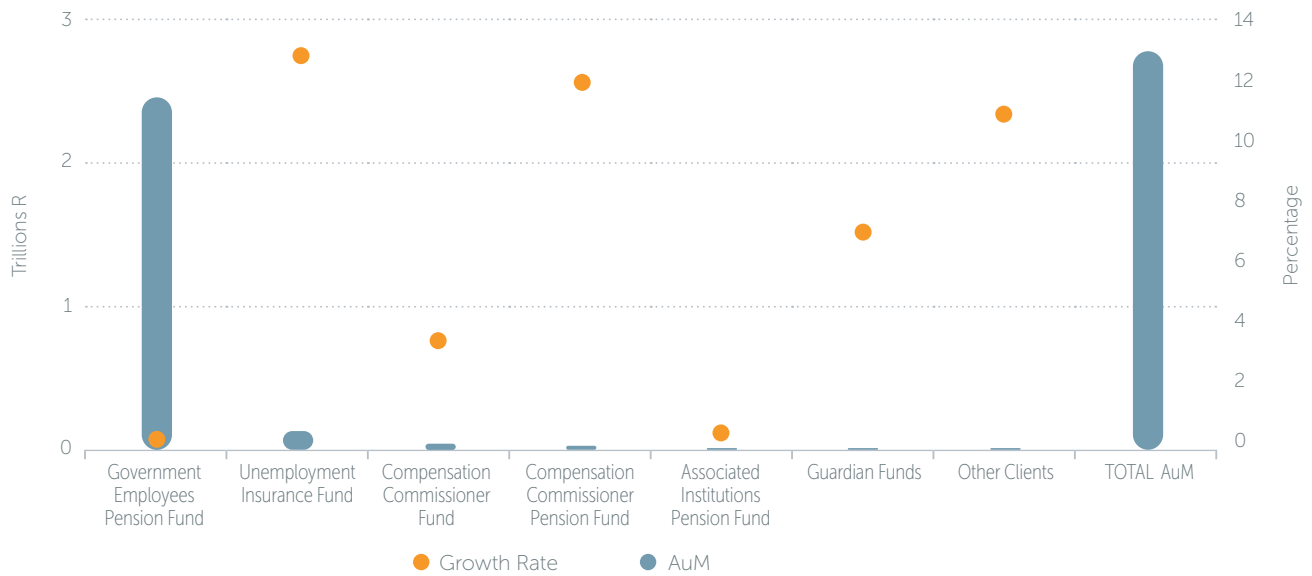
Investment performance

In 2022/23, global financial markets were characterised by rising inflation, high interest rates, tighter financial conditions, heightened geopolitical tensions, risk aversion and slowing economic growth. In addition, local investors faced persistent electricity supply disruptions, which are weighing on company earnings through higher input costs, lost production, and supply chain disruptions. Notwithstanding these odds, the PIC made considerable strides in its investment performance.

Our assets under management grew by 2% to R2.599 trillion in the year ended March 2023, driven mainly by growth in the value of listed bonds, which offset the decline in the value of domestic equities. Among the top three clients, the UIF AuM grew by 13% to R133.5 billion, boosted by the portfolio's higher exposure to domestic bonds. The CC AuM grew by 4.3% to R54.4 billion, while the GEPF AuM grew by 1.1% to R2.3 trillion. The GEPF accounts for 88.9% of the PIC's total AuM, followed by UIF and CC at 5.1% and 3.9% respectively. The PIC has 15 other smaller clients, with a combined AuM of R61.3 billion, which grew by 7% during the year under review.

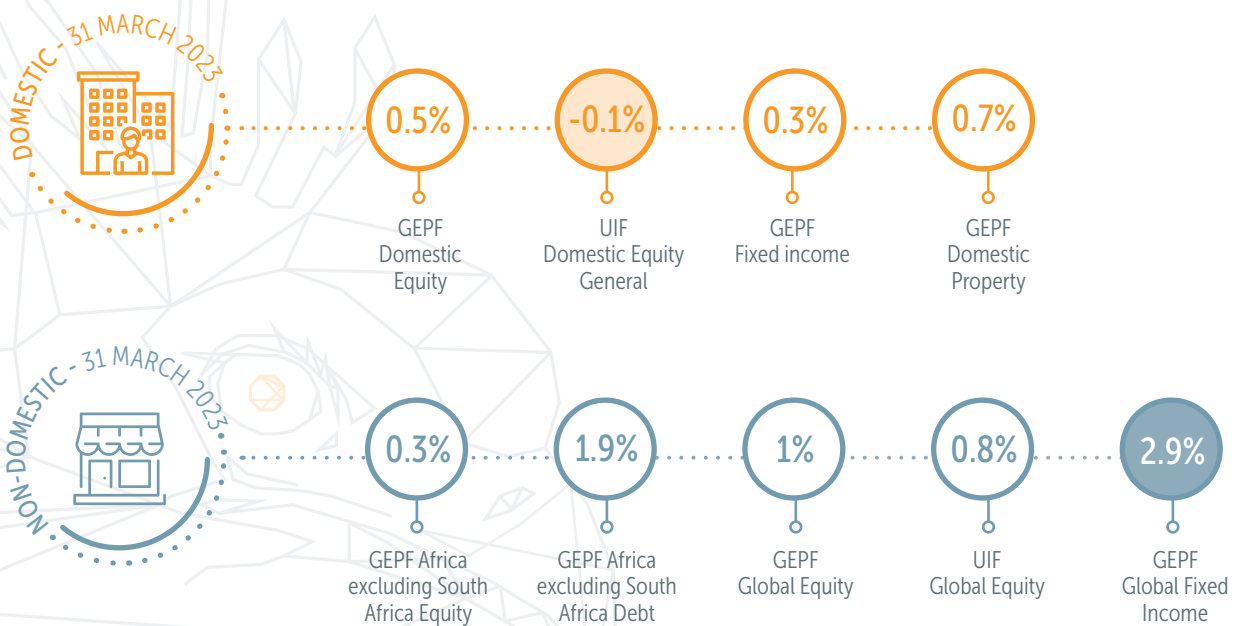
Our Listed Investments team outperformed the market in the 2022/23 financial year, while the Listed Equities Portfolio outperformed its benchmark (JSE All Share Index) by 1%. Inflation-linked bonds and conventional bonds portfolios outperformed their respective benchmarks by 0.7% and 0.3%. The cash component outperformed the market by 0.3%. The Listed Property component of the portfolio performed in line with the South African Property Index benchmark.

PIC AuM BY CLIENT AND ANNUAL GROWTH



We have implemented the client strategic allocation and appointed offshore managers (US\$1.4 billion worth of AuM) to manage emerging market strategies. For South Africa we allocated R17.8 billion to domestic equity managers in line with our mandate and portfolio construction guidelines. Sixty percent of this allocation was to black-owned and -managed firms. Over three years, we recorded positive excess returns for all GEPF-listed investments and a marginal underperformance (-0.1%) for the UIF domestic equity portfolio from externally managed assets.

Excess returns over three years



Having signed a new unlisted investment mandate in April 2022 with our clients, transaction approvals in 2022/23 totalled R10.5 billion across our GEPP mandate and R690 million investment for the CC. These include both direct and indirect investments in South Africa and the rest of the continent in sectors such as financial services, agriculture, energy, information and communications technology and retail. Of the six transactions approved in the multimanager private markets, four were majority black-owned and -managed, and two were majority female-owned and -managed. This demonstrates that transformation, diversity and inclusion are essential to the PIC. We invested US\$100 million (R1.65 billion) equity investment in the Africa Finance Corporation that will go towards the development, industrialisation and growth of the African continent. We converted our equity from a subsidiary (US\$250 million) into the Export Trade Commodity Group, one of the largest agricultural commodity supply chain managers, with operations in sub-Saharan Africa, Asia, Australia and North America.

Unlisted Property transactions totalled R4.5 billion (from a separate mandate), including the approval for investments in Attacq Waterfall Investment Company, Lango Real Estate and the Oceans Retail Mall. We disposed of 44 of the 69 assets earmarked for disposal to a total value of R845 million and we completed six real estate developments valued at R2.8 billion.

Our investment decisions are informed by top-down macro-economic research, bottom-up fundamental research, quantitative research, sector investment strategies and thematic research.

We seek to be a thought leader on key investment themes that will exceedingly focus on sustainability and the broader environmental impact of our activities and long-term investment decisions. The PIC will continue to position itself at the forefront of developments shaping the investment landscape, including the hydrogen economy, investing with the intent to advance gender equality, contribute to a just energy transition, incorporate a focus on emerging technologies, and better understand the likely effects of geopolitics on our investments.

To preserve value for our clients and support businesses in distress, we have restructured six transactions, with a portfolio exposure of R4.7 billion. A turnaround plan has been developed for all assets in distress, with an exit strategy for more than 70% of underperforming investments. To inform turnaround plans, the team continues to undertake deep dives into these companies to understand the root

problems. We actively manage our portfolio and investee companies through robust relationships, ongoing oversight, risk management and performance evaluation. In the past year, the team completed a number of settlements on long outstanding litigation matters. We also successfully exited four investments.

Our climate change position paper will start to inform investments. To advance our environmental, social and governance imperatives, our Transformation Charter, which seeks to economically empower all black people, particularly women, youth, people living with disabilities and those living in rural areas – was approved by the PIC Board. The team reports quarterly to the Investment Committee on the implementation of the charter. As an active investor and shareholder, we voted on 349 proxy voting resolutions and undertook 493 unlisted investment engagements with companies funded by the PIC. In listed investments, we voted at 185 shareholder meetings and undertook 210 engagements with the Boards and management teams. We continue to drive diversity of PIC Board nominees in both listed and unlisted investee companies to ensure acceptable racial and gender representation at Board and executive management levels.

During the year, the PIC was named, for a second time, one of the most responsible asset allocators in the world by the Responsible Asset Allocator Initiative, a global organisation promoting responsible investment. Asset allocators are evaluated on their investment strategy, governance structure and commitment to sustainability.

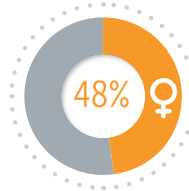
Amid the achievements of 2022/23 many challenges persisted. These included capacity constraints (filling key vacancies is underway), slow procurement processes to conduct due diligence, delays in disbursements and budgetary constraints. To counteract these, we are improving efficiencies and rolling out best practice technologies, systems and automation to accelerate our investment pace.

The year's outstanding performance shows that the restructuring of the investment divisions to ensure alignment across different business units within the PIC is already yielding results, as are the improved levels of trust and confidence within the team. We remain committed to delivering superior risk-adjusted returns for our clients while ensuring positive societal outcomes.



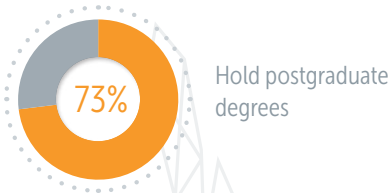
Kabelo Rikhotsi
Chief Investment Officer

THE PIC INVESTMENT TEAM

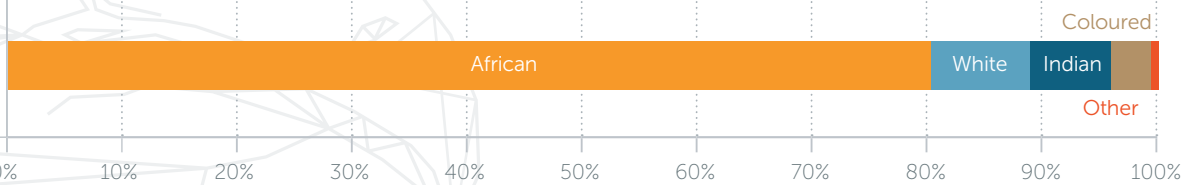


14.6 years
The average combined industry experience of the team

The Investment team is highly qualified



DEMOGRAPHICS



Investment team's qualifications and experience

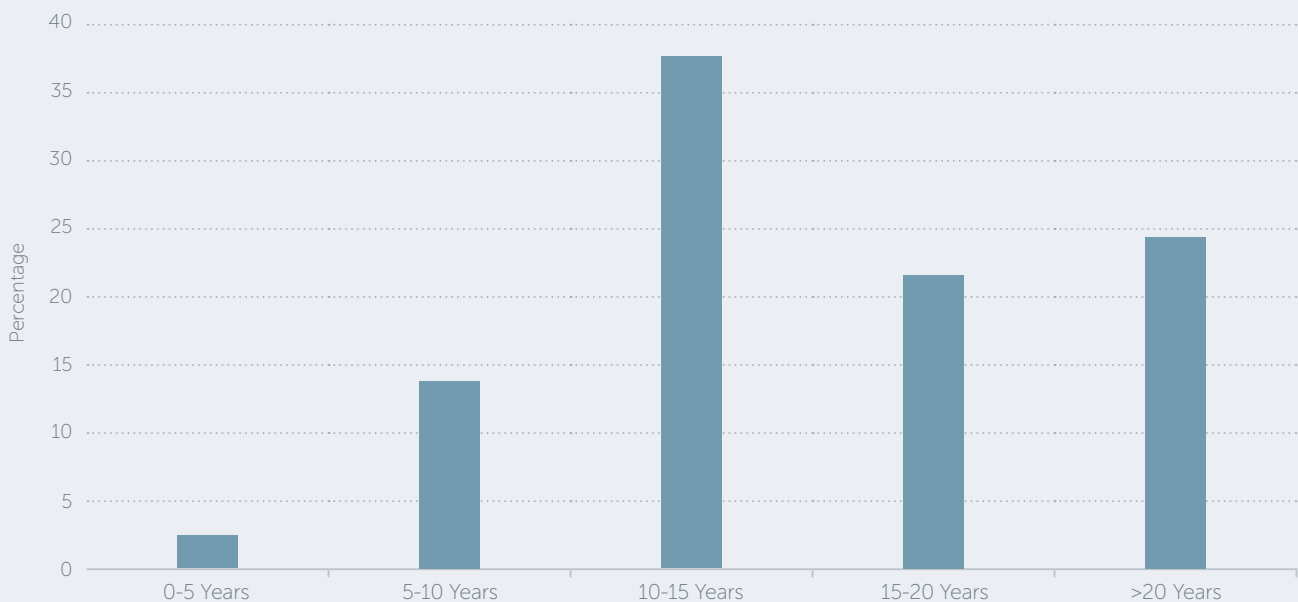
HIGHEST QUALIFICATION*

Division	Qualifications						
	Undergrad	Honours	Master's	PhD	CFA/CAIA	CA	LLB
Listed Investments	25	14	9	–	4	7	7
Unlisted Investments	31	26	9	–	–	14	7
ESG	19	16	11	1	–	–	2
Research	16	15	9	–	1	1	–
Private Markets	7	5	4	–	–	1	–
Public Markets	10	6	3	–	2	–	–
Investment Management	26	10	6	–	–	7	–
Properties	20	12	4	–	–	2	–
Investment Legal	13	1	8	–	–	–	13

* Investment team's highest qualification



INDUSTRY EXPERIENCE



NATIONAL TREASURY INSTRUCTIONS ON FRUITLESS, WASTEFUL, AND IRREGULAR EXPENDITURE

New directives from the National Treasury require that the PIC, as a public entity operating under Schedule 3B of the Public Finance Management Act (PFMA), provide a detailed account of any instances of Fruitless, Wasteful, and Irregular Expenditure.

The table below provides the detail of each occurrence in the PIC's financial statements.

Fruitless and wasteful expenditure

Figures in Rand thousand	2023	2022
Reconciliation of Fruitless and Wasteful expenditure		
Opening balance	1 600	-
Add: fruitless and wasteful expenditure - current year	-	1 600
Less: amount written off	(1 600)	-
Closing balance	-	1 600

No Fruitless and Wasteful expenditure incurred during the year. The R1.6 million was written off in the current year after approval from the Company Audit Committee.

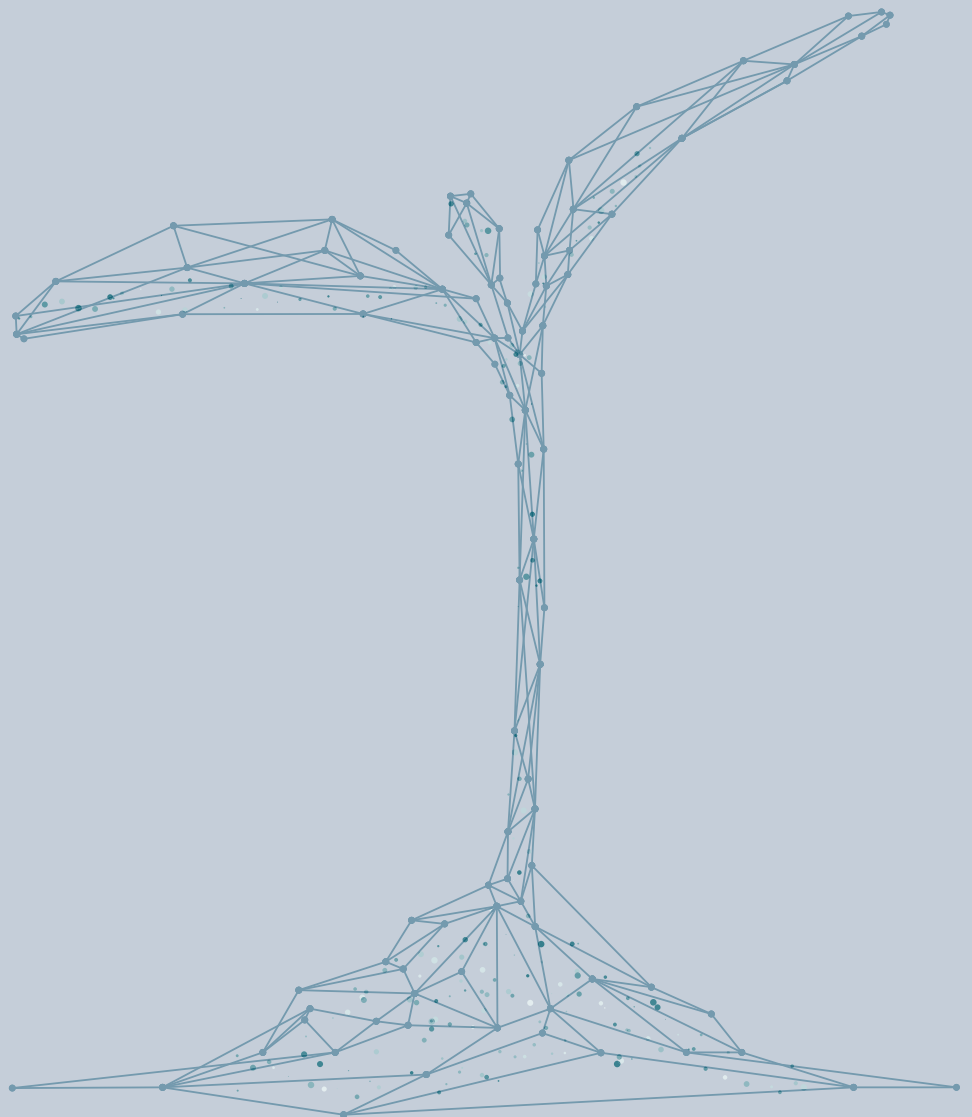
Irregular expenditure

Figures in Rand thousand	2023	2022
Reconciliation of irregular expenditure		
Opening balance	-	8 096
Add: Irregular expenditure confirmed in the current year*	89	-
Add: Irregular expenditure identified in prior year but recognised in current year	-	3 444
Add: Irregular expenditure incurred in prior year but identified in current year	-	-
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not recovered and written off	-	(7 250)
Less: Irregular expenditure not condoned and removed	-	(4 290)
Closing balance	89	-
Reconciliation to the irregular expenditure disclosure note		
Irregular expenditure that relate to 2021 financial and identified in 2022	-	3 444
Irregular expenditure for the current year*	89	-
	89	3 444

*A payment was made in contravention of the Corporate Delegation of Authority, resulting in a breach of Section 56 of the Public Finance Management Act (PFMA).

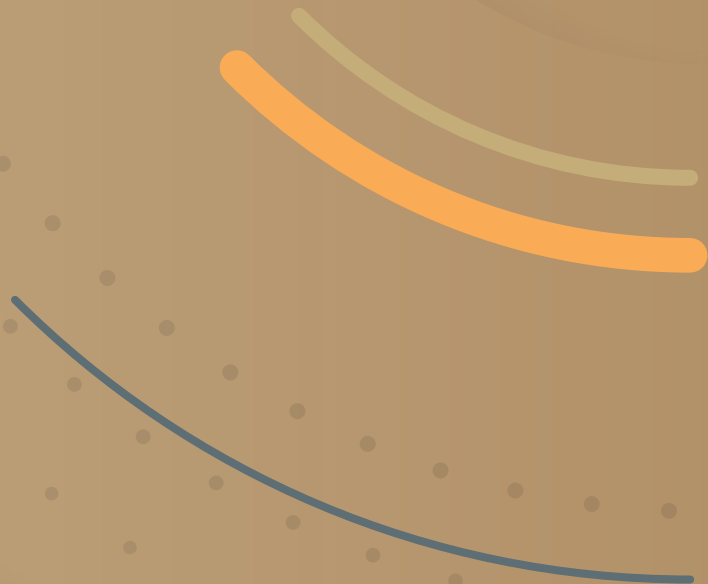
“During the year, the PIC was named, for a second time, one of the **most responsible asset allocators in the world** by the Responsible Asset Allocator Initiative, a global organisation promoting responsible investment. Asset allocators are evaluated on their investment strategy, governance structure and commitment to sustainability.”

Kabelo Rikhotso
Chief Investment Officer





ENVISIONING A TRANSFORMED FUTURE:
EMPOWERING COMMUNITIES
WITH SUSTAINABLE
INFRASTRUCTURE FUNDING





PART TWO

DELIVERING ON CLIENT EXPECTATIONS

CONTENTS

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INVESTMENT PHILOSOPHY

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

FINANCIAL AND SOCIAL RETURNS



ALPHA GENERATION

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

DIRECT INVESTMENT APPROACH

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

SOCIO-ECONOMIC TRANSFORMATION

Transforming and contributing to the economy to improve sustainability through Impact Investing.



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

ENVIRONMENT

Protecting the environment to sustain the creation of wealth.

SOCIAL

Sharing the wealth is an insurance for sustained wealth creation.

GOVERNANCE

Good governance enhances financial performance.

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



RISK MANAGEMENT

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



DIVERSIFICATION

Well-diversified portfolios produce stable distribution of returns.



TIME HORIZON

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



MARKET EFFICIENCY

Markets differ in efficiency at macro, sector and asset levels, providing opportunities to generate excess returns over related benchmarks through asset allocation. Investment strategies will reflect a mix of active and passive investments, with passive investments being emphasised in more efficient markets.



VALUATION AND ANALYSIS

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



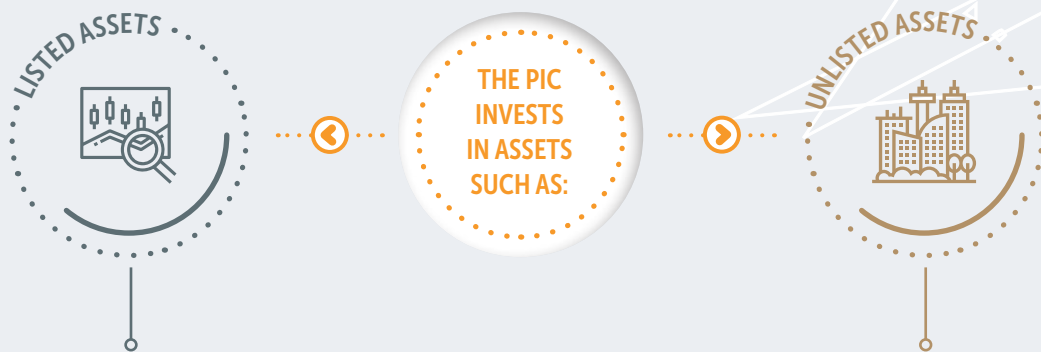
COST

The PIC believes that managing the costs of investing adds significant value to the production of excess returns. Investment strategies will be used cost-effectively.

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.



ALLOCATION OF THE TOP FIVE CLIENTS

▶ Listed Equities	GEPF	UIF	CC	CP	
▶ Listed Bonds	GEPF	UIF	CC	CP	AIPF
▶ Money Markets	GEPF	UIF	CC	CP	AIPF
▶ Listed Properties	GEPF	UIF			
▶ Offshore (Global)	GEPF	UIF			
▶ Rest of Africa	GEPF				

ALLOCATION OF THE TOP FIVE CLIENTS

▶ Private Equity	GEPF			
▶ Unlisted Properties	GEPF	UIF		
▶ Impact Investing	GEPF	UIF	CC	CP
▶ Offshore (Global)				
▶ Rest of Africa	GEPF			
▶ Structured Investment Products	GEPF			

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.



APPROVAL COMMITTEES COMPRISE...

- 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 ORIGATION

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

SCREENING AND INITIAL DEAL STRUCTURING

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

DUE DILIGENCE

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

DEAL STRUCTURING AND DECISION

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



Comprise Management/Executive Members



Comprise Independent, Non-Executive and Executive Members



Request permission to proceed to due diligence and incur due diligence costs



Request approval from the relevant governance committee in accordance with the PIC-approved DoA**



Request approval in accordance with the PIC-approved DoA



Request approval or recommendation for approval*



Management and review of the valuation methodology and calculation of fair values of listed and unlisted investments, including properties**

* 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

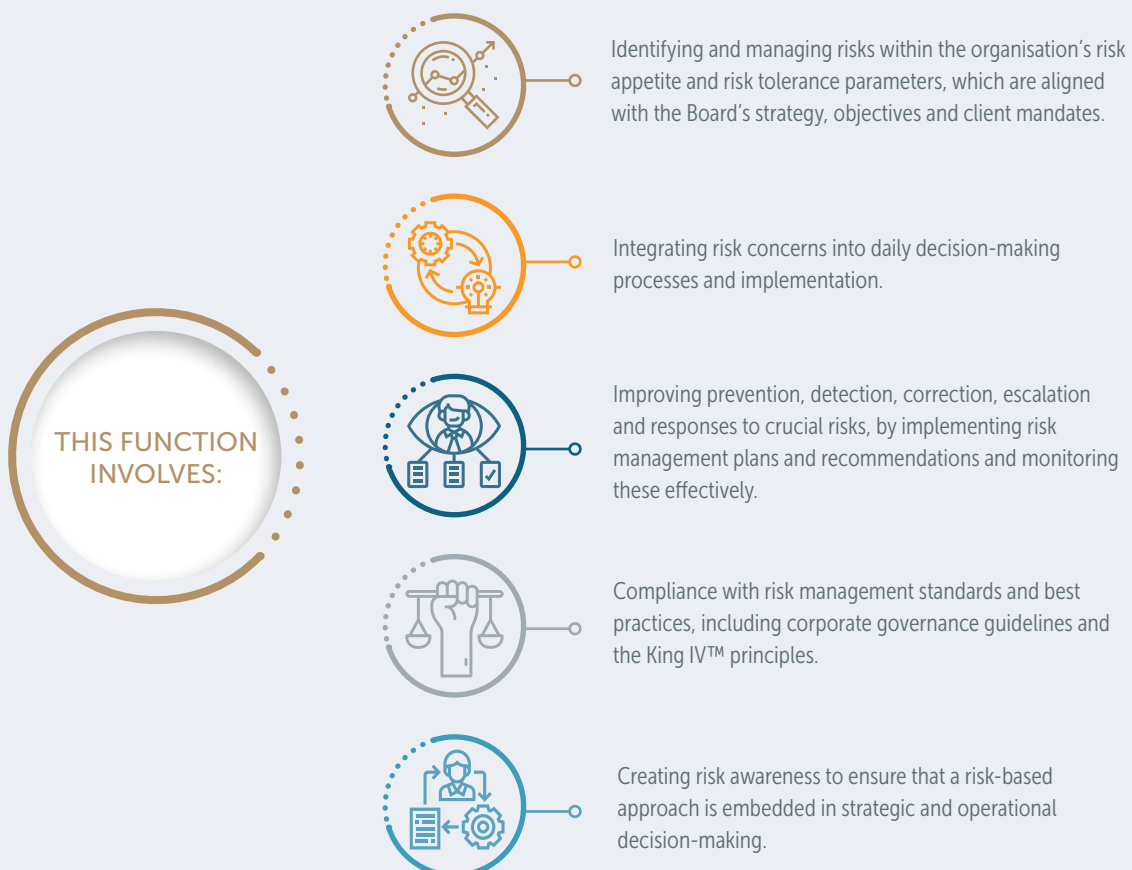
RISK MANAGEMENT

Risk management is central, not only to the PIC's ability to deliver on its mandate, but to its sustainability and that of its clients. The King IV™ principles on corporate governance decree that the Board must manage risk, with Principle 11 stating that, "the governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives". Although the PIC Board, ultimately, has to ensure the effective management of risk, it has delegated oversight of the function to the Risk Committee and the Audit Committee respectively, under the leadership of the Chief Risk Officer (CRO).

Risk management identifies, assesses, measures, prioritises and responds to risks that may affect the achievement of the PIC's strategic, investment and operational objectives. The probability of negative events is minimised and the potential for credible investment opportunities is maximised through this approach.

Strategic risks, identified by the Board and Exco, are monitored quarterly to ensure an appropriate risk profile for the organisation. Through risk identification and measurement, appropriate responses are developed, and these are continuously updated and enhanced as the business environment shifts.

Risk management function



Enterprise-wide risk management

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

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

Through the ERMF, the PIC uses both top-down and bottom-up approaches to risk identification, assessment and mitigation. The top-down approach is set by the Board, as the governing body. It entails risk workshops with the Board, Exco, Risk Committee and other Board sub-committees. The bottom-up approach involves risk assessments in every division and function. Both identify key risks that may impede the achievement of our 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 and compliance (second line of defence) and internal and assurance providers such as internal audit and external audit (third line of defence) to ensure that prioritised risks throughout the organisation are mitigated through effective operating controls.

The PIC's principal risks

THE PIC'S 10 PRINCIPAL RISKS ARE:

* During the year, the Risk Committee recommended that credit, market and liquidity risks be classified individually as principal risks and not under the broad investment risk category to ensure focus on the management oversight of each. ESG risk (including biodiversity) is a new principal risk category.



STRATEGIC RISK

The risk of making inappropriate strategic choices or the inability to successfully execute selected strategies or adapt to changes in the external business, political or socio-economic environment.



*CREDIT RISK

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



*MARKET RISK

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



*ESG, INCLUDING BIODIVERSITY RISK

ESG risk measures the impact that environmental, social and governance-related factors could have on the financial materiality of the PIC and the performance of an investment.



OPERATIONAL RISK

The risk of loss resulting from inadequate or failed processes, people and systems or from external events.



INFORMATION TECHNOLOGY AND CYBER RISK

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



LEGAL AND REGULATORY RISK

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



REPUTATIONAL RISK

The risk of loss of credibility due to internal or external factors is often related to, or results from, other categories of risk.



*LIQUIDITY RISK

Liquidity risk is the risk that a listed asset becomes illiquid (unable to be sold at the desired value) when the client needs to sell it in the future.



MODEL RISK

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

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

Emerging Risks

As part of the enterprise risk management process, the environment is continuously scanned to identify, assess and ensure proactive management of potential threats to the organisation. The identification of emerging risks is a process led by the Risk division, receiving input from various stakeholders, such as Exco, Board committees and the Board. Once identified, the possible risk mitigation measures are formulated and each is allocated to a risk owner (Exco member).

The management of emerging risks follows the same risk governance process as for top risks, that is Exco and the Board actively engage in understanding and overseeing the management of these risks to foster a risk-aware culture that encourages proactive risk identification and management.

EMERGING RISK DESCRIPTION	RISK OWNER	MITIGATING CONTROLS
Higher interest rates and for longer in South Africa and major trading partners.	Chief Investment Officer	The impact is monitored by the Research and Investment teams and is incorporated into decisions at the quarterly Strategic Asset Allocation Committee meetings.
Eskom risk, exacerbated by continued power outages and the likelihood that South Africa will experience protracted electricity supply disruptions beyond stage 6.	Chief Investment Officer/Chief Financial Officer	The impact on the portfolio is monitored by the Research and Investment teams, while the impact on unlisted investment valuations is monitored by the Valuations Committee and the Audit Committee. Securing alternative power sources so that key staff can operate without interruption.
Infrastructure risk exacerbated by: <ul style="list-style-type: none"> ▶ Eroding rail and road infrastructure impeding economic growth; and ▶ Poor service delivery by municipalities and inconsistencies in water supply, sanitation and housing, and the poor state of roads. 	Chief Investment Officer/Chief Financial Officer	The impact on the portfolio is monitored by the Research and Investment teams, while the impact on unlisted investment valuations is monitored by the Valuation Committee and the Audit Committee.
Cost-of-living crisis because of high food and fuel prices, coupled with increases in interest rates, forcing households to make difficult financial decisions, leading to weaker consumer demand that could negatively affect investee companies in the PIC portfolio.	Chief Operations Officer/Chief Investment Officer	The Investment and Research teams constantly monitor this risk and it is incorporated into decisions at the quarterly Strategic Asset Allocation Committee meetings. The Human Resources team continues to monitor the impact of these developments, including the mental health of staff.
Climate change and severe weather events are increasing, affecting lives and food security, with increased risk of predicted El Nino weather patterns.	Chief Risk Officer/Chief Investment Officer	Climate risk is monitored by the ESG team, which ensures that the organisation complies with the UN Principles for Responsible Investing and the requirement for a PIC climate strategy and climate position statement.

EMERGING RISK DESCRIPTION	RISK OWNER	MITIGATING CONTROLS
Socio-economic and political instability locally (particularly given the national election in 2024) and globally.	Chief Investment Officer	The ESG team continues to monitor the social risks of PIC investments. Risk to staff and directors are monitored and if needed, security services are made available.
Remaining on the Financial Action Task Force greylist for an extended period.	Head: Compliance	The impact of greylisting is monitored by the Compliance team and reported to the Audit Committee and Investment Committee.
Secondary sanctions amid heightened geopolitical polarisation.	Chief Investment Officer/Chief Risk Officer	Geopolitical tensions and the resultant impacts are monitored by the Investment, Research and Risk teams. The potential impact on investments and the PIC is analysed and submitted to the Investment, Risk and Audit committees.
Fuel capacity risk due to the closure of oil refineries.	Chief Operations Officer/Chief Investment Officer	The impact on the PIC is monitored by the Research and Investment teams.

Key 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, and ESG) and further assessed by governance structures such as the PMC, IC and Board. › 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 when required the Board). › Adoption of a robust investment process and sound policies, underpinned by a strong investment philosophy. › Implementation of the approved investment strategy is overseen by the Chief Investment Officer (CIO) and monitored by the IC and the Board. › Development and implementation of asset selection and allocation are overseen by the CIO, the Strategic 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.
Financial sustainability	The risk of business failure for the PIC Corporate	<ul style="list-style-type: none"> › The Finance division ensures that organisational and business units' budgets are aligned with the organisation's strategic direction. › Annual budgeting with input from all business units. › The Board approves and oversees the organisation's budget. › 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 Audit Committee 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.

RISK	DEFINITION	MANAGEMENT AND MITIGATION
Reputational risk	Damage to the PIC brand/image (negative stakeholder perceptions)	<ul style="list-style-type: none"> ▶ Timeous and high-quality information is provided to stakeholders to improve transparency. ▶ A Stakeholder Management Framework has been approved and is implemented. ▶ Reputational risk and adverse media reports monitored by a third-party service provider and reported on. ▶ Reputational risks posed by investee companies assessed as part of investee company due diligence. ▶ Oversight of reputational risk by the PMC, IC and the SETCO.
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 client mandate and restrictions and other regulatory restrictions. ▶ CRIMS rules are reviewed when mandates change. ▶ CRIMS enforced approval process, which ensures adherence to trade approval limits. ▶ Client instructions reviewed against existing mandates and amendments proposed to ensure compliance with mandates. ▶ Client mandates workshopped with internal stakeholders and clients to ensure appropriate understanding when client mandates change or need discussion.
Regulatory compliance	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 legislative changes with inputs from service provider LexisNexis. ▶ Annual compliance plan reviewed and approved by Exco, the Audit Committee and the Board. ▶ Compliance with legislation/policies and remedying of findings assessed by risk-based compliance audits and trackers reported to Exco, the Audit Committee, SETCO, the Risk Committee 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 business relationships are entered into or funds disbursed. ▶ Policies developed and maintained in line with legislative or operational requirements. ▶ Staff trained in legislation and policies.

> RISK MANAGEMENT

RISK	DEFINITION	MANAGEMENT AND MITIGATION
Technology	PIC systems not functioning properly to support the achievement of business objectives	<ul style="list-style-type: none"> ➤ Service level agreement contracts in place and adherence to contractual obligations by service providers/vendors are being monitored. ➤ Service level agreement 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 server. ➤ Business applications migrated to Microsoft Azure to protect the organisation. ➤ Systems more stable since the migration to cloud technology. ➤ Information Technology division capacitation for business continuity. ➤ Upgrades to ensure alignment with the latest versions and systems. ➤ Periodic reporting to the Information and Communications Technology and Governance Committee.
Information and cybersecurity	Cyber-attack, which will render PIC systems and data vulnerable and/or unavailable	<ul style="list-style-type: none"> ➤ Board-approved Information Security Strategy 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. ➤ Security awareness training programme. ➤ Live dashboard in place to monitor information security posture. ➤ Acceptable Use Policy guiding the use of PIC business systems and technologies. ➤ Information Security Policy that governs the secure use of PIC technology.
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 Board sub-committees. ➤ Regular monitoring of the Risk Appetite Framework, with breaches to approved limits reported timeously to stakeholders. ➤ Implementation and compliance with Anti-bribery and Corruption Policy monitored. ➤ Compliance with safety, health and environmental legislation and workplace safety ensured. ➤ Business Continuity Framework 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. ➤ Continuous engagement between management and staff. ➤ Junior to senior management development programmes in place. ➤ Regular communication with all staff on key human resources developments. ➤ Oversight of human resources matters by the Human Resources and Remuneration Committee.

RISK	DEFINITION	MANAGEMENT AND MITIGATION
Ethics and culture	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. ➤ Develop and implement codes of ethics and ethics policies. ➤ Employee vetting by the Human Resources division. ➤ Training and ongoing communication on ethics. ➤ Investee company due diligence. ➤ Monitoring the PIC external and internal whistleblower hotline. ➤ Investigating reported cases and consequence management. ➤ Oversight of ethics matters by Exco, SETCO and Board.
Governance	Inadequate governance	<ul style="list-style-type: none"> ➤ Board-approved governance structures and tracking of committee effectiveness via annual work plans. ➤ Implementing the PIC Act (as amended), the Public Finance Management Act (as amended), the Companies Act, the Memorandum of Incorporation (MoI) and the King IV™ code. ➤ Adopting and monitoring the adherence to delegations of authority. ➤ Board meeting management solution (Convene) in place to enhance governance. ➤ Organisational policies, frameworks and standard operating procedures to ensure adherence to governance processes, roles and responsibilities.
ESG (including climate and biodiversity risks)	Inability to identify, measure and monitor ESG in investments	<ul style="list-style-type: none"> ➤ ESG is embedded in Listed and Unlisted Investment processes. ➤ Politically exposed persons reporting incorporated into ESG reports. ➤ Monitoring politically exposed persons-approved transactions.
Anti-bribery and corruption (internal and external)	PIC employees, Board, third parties and investee companies may accept or pay bribes for or on behalf of the PIC	<ul style="list-style-type: none"> ➤ Develop and implement the anti-fraud and anti-corruption, whistleblower, gift disclosure and conflicts of interest policies. ➤ Monitor the PIC external and internal whistleblower hotline. ➤ Employee vetting. ➤ Employee and director declarations of gifts and entertainment, conflicts of interest and outside interests. ➤ Investigate reported cases. ➤ Due diligence of investee companies. ➤ Segregation of duties promoted through the declaration of interest, policies and frameworks.
Strategy execution	Inability to implement the approved organisational strategy	<ul style="list-style-type: none"> ➤ Ongoing review and monitoring of strategy execution progress. ➤ Mandate, policies, frameworks, human resources and systems in place to support strategy execution.

Risk profile summary

Key strategic risks identified by Exco and approved by the Board are monitored throughout the year and adjustments are made as risks evolve and migrate. In the year under review, the Board and Board sub-committees continuously reviewed the principal risks to ensure that appropriate controls are in place. PIC residual risks are depicted in the risk matrix below:

LIKELIHOOD	RESIDUAL RISK RATING				
Almost certain >90%	Strategy execution Technology Anti-bribery and corruption Ethics and culture ESG (include climate and biodiversity) Information and cybersecurity Human capital	Financial stability Governance	Reputational Investment performance		
Highly probable 51% – 70%	Compliance (regulatory compliance) Mandate				
Possible 31% – 50%	Effective enterprise risk management				
Unlikely 11% – 30%					
Rare					
IMPACT	Negligible	Minor	Moderate	Major	Critical

Risk Appetite Framework

The Risk Appetite Framework sets the tolerance for risk-taking within the organisation's capacity to bear risk. Risk limits and risk profile assessments are other key elements in the implementation of the framework.

The framework comprises:

- Risk appetite statements, which articulate the PIC's risk-taking, risk-mitigation and risk-avoidance (where applicable) principles. These contain risk category-specific statements and are a tool for the Board and executive management to guide and monitor PIC risk-taking activities; and
- Risk appetite limits, derived internally by subject matter experts with Exco and the Board, which set the boundaries for the acceptable level of risks within the established risk appetite. Investment risk limits are established in client mandates and PIC risk management policies.

The PIC benefits from establishing and communicating risk appetite by:

- Enabling the Board to exercise oversight by stating the nature and level of risks it considers acceptable or unacceptable;
- Expressing senior management's attitude to risk;
- Establishing a framework for making risk-based decisions;
- Allocating resources to monitor and address priority risks; and
- Aligning strategic goals with risk activities by balancing business returns with risks inherent to pursuing goals.

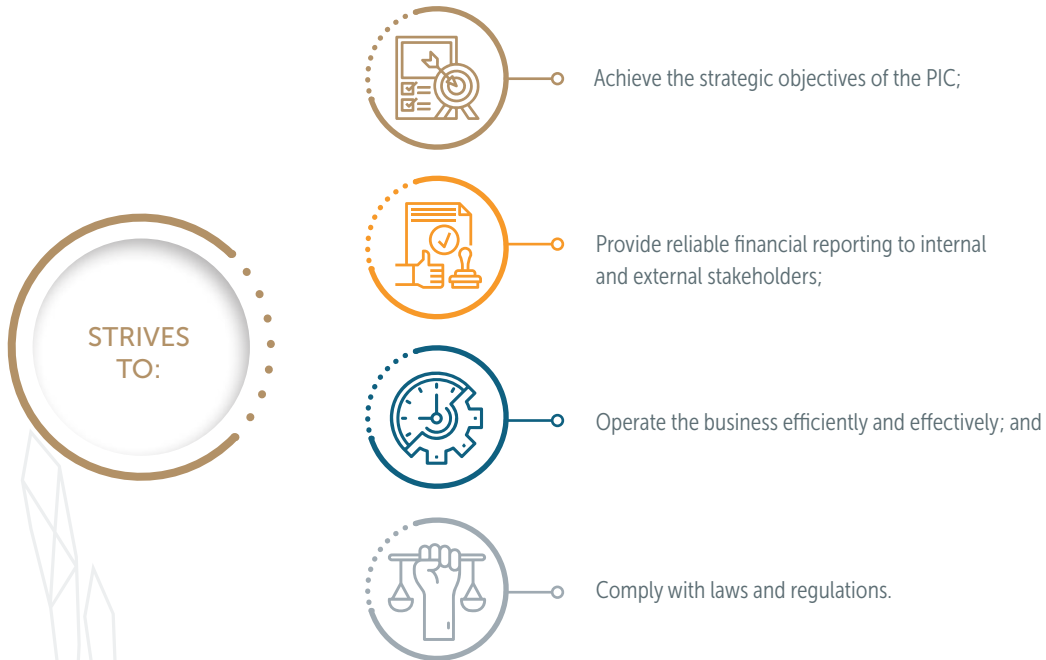
RISK	RISK APPETITE STATEMENT
Mandate compliance risk	The PIC has a low tolerance for mandate breaches unless approved by the client.
Investment Risk – Listed Equities	Tolerance is low for risk taking beyond the tracking error limits articulated in the client mandates. Accordingly, the PIC will rebalance the portfolio to keep the tracking error below the upper limit and in line with its research framework.
Investment Risk – Fixed Income	The PIC will not accept credit quality below what is prescribed by client mandates. It has a low risk tolerance for breaching mandate credit rating limits and modified duration.
Investment Risk – Externally Managed Funds	No investment will be made with externally managed funds that does not meet qualitative criteria in: <ul style="list-style-type: none"> › Organisational stability (management, sustainability, regulatory compliance etc); › Skilful Investment team (depth and experience); › Sound investment processes; › Sound operational environment; and › Adequate risk management and support functions.
Investment Risk – Properties	Zero risk appetite for assuming risks beyond client mandates.
Investment Risk – Investment Management	The PIC has a low tolerance and appetite for risks associated with inadequate investment monitoring and inadequate disbursement process. Furthermore, the PIC has a low tolerance for ESG risk taking beyond what client mandates state. The PIC has a low-risk appetite and tolerance for the following: <ul style="list-style-type: none"> › Late and inaccurate disbursement and payment of services providers; and › Non-compliance with internal processes and policies.
Market Risk	The PIC has a low tolerance for risk taking beyond client-specified risk parameters. In the absence of these, the absolute risk (volatility) of the portfolio should not exceed 50% of the absolute risk of the reference index, implying a maximum volatility ratio of 1.5 to the reference index. This volatility ratio shall be measured using 24 months of historical data for an ex-post measurement and 12 months for the <i>ex-ante</i> measurement.
Credit Risk	The PIC has a low tolerance for credit risk taking beyond client-specified credit risk parameters and the PIC's investment philosophy and criteria. In the listed portfolio, the PIC invests only in investment-grade credit quality exposures in accordance with client mandates. In the unlisted portfolio, (excluding Property), the PIC invests in companies with an implied probability of default of less than 20% and will take collateral to reduce the Loss Given Default. The PIC will be biased towards credit exposures that are rated in low- to moderate-risk categories.
Liquidity Risk	Tolerance is low for risk taking beyond client-specified risk parameters. In the absence of this, the aim will be to liquidate 30% of the total client portfolio value within 10 business days.
Model Risk	The PIC has low appetite for model errors and non-compliance with the Model Risk Policy.
Operational Risk	The PIC has: <ul style="list-style-type: none"> › No appetite for the non-continuation of business operations following a disaster; › Zero tolerance for financial statement fraud by employees; and › No appetite for unauthorised disclosure of client information.

RISK	RISK APPETITE STATEMENT
Legal Risk	<p>There is zero tolerance for:</p> <ul style="list-style-type: none"> › Non-compliance with applicable laws, regulations, policies and other requirements imposed by various regulatory bodies. › Failure to abide by contractual obligations; and › Failure to comply with court orders and processes.
Compliance Risk	<p>The PIC has zero appetite and tolerance for any threats that may cause a loss to its Financial Advisory and Intermediary Services licence and a low appetite and tolerance for compliance breaches that may cause financial loss or penalties and imprisonment.</p>
Governance Risk	<p>The PIC has a low tolerance for:</p> <ul style="list-style-type: none"> › Weak declaration of interest processes; and › Delayed communication of decisions after meetings. <p>It has zero tolerance for:</p> <ul style="list-style-type: none"> › Non-compliance with statutory requirements; and › Failure to sign non-disclosure forms/confidentiality forms.
Anti-bribery and Corruption	<p>The PIC has zero risk appetite and zero tolerance for fraud, bribery and corruption and prohibits them in any form, whether direct or indirect. Bribery and corruption by employees or third parties in any kind of relationship with the PIC are not tolerated.</p>
People Risk	<p>The PIC expects staff to conduct themselves with great integrity, to strive for excellence in their work and its outcomes and to promote the interests of all stakeholders. Appetite for behaviour below these standards is very low, as it is for:</p> <ul style="list-style-type: none"> › Non-compliance with labour laws and regulations, including the Employment Equity Act; › Non-compliance with the Recruitment and Remuneration Policy; and › Failure to develop talent (developing employees with skills and competencies). <p>There is zero appetite for unethical conduct by employees, third parties and stakeholders.</p>
Information technology (IT) Risk	<p>The PIC has a low appetite for the following:</p> <ul style="list-style-type: none"> › Unavailability of systems that support its crucial business and investment functions; › Damage and interruption to the PIC's assets from threats arising from malicious attacks; › Poor project execution emanating from poor business commitment and investment and leading to poor or misaligned results or incidents; and › Solutions and systems that do not adhere to approved architecture standards and policies. <p>The PIC has a high appetite for:</p> <ul style="list-style-type: none"> › Innovation and use of tried-and-tested technologies to improve investment processes and increase revenue; and › Business solutions that enable business/investment objectives while aligning to international standards.

RISK	RISK APPETITE STATEMENT
<p>Strategy Risk</p>	<p>The PIC has a low risk appetite and tolerance for:</p> <ul style="list-style-type: none"> › Execution and achievement of strategy and outcomes not aligned with the Corporate Plan; › Inability to safeguard the stability and sustainability of the organisation; › Ineffective or inefficient decision-making and execution; › Inability to evolve, adapt and remain relevant as the biggest asset manager on the African continent; and › Non-responsiveness to changes in the internal and external operating environment.
<p>Reputational Risk</p>	<p>Reputational risk and client satisfaction are treated very seriously, hence zero tolerance for:</p> <ul style="list-style-type: none"> › Inappropriate/unauthorised comments to the media; › Providing requested information to Parliament outside of the requested period or as required by the rules of Parliament; and › Inadequate query management processes, resulting in late responses to client queries. <p>Tolerance is low for reporting to clients outside of the approved service level agreement.</p>

Control environment assessment

The PIC has developed a tool to assess the robustness and effectiveness of the internal control environment aligned to the Committee of Sponsoring Organisations Framework. The control environment describes the set of standards, processes and structures that provides the basis for carrying out internal control assessments across the organisation. A controlled environment is the foundation on which an effective internal control system is built and operated in an organisation that strives to:



The PIC operates in a rapidly evolving business environment, which requires a dynamic risk management culture through effective internal controls to ensure that objectives are achieved. The PIC continuously assesses its risks and the effectiveness of controls to mitigate these risks.

The organisation benefits from implementing processes to perform continuous, comprehensive, effective and robust control environment assessments. Successful implementation of control environment assessment processes provides the PIC with a framework to determine its internal control profile.



CONTROL ENVIRONMENT PRINCIPLE:



GOVERNANCE

The Risk division assesses the governance environment, receiving input from internal stakeholders to inform the assessment of governance structure performance.



INTEGRITY AND ETHICS

The Risk division receives and assesses reports and documentation from the Ethics Office, including risk and control self-assessment, ethics-related key risk indicators and risk-appetite metrics. Ethics Office engagement is ongoing to assess the organisation's ethics risk posture.



COMBINED ASSURANCE

Engagement with assurance providers aligned to the combined assurance model, including:

- › Outcomes of the Combined Assurance Forum;
- › Internal audit reports and trackers; and
- › Compliance audit reports and trackers.



ORGANISATIONAL STRUCTURE, RECRUITMENT AND STAFFING

Review of organisational structure developments, recruitment and staffing controls, managing key vacancies and succession planning.



RISK IDENTIFICATION AND MANAGEMENT

The Risk division assesses risk management activities, including:

- › Credit-risk assessment, measurement and reporting to support investment decisions;
- › Market-risk assessment, measurement and reporting to support investment decisions;
- › Top-risk assessments, measurement and reporting;
- › Risk-appetite monitoring; and
- › Business unit risk assessment, review and monitoring.



ADDRESSING CHANGES

Identification and assessment of changes that could significantly affect internal control, including material internal and external changes. It may also involve reviewing emerging risks reported to Board committees.



TECHNOLOGY CONTROL

Assessing IT controls, including:

- › Review of the IT risk register;
- › Receiving input from the IT and cyber-risk section of the Corporate Risk Register;
- › Engagements between the Operational Risk Management and IT departments; and
- › Review of the IT-related key risk Indicators and risk-appetite reports.

Accelerating impact in 2023/24

- › Global Investment Performance Standards compliance: Adopt and implement best performance and attribution practices and reporting;
- › Portfolio risk management: provide deeper insights and assurance across the portfolio by utilising our data capabilities; and
- › Credit risk: further invest in people and technology to enhance our credit risk management processes.



ENVISIONING A TRANSFORMED FUTURE:
EMPOWERING COMMUNITIES
WITH SUSTAINABLE
INFRASTRUCTURE FUNDING





PART THREE

GENERATING LONG-TERM SUSTAINABLE RETURNS

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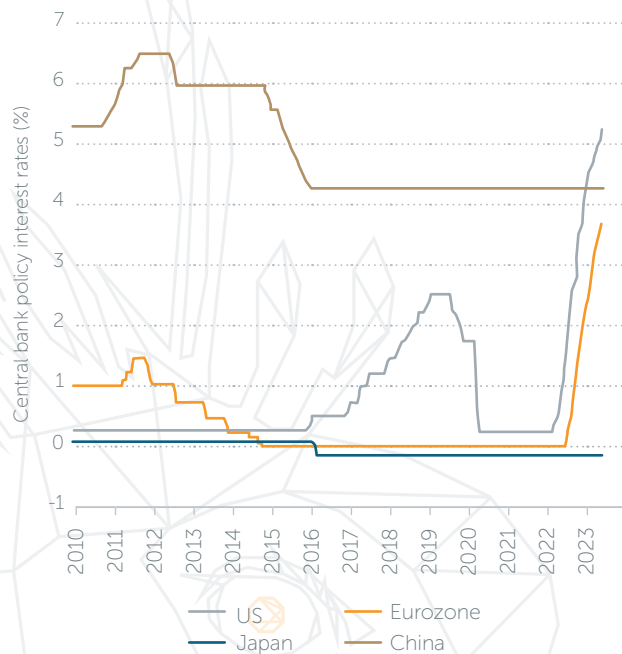
ECONOMIC REVIEW

Global economic conditions and outlook

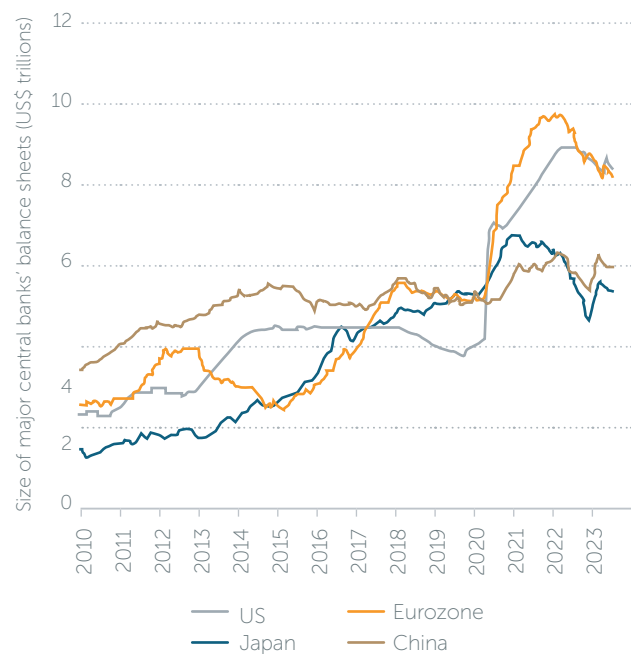
The global environment was mired in slowing economic growth amid rising interest rates and geopolitical tensions. The International Monetary Fund (IMF) cut its 2023 growth forecast for major economies, citing tight financing conditions as central banks continue to fight elevated inflation. Emerging markets are also expected to be under pressure as weak demand in developed markets will limit demand for their inputs. Commodity exporters are particularly vulnerable to the global economic slowdown.

Global interest rates will remain high in the near term to curb persistently high inflation. High inflation remains the biggest threat to economic growth and market performance. This inflation trend was due to supply chain disruptions, fiscal stimulus and elevated commodity prices (fuelled by the conflict in Ukraine), which continue to be a concern for central banks. As a result, central banks have taken significant measures to tighten monetary policy, including consecutive interest rate hikes and balance sheet reduction, ending a period of record low interest rates and abundant liquidity. Despite the significant monetary policy tightening, most economies have proven resilient, with measured slowdowns in real economic activity. The impact of elevated interest rates on the global economy and markets is becoming evident.

MAJOR CENTRAL BANKS INTEREST RATES AND BALANCE SHEET ASSETS



Source: PIC Research, Bloomberg



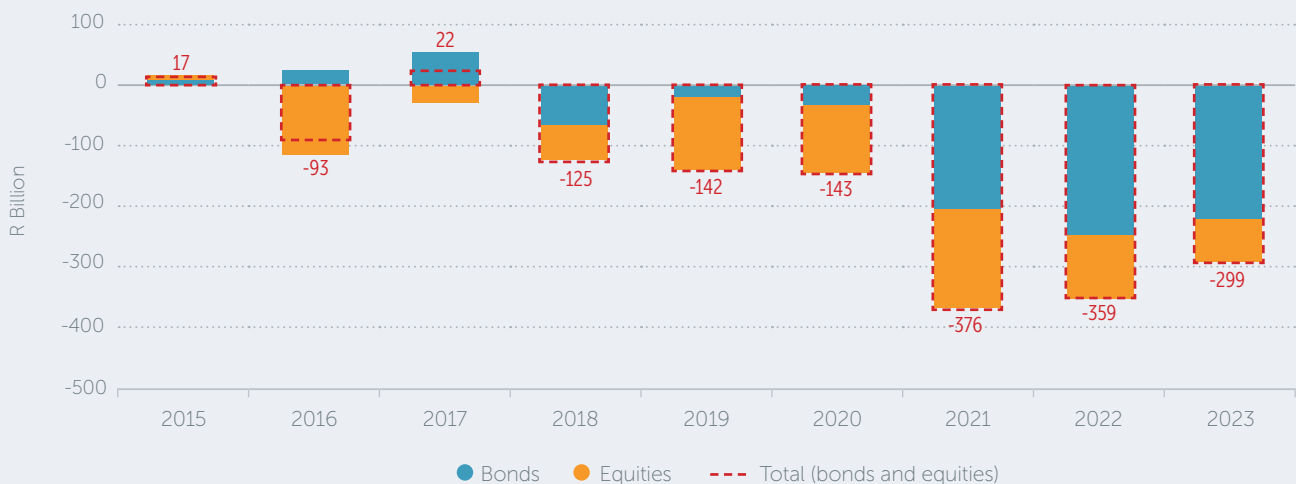
High public debt levels with high debt-servicing costs elevate the risk of emerging market sovereign defaults. The fiscal stimulus during the COVID-19 pandemic was funded mainly through debt at a time when interest rates were low and liquidity was plentiful. Emerging markets attracted capital due to their relatively higher interest rates compared to those of developed markets, with interest rates closer to zero. As developed market central banks increased interest rates and reduced their balance sheets, these markets' yields became increasingly attractive, leading to tighter financing conditions. Emerging market central banks also raised rates to narrow the interest rate differentials between their rates and what is set by the US Federal Reserve (Fed). This has made refinancing and servicing debt more expensive for emerging markets, which now have higher debt levels and are expected to continue to struggle under tighter financing conditions. Funders with exposure to emerging market sovereign debt should expect this asset class to underperform as economic growth slows while funding costs remain high.

Heightened geopolitical tensions triggered risk-off sentiment where investors shunned higher-risk emerging market assets in countries such as South Africa. As a result, capital moved out of these markets towards safe havens such as dollar-

dominated assets. South African capital markets have seen significant outflows recently, driven by a myriad of global and local factors, including geopolitical tensions, electricity supply disruptions, persistently high unemployment, crime and corruption. High interest rates in developed markets made these countries even more attractive during the risk-off environment, resulting in a reallocation of capital away from emerging markets. This has led to weaker currencies and relatively higher bond yields in emerging markets. Not all were affected similarly by the geopolitical tensions between Russia and Ukraine, as the rise in commodity prices provided a boost to commodity-exporting emerging markets such as South Africa, Brazil and Chile. However, commodity prices continue to slow on the back of lower global growth.

Since the onset of the pandemic, foreign non-residents have continued to sell large quantities of domestic bonds and risk assets. Cumulative flows have not reversed over the last five years. As domestic bonds continue to offer some of the world's best bond yields and, thus, fixed income returns, it is not surprising that the sell-off has been largely in equity. Cumulatively, foreign non-residents sold R299 billion worth of South African risk assets and bonds from 1 January to 31 July 2023 as sell-offs continued into the new reporting period.

NET FOREIGN PURCHASES/(SALES) OF SOUTH AFRICAN BONDS PLUS EQUITIES



Source: PIC Research, Bloomberg, JSE, SARB

Note: Year-to-date is up to 31 July 2023



South Africa's economy relies heavily on trade with other countries. The external sector's strength can contribute to economic growth, while its weakness might dampen expansion. South Africa's external sector has been plagued by a large trade imbalance, declining commodity prices and a weakened rand. These factors are major obstacles for the country to reach its economic targets. The government will need to be decisive in addressing these obstacles in order to grow the economy and create jobs and to reverse the trend of anaemic growth and rising unemployment.

A prevalent after-effect of the COVID-19 pandemic was the reorganisation of supply chains to reduce reliance on global supply networks. The supply chain disruptions of 2020/21 revealed vulnerabilities of interconnected and interdependent production networks. Countries and companies aim to reduce their exposure to global supply chains by becoming more reliant on local production. The effect of this will be a rise in production costs, eliminating the main reason for moving production to the most efficient and cost-effective countries. In addition, the benefits of scale in reducing costs will be reduced.

For companies that can pass on costs to their consumers without overly reducing demand, this will have an inflationary effect. However, companies with more elastic demand will probably have to absorb the rise in costs and reduce margins, thus affecting company earnings. Countries such as China, which benefitted from the outsourcing of global production when globalisation was on the rise, stand to lose the most. The extent of deglobalisation and onshoring remains uncertain, but costs versus benefits is likely to limit onshoring for non-strategic industries. Countries seem to be focusing mainly on strategically significant industries such as chip manufacturing and energy. This makes China's current shift to a more consumption-driven economy even more crucial. However, deglobalisation gained momentum before China

progressed significantly in shifting its economy to be more consumption-driven, thus its growth engine is losing steam.

The transition to consumer-driven growth means China will have to contend with lower growth, as typically, consumption-driven economies are associated with more developed nations, which tend to have lower growth rates. Consequently, Chinese authorities have revised growth targets lower to around 5%, the lowest in three decades. Although this is low growth by China's standards, there will be investment opportunities for companies that produce consumption products and financing as the middle class grows and living standards rise. The reallocation of capital to finance more consumer-driven growth provides opportunities for investment as this shift is still in its early stages. China's current trajectory may offer some insulation from deglobalisation, but it is still likely to be the biggest loser, although how much it will lose is not clear at this stage as manufacturing there still holds cost benefits. The shift may make Chinese labour more expensive and its low-value industries less competitive. This will necessitate a focus on more high-value manufacturing, but as this is the focus for onshoring initiatives, it is a downside risk to long-term growth in China.

Asset managers play a vital role in combatting climate change, given their ability to divert capital towards sustainable investments that minimise greenhouse gas emissions and alleviate the effects of climate change. Sustainable assets such as renewable energy, green bonds and sustainable firms should attract investment. Asset managers, thus, have an important role in protecting the planet and building a more sustainable future.

While the operating environment remains uncertain, we are probably close to the peak of global interest rates and inflation. As the global economy turns, investment opportunities for capital allocators will increase. This should also bring relief to the domestic economy and to the oversold and battered rand.

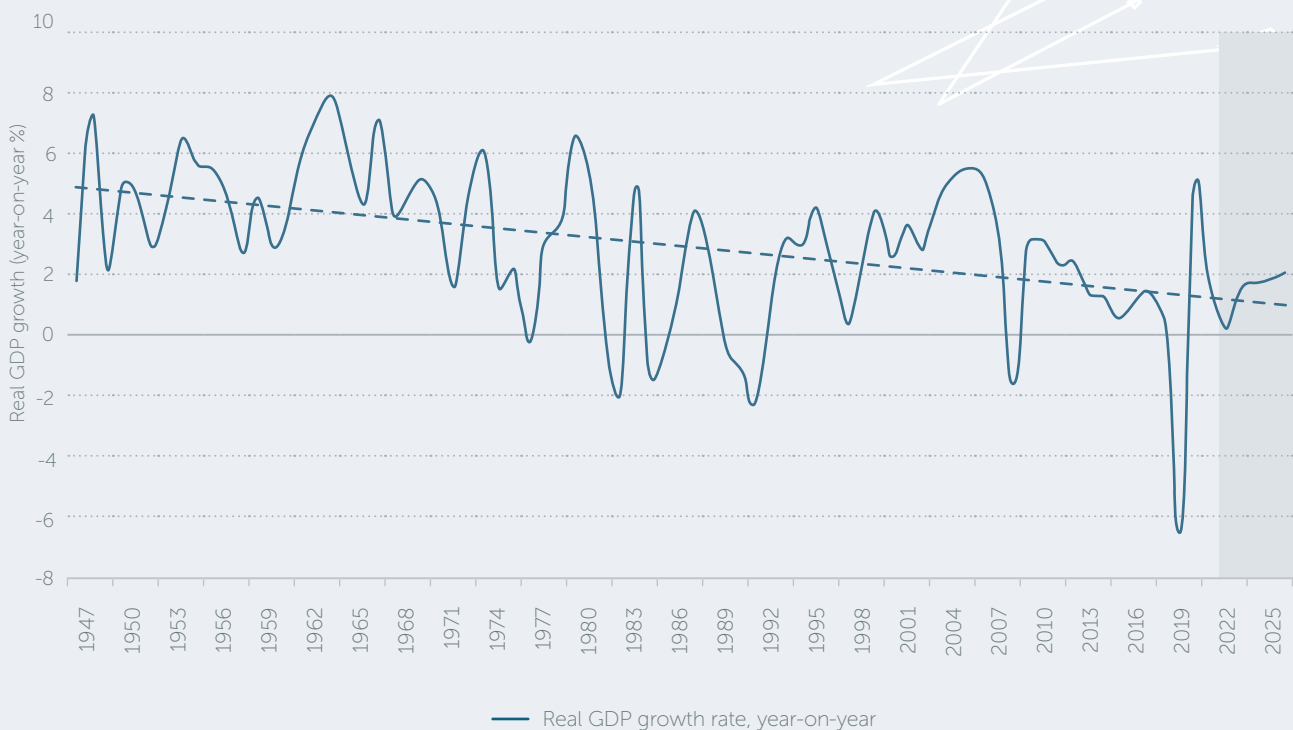


The reallocation of capital to finance more consumer-driven growth provides opportunities for investment as this shift is still in its early stages.

Domestic outlook

South Africa faces a macro-economic environment of high inflation, low growth, an energy crisis, with high borrowing costs and rising sovereign risk. The level of inequality is one of the world's most extreme and impedes economic growth by diminishing the purchasing power of most people and causing social discontent. It also has one of the highest unemployment rates, which restricts growth by reducing the number of people who can contribute to the economy. Dilapidated public infrastructure needs repair and modernisation. Furthermore, this constrains growth by making it difficult for firms to deliver products and services and for employees to commute to work. Additionally, corruption acts as a significant deterrent to investment and a major cause of government inefficiency. This has resulted in infrastructure decay and numerous service delivery failures. As the figure below indicates, the country is projected to have one of the lowest levels of growth since World War II – an estimated 0.3% year-on-year in 2023.

SOUTH AFRICA RECORDS ONE OF THE LOWEST ECONOMIC GROWTH RATES SINCE WORLD WAR II

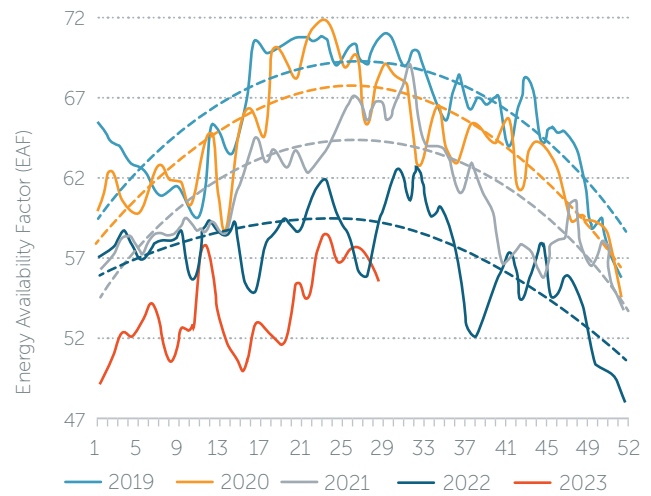
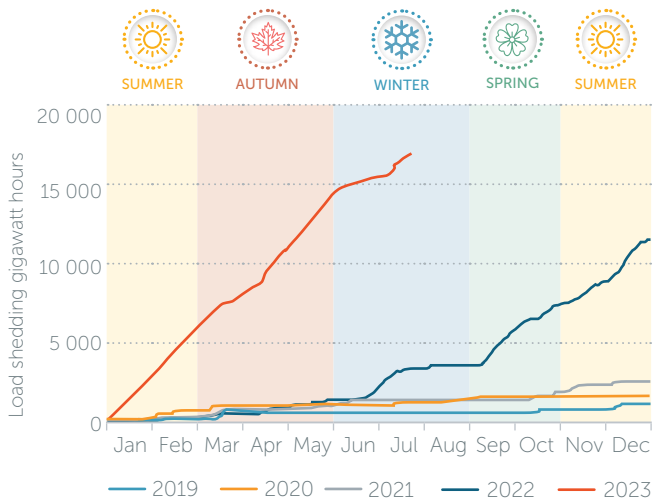


Source: PIC Research, South African Reserve Bank
 Note: Shaded area indicates PIC forecast period



In May 2023, South Africa surpassed the total amount of electricity supply disruptions experienced in 2022, which was more than four times that of the previous year. Electricity supply disruption has disrupted businesses and caused production losses, impacts that are now reflected in company results – higher input costs, lower output and decreased earnings. According to the South African Reserve Bank (SARB), stages 3 and 6 outages, which lasts anywhere from six to 12 hours a day, cost to the economy between R204 million and R899 million per day. This has sent business, investment and consumer confidence levels plummeting. The SARB forecasts that electricity supply disruptions will reduce gross domestic product by two percentage points in 2023 and that it contributes 0.5 percentage points to inflation.

CUMULATIVE ELECTRICITY SUPPLY DISRUPTIONS AND ESKOM'S ENERGY AVAILABILITY FACTOR



Source: PIC Research, South African Reserve Bank, EskomSePush, Eskom, Twitter

Electricity supply disruption is a significant obstacle for South African asset managers such as the PIC as it has resulted in productivity losses, increased expenses, diminished investor confidence, greater volatility and decreased liquidity.

In addition to the economic impact, electricity supply disruptions have social and environmental consequences. Inconveniencing individuals and interrupting their lives. It has a substantial negative effect on society. Additionally, it might contribute to air pollution as power plants compelled to run at less than full capacity release more air pollutants and power cuts force the use of diesel-run generators.

Although the government has improved the efficiency of the power grid, invested in new power plants and encouraged energy efficiency, it must do more to address the causes of electricity supply disruption, including outdated infrastructure and corruption at Eskom. The role of the private sector may need to be much bigger than currently permitted by government policy.

A collapse of the national grid would be significant and far-reaching. It would cause economic disruption as businesses and households would be unable to access power, which would lead to further job losses, production losses and disrupted economic activity. Citizens' frustration with the lack of power could spur social upheaval characterised by demonstrations, looting and other civil disturbance.

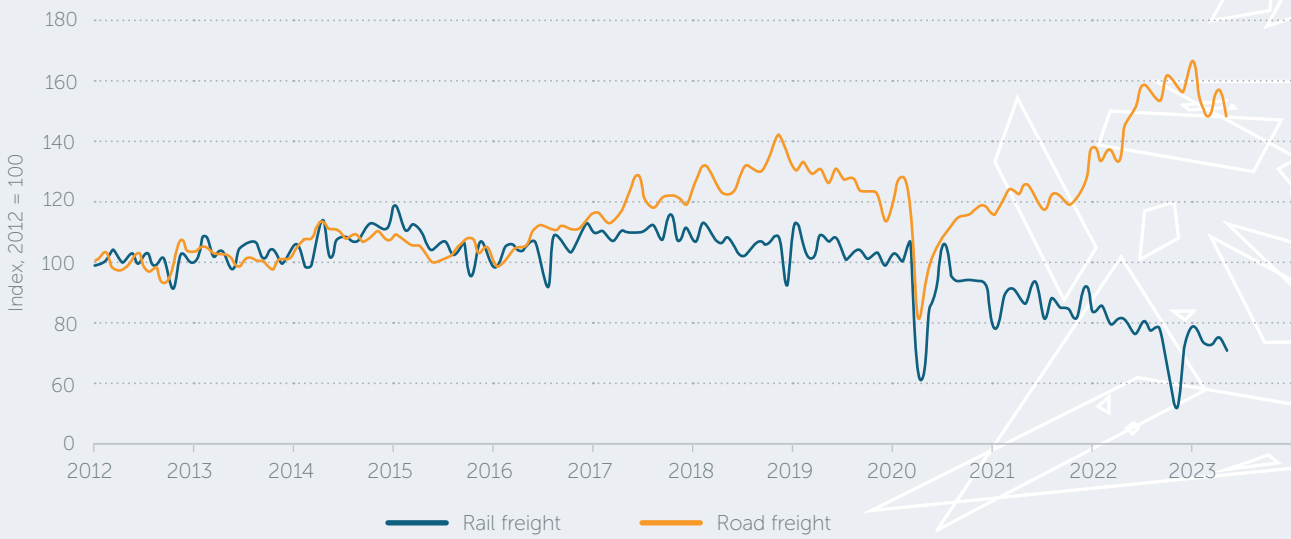
The absence of power for medical equipment and essential services would undoubtedly increase the number of deaths and hospitalisations.

The government and the private sector need to mitigate the risks of a grid collapse and to ensure that the country is sufficiently prepared for such a possibility. In Eskom's best-case scenario, it would take about two weeks to restore the grid to full operation. Eskom's 'system operator' has even trained some European countries on how to deal with large electricity system deficits.

Deteriorating infrastructure has several negative effects, causing economic disruptions and output losses. The poor condition of roads and the declining state of the public transportation system are concerning. South Africa boasts an extensive transportation infrastructure, including its networks of roadways, railroads, airports and ports, and it has the most extensive road network in Africa. However, inadequate maintenance has resulted in the deterioration of railway networks, a major safety hazard that also leads to delays and congestion as rail freight transport shifts to road networks.

Furthermore, the country's transport system is insecure, due to crime and violence. This is a major deterrent to using public transport and it also makes it difficult to move goods and services around the country.

VOLUME OF LAND FREIGHT TRANSPORTATION



Source: PIC Research, Statistics South Africa, South African Reserve Bank

Public hospitals and clinics are poorly maintained and are frequently overcrowded, with poor patient care that contributes to the spread of disease. South Africa is also experiencing a water crisis, exacerbated by aged water infrastructure. Daily, millions of litres of water are lost due to pipe leaks and ruptures.

The lack of infrastructure investment and maintenance is also widening inequality. The government must address financial mismanagement and corruption. Expedited reforms are anticipated, including modernising of existing infrastructure and investing more in new roads, railways, airports and power plants. Furthermore, the government should more frequently partner with the private sector to finance and build infrastructure, leveraging private sector expertise and resources to deliver projects more quickly and efficiently. This approach would foster positive business sentiment and consumer confidence.

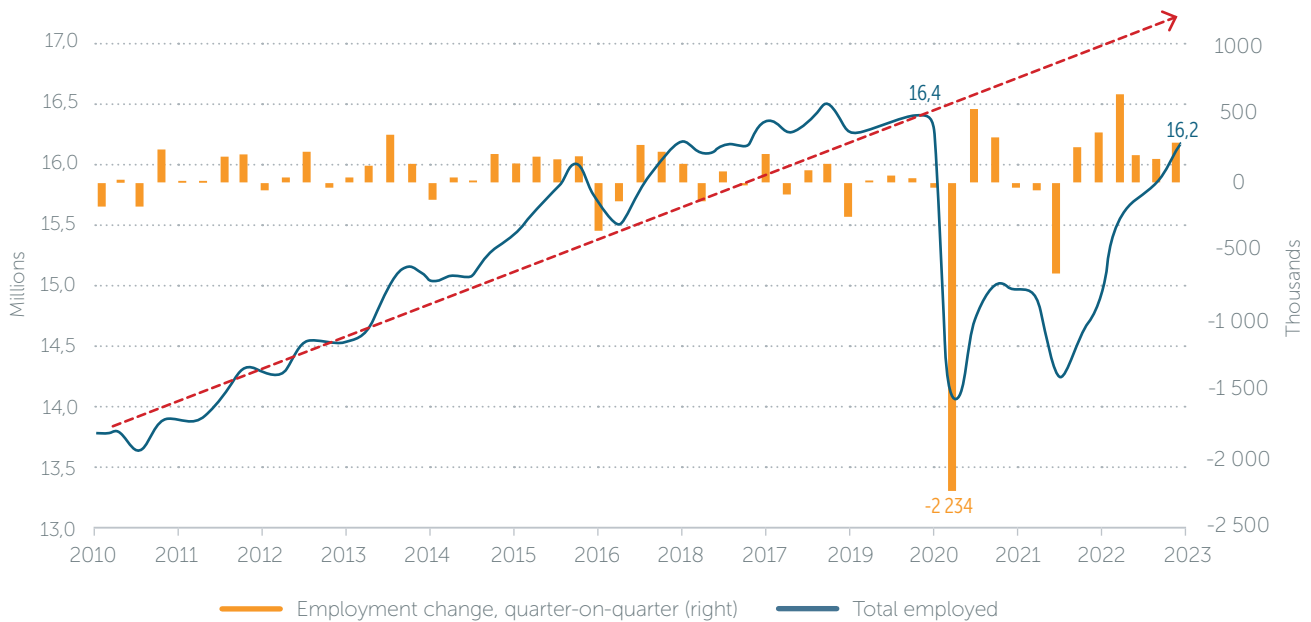
The impact of poor infrastructure and an economy that is operating sub-optimally is evident in the lack of employment creation. The South African labour market lost 2.23 million jobs during the COVID-19 pandemic, but despite the tough operating environment, just over 2 million jobs were created as people returned to work. However, the number of unemployed persons rose by 179 000, which increased the unemployment rate to 32.9% in the first quarter of 2023. Including discouraged work seekers, the broad or expanded unemployment rate stood at 42.4%.

In total, 16.2 million people were employed in the first quarter of 2023. However, this figure remains below the 16.4 million employed in the first quarter of 2020. Without pandemic-related lockdowns, the country should have approximately 17 million jobs. South Africa is among the few major economies whose labour market has not recovered to pre-pandemic levels.

Expedited reforms are anticipated, including **modernising of existing infrastructure** and investing more in new



NUMBER OF PEOPLE EMPLOYED IN SOUTH AFRICA



Source: PIC Research, Statistics South Africa

JOBS LOST DUE TO ELECTRICITY SUPPLY DISRUPTIONS
650 000
IN 2022

GRADE 4 PUPILS CANNOT READ FOR MEANING
81%

Given the low-growth environment, the number of employed individuals is expected to stagnate and possibly decrease. According to Minister of Electricity, Dr. Kgosientsho Ramokgopa, electricity supply disruptions could result in the loss of millions of jobs. In 2022, approximately 650 000 jobs were lost due to electricity supply disruptions and, if the current trend continues, this number could increase to almost 850 000 jobs.

South Africa is also confronted with a deeper crisis in education and preparedness of people entering the workforce. According to the Progress in International Reading Literacy Study, 81% of Grade 4 pupils cannot read for meaning. This puts the future labour force on the backfoot and the country's preparedness for the fourth industrial revolution at risk amid the rise in artificial intelligence (AI) and AI chatbots such as Open AI's ChatGPT. The PIC has facilitated the creation of 138 334 jobs through its investment portfolio and has empowered learners with disabilities through a groundbreaking initiative at Tsakane Special School in Bohlabela, Mpumalanga. The project includes a state-of-the-art sensory library and kitchen, revolutionising educational experiences.

Household finances in South Africa are in a state of flux. The nation faces numerous economic difficulties, including high unemployment, high inflation and a weak rand. These obstacles strain household budgets and make it difficult for many to make ends meet. In the years ahead, the economy is projected to grow slowly, which will do little to improve the situation for many households. This has resulted in a decline in consumer confidence, with the First National Bank/Bureau for Economic Research Consumer Confidence Index sliding to -25 in the second quarter of 2023.

Households have been under immense pressure as domestic inflation-dynamics have also been affected by stickier global inflation, while increased geopolitical tensions put pressure on inflation, particularly through the food basket. Recent events have highlighted threats to globalisation, which could have long-lasting impacts through reduced external trade and higher price levels. We may also see increased production frictions through fragmentation that may ultimately lead to higher prices of goods and services.

The SARB has continued to raise interest rates due to rising core inflation, recent rand weakness and a higher country risk premium. Since the start of the rate hiking cycle in November 2021, interest rates had increased by a cumulative 475 basis points by the middle of 2023 and into the new reporting period. This has increased the cost of credit, which should reduce aggregate demand by firms and households. The SARB welcomed the return to the trend of a declining headline consumer price index, but it remains elevated and rising core inflation remains a concern. The policy rate is likely to peak at 8.25% to 8.50% and the SARB will possibly start cutting interest rates later in the year as inflation continues to move lower in an environment with exceptionally low economic growth.

Being particularly volatile, the rand's value can move substantially over time. Variables such as the economy's small size and openness, which makes it susceptible to external shocks, can contribute to this volatility. Currency volatility can also be influenced by political instability. For instance, the 2008 financial crisis and the COVID-19 epidemic both contributed to the rand's devaluation. Moreover, currency speculators bet frequently on the rand's future value, which can also exacerbate the situation. The rand has depreciated to its weakest levels ever, breaching the R20/US\$ level in May 2023. Fortunately, the rand regained some ground and dipped below R18/US\$ in July 2023.

South Africa's current investment climate is uneven. On the one hand, the country offers a variety of appealing investment prospects, such as a diverse economy, a skilled labour force and a strategic geographic position. On the other hand, there are high levels of inequality, crime and corruption.

South Africa hosted its fifth investment conference in April 2023, where President Cyril Ramaphosa noted that the country overshot its R1.2 trillion investment goal by more than R300 billion. This year, the conference focused on attracting investments in the just transition to green energy.

It increased South Africa's visibility as an investment destination and piqued the interest of enterprises worldwide. However, to attract foreign direct investment, the country needs to provide an operating environment conducive for businesses to thrive, resolve infrastructure bottlenecks and provide a predictable and stable regulatory environment.

Prominent risks and opportunities

The implications of coalition politics in South Africa are complex and can vary depending on circumstances. However, coalition governments are generally viewed as positive to encourage political diversity and a better balance of power in democracies as they can broaden political representivity, decision-making and accountability. However, multi-party governments can be less effective and more unstable than single-party administrations and possibly impede the speed of reforms, leading to policy and political uncertainty. This has been evident in major metros in the country where leadership instabilities have adversely affected service delivery.

Domestic policymakers have various options to combat climate change as the move away from fossil fuels toward a cleaner and greener economy takes hold. These include investing in renewable energy, adapting to climate change effects such as more extreme weather occurrences, supporting energy efficiency and public awareness initiatives, and setting aggressive targets for decreasing greenhouse gas emissions. A carbon price, controls on greenhouse gas emissions and incentive programmes for investments in renewable energy are all viable means of achieving these goals.

Regional summits such as BRICS are approaching and the review of the African Growth and Opportunity Act should allow South Africa to forge stronger and new ties with other emerging markets, while simultaneously strengthening existing relations with countries such as the United States (US), the largest global consumer of goods. The Act provides South Africa with favourable trade treaties and duty-free



South Africa hosted its **fifth investment conference** where the focus was on **attracting investments in the just transition to green energy.**

> ECONOMIC REVIEW

access to the US. South African policymakers should use these trade summits to expand market access, attract foreign investment, enhance international relations, and raise knowledge and information on trade opportunities and challenges, all of which can help countries make better trade policy judgments.

African Continental Free Trade Area, a trade pact among 55 African countries that aspire to create a single market for products and services across the continent.



Another opportunity is the African Continental Free Trade Area, a trade pact among 55 African countries that aspire to create a single market for products and services across the continent. The pact may benefit South Africa by encouraging additional investment from both the continent and beyond, lowering or eliminating tariffs, expanding market access and improving competitiveness, thereby enhancing efficiency and innovation.

Growth-enhancing policy reforms and regulations

Regulatory developments, such as Twin Peaks, Financial Service Conduct Authority Acts and the Financial Markets Act, have had significant effects on South African investment and finance, making the industry more complex and placing additional responsibilities on businesses. However, they have also contributed to greater stability in the industry and provided consumer protection against financial harm.

Last year, the National Treasury amended Regulation 28, which included a significant change to offshore allocation. The previous limit for offshore investments by collective investment schemes was 30% for investments outside of Africa and an additional 10% for investments in other African markets. These limits have been combined into a single limit of 45% for all pension funds, insurance companies and investment funds. These institutions can now invest up to 45% of their portfolio value in foreign assets, including assets in Africa. This revision enables the PIC to further diversify the portfolio by investing in developing industries such as fintech and other technology sectors in emerging markets that have the potential for rapid growth.

As South Africa is one of the most unequal countries in the world, there is still much to be done to combat the legacy of apartheid and create a more inclusive economy and society. Greater clarity is awaited on transformation policy and implementation following recent amendments to the Employment Equity Act. Transformation can be accomplished in many ways, including supporting economic empowerment and investing in education and skills development focused on technology, innovation and digital transformation. Black economic empowerment strategies can boost black South African ownership and management of enterprises. Land reform can remedy the historical injustices of South African land dispossession. Through these measures, the government may contribute to a more just and equitable society and a more effective transition.

To generate economic growth, the government should fast-track the removal of red tape and make businesses easier to start and run. Simplifying laws, decreasing the number of permits and licences, and easing access to finance could achieve this. Investment should be made in infrastructure to boost efficiency and streamline the transfer of goods and services. Policies should be instituted to increase finance for better teaching and improve access to higher education. Reducing barriers to entry and exit for businesses would encourage innovation and drive down prices. Reducing bureaucracy and increasing transparency would go a long way in removing South Africa from the Financial Action Task Force greylist.



Reducing bureaucracy and increasing transparency would go a long way in removing South Africa from the Financial Action Task Force greylist.

The government, in collaboration with the private sector, should provide subsidies for research and development and support entrepreneurs to encourage innovation and enterprise development. It is important to acknowledge that low economic growth cannot be resolved by a single stakeholder and collaboration among multiple stakeholders is essential. It is a multistakeholder team effort that the PIC has embraced through its commitment to drive economic growth by means of its investments.

LISTED INVESTMENT PORTFOLIO

Internally Managed Listed Equities

The Investments division supports the PIC's vision to be a global leader in impact investing and contributes to inclusive growth by:

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

Listed Equities



Delivered positive returns for our clients, with assets under management growing 7.9% over 12 months to R937 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

Enhancing the quality research portal on the top 60 listed companies on the JSE.

Divisional Performance Against the PIC Corporate Plan

The Listed Equities division achieved the following key strategic objectives:

- ▶ Delivered returns that exceeded client benchmarks, while complying with clients' risk parameters; and
- ▶ Facilitated B-BBEE and skills development through its investment activities. This was achieved by allocating a minimum of 55% of total brokerage fees to brokers certified as levels 1 to 4 black economic empowerment contributors (based on the new B-BBEE codes) or that are 51% owned or 30% management controlled by historically disadvantaged individuals.

High-quality research is a cornerstone of investment decisions and allowed us again this year to exceed client benchmarks. Our thorough research on JSE All Share Top 60 companies encompassed valuation models, deep-dive research and periodic updates.

Portfolio Performance

The Internal Listed Equities portfolio outperformed the underlying benchmark by a cumulative 0.97% over three years to 31 March 2023. This was achieved on a risk-adjusted basis through portfolio positioning in key sectors. However, the Listed Property portfolio underperformed over this period by 0.51% cumulatively.

For the 2022/23 financial year, Morgan Stanley Capital International (MSCI) reported that emerging markets and South Africa returned -13.6% and -20.8% in dollar terms respectively, underperforming MSCI's world performance of -8.7%. Continued inflationary pressures in a post-COVID-19 world forced central banks to ramp up interest rates globally, with rates in the United States at their highest levels since the global financial crisis of 2008. Energy and related sectors experienced significant volatility during the year as Europe scrambled to fill its reserves ahead of the winter season, followed by an unusually warm winter that reduced demand for energy. Elsewhere, China's continued insistence on a zero COVID-19 policy until December 2022 depressed the economy for most of the year. In South Africa, the domestic currency faltered amid a worsening electricity crisis as well as a Financial Action Task Force (FATF) greylisting. Against a strengthening dollar, the local currency depreciated by 21.6% for the year ended 31 March 2023.



The technology sector was the best-performing subsector in South Africa, with a 12-month return of 89% helped by increased optimism around a Chinese recovery after the 54% decline of the year before. The consumer discretionary sector (up 38%) also benefitted, with the reopening of the economy and strong global demand for luxury goods. The telecommunications sector, however, declined 27% due to economic challenges in Ghana and Nigeria and increased operating costs from electricity supply disruptions. The resources sector declined 13%, with underlying inflationary cost pressures hurting margins amid stable commodity prices.

The PIC's goal remains to deliver sustainable equity returns for all clients over the medium- to long-term. We recognise that events beyond the PIC's control occur periodically and, if these fundamentally change the outlook for our investments, we attempt to 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

As the PIC shares general concerns about slow transformation in the financial services sector, its internal policies stipulate that at least 55% of the equities brokerage allocation be channelled to brokers whose black economic empowerment credentials meet PIC requirements.

For the year under review, our brokerage spend with B-BBEE brokers was 70%.

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

In addition, the PIC remains focused on driving racial and gender transformation in investee company boards and executive teams. This is achieved through proxy voting and the nomination of board members, and robust engagements with board members on the appointment of competent, racially- and gender-diverse executive teams.

Outlook

The ongoing conflict in Ukraine is expected to sustain volatility in global energy supply as Western countries increase pressure on Russian production, and as global supply chains realign to reflect sanctions imposed on Russia. While inflationary pressures have started to ease, they remain above the target ranges of central banks globally. Interest rates have soared to control inflation, which has increased pressure on household and corporate balance sheets the world over. The International Monetary Fund (IMF) estimates that global growth will slow from 3.4% in 2022 to 2.8% in 2023, narrowly avoiding a recession in major economies. The increased levels of power outages in South Africa will continue to restrain the local economy in 2023. The government has cautioned of a worsening power situation in the winter of 2023, before it eases into 2024. This will affect investee companies' productivity and substantially increase their operating costs.

Balance sheets of listed property companies are now more resilient and have all resumed paying stable dividends. However, lacklustre GDP growth in South Africa continues to weigh on sentiment for local brands, with further negativity compounded by electricity supply disruptions.

Global equities should stage a recovery once the interest rate hiking cycle ends, but a potential recession could be a headwind. Given these multiple macro-economic headwinds, it is unlikely that South African equities will outperform over the next 12 months. Our fair-value models suggest the JSE All Share Index is largely fair-valued with an upside of only 6% emanating from the financials sector.

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

Accelerating impact in 2023/24

- ▶ Continue to outperform benchmarks for our clients.
- ▶ Launch internally managed global equity and rest of Africa strategies.
- ▶ Strengthen the portfolio and the Corporation.

FIXED INCOME

Debt capital markets were challenged due to rising inflation, persistent low growth in the domestic economy and global disruptions caused by the Russia-Ukraine conflict. The South African Reserve Bank (SARB) Monetary Policy Committee (MPC) increased the repo rate by 350 basis points in response to inflation that printed consistently above the target range of between 3% and 6%.

REPO RATE VS INFLATION



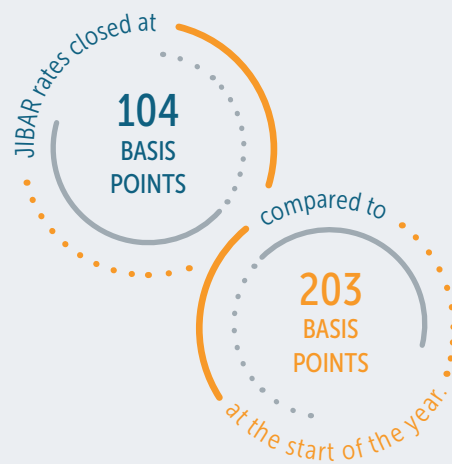
Source: Bloomberg, PIC Research

Short-term interest rates repriced on the back of monetary policy outcomes and Johannesburg Interbank Average Rate (JIBAR) rates across the curve traded higher during the period under review. The three-month JIBAR rate repriced higher by 359 basis points, opening at 4.37% and closing at 7.96% in 2022/23. There was an upward parallel shift on the JIBAR curve, with the ultra-short end increasing more than the longer end of the fixings curve. Frontloading by the MPC was responsible largely for flattening the curve.

The spread between the three-month and 12-month JIBAR rates narrowed approximately to 100 basis points and closed at 104 basis points, compared to 203 basis points at the start of the year.

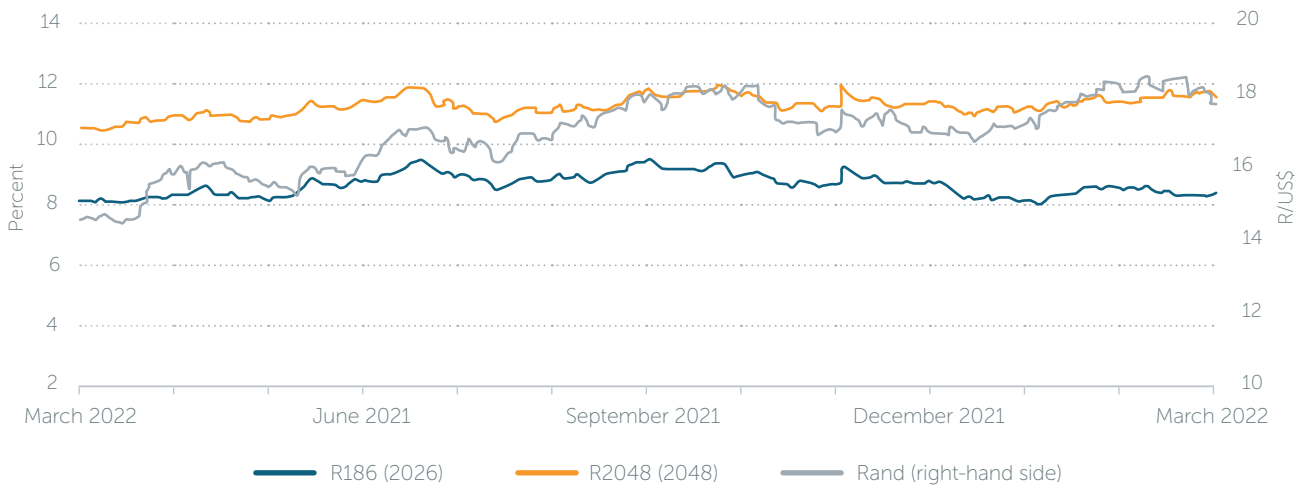
Domestic nominal yields were under pressure for the better part of 2022/23 despite concerted efforts by the National Treasury to pursue fiscal consolidation. Local fundamentals were supportive of local yields with tax revenue surprises

recorded in the February 2023 budget. The greylisting of South Africa by the Financial Action Task Force did not have a huge impact on domestic yields as global central bank rhetoric drove risk sentiment.



> FIXED INCOME

NOMINAL BOND YIELDS VS ZAR

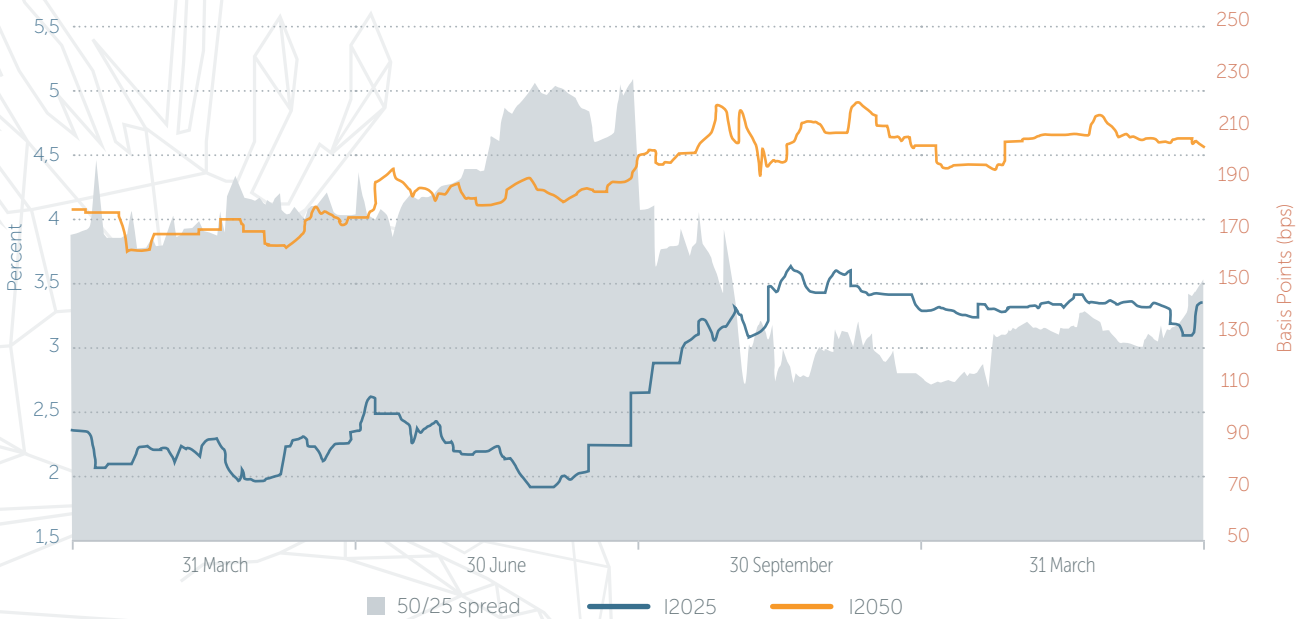


Source: Bloomberg, PIC Research

The vulnerability of the rand, coupled with a general risk-off sentiment, put pressure on domestic nominal yields, with South African Government Bonds trading with a weaker bias.

The nominal yield curve saw an upward parallel shift with most of the risk settling on the belly and long end of the curve. The spread between the R2048 and the R186 nominal bond widened to 320 basis points at the end of 2022/23, versus 242 basis points at the beginning of the year. This was due to the ultra-long end of the nominal yield curve being under pressure.

REAL BOND YIELDS



Source: Bloomberg, PIC Research

Disinflationary hopes were quickly dashed with inflation proving troublesome. Inflation protection seemed secondary with the risk-off sentiment seen in nominal yields finding its way to inflation-linked bonds. Real yields also traded on the backfoot for the period under review, with the I2050 weakening by 50 points and closing at 4.61%, against an opening of 4.11%.

Fixed interest assets performance

Domestic fixed-interest assets all had positive returns in 2022/23. Cash delivered the highest performance, at 5.96%, followed by conventional bonds at 5.83%. Inflation-linked bonds reached 4.92%.

Bond portfolio activity

The PIC capitalised on opportunities to buy both conventional and inflation-linked bonds at attractive levels. Market movements proved conducive to aligning internal portfolios closer to client mandates.

The PIC resumed investment in the corporate credit market through the primary markets. This was a significant step in aligning internally managed portfolios to client mandates and creating alpha-generation opportunities.

Domestic fixed-income outlook

Global fundamentals may continue to drive domestic sentiment, with volatility risk expected to remain high. This is due partly to the inconsistency of market-implied rates and the Fed's dot plan forecast of US interest rates.

The implications of the public sector wage deal settlement, together with the challenges at key state-owned enterprises (SOEs), may undermine efforts by the National Treasury to pursue the fiscal consolidation mooted in the February 2023 budget.

Short-term rates expect to find direction in the path monetary policy takes, with the SARB resolute in controlling inflation closer to the mid-point target of 4.5%. The inflationary outlook, the rand's weakness and persistent energy challenges are likely to lead to rising domestic bond yields with little relief in sight.



5.96%

Cash

5.83%

Conventional bonds

4.92%

Inflation-linked bonds



Domestic politics in 2023/24 will be watched keenly, given the heightened event risk in the run-up to the South African general elections.

Consequently, the PIC expects domestic bond yields to be under pressure in the medium term, particularly the ultra-long end of the curve, as risk is commonly absorbed by that region of the curve.

CASE STUDY: > SOE BONDS

Investing In Economic Infrastructure

In the context of heightened risk aversion towards developing country bonds by foreign investors during 2022/23, the PIC continued to support the capital requirements of major SOEs to invest in key economic infrastructure.

As the 2023 *Budget Review* notes, many SOEs are in financial distress due to state capture, corruption and mismanagement. They are unable to adequately fund their operations and debt obligations or cannot optimally invest in infrastructure.

Underspending on capital projects may undermine broader economic performance. Major SOEs continue to rely on fiscal support from the National Treasury and between 2012/13 and 2021/22, SOEs received about R266.6 billion in bailouts from government, according to the *Budget Review*.



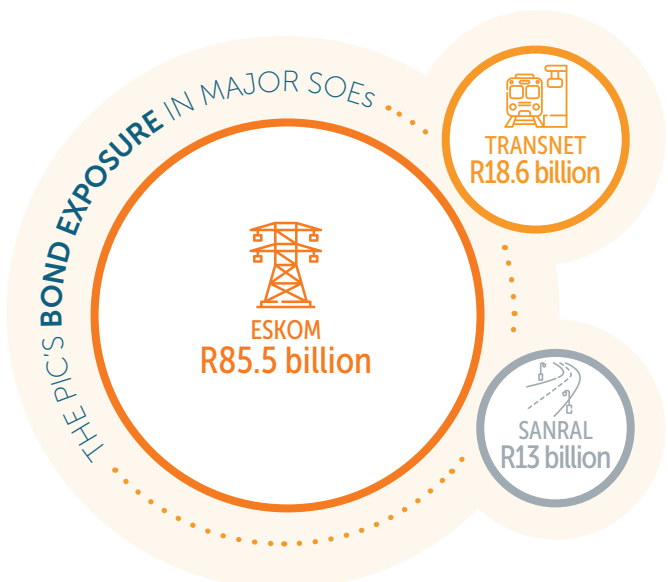
SOEs received about **R266.6 billion** in bailouts from government, according to the *Budget Review*.

While major SOEs were able to repay maturing debt during 2022 and took on slightly less new debt funding, new debt was raised at a higher average cost due to higher interest rates. Without the PIC's continued support through bond purchases, the borrowing costs for SOEs such as Eskom,

Transnet and the South African National Roads Agency (SANRAL) would almost certainly have been substantially higher.

In turn, this would further increase the cost of basic services such as electricity and transport for consumers, in an environment where elevated levels of electricity supply disruptions and deteriorating rail freight performance already constrain domestic output.

In rand terms, the PIC's bond exposure in major SOEs translates to:



As the largest investor in domestic bonds, the PIC's bond holdings in SOEs as of 31 March 2023 were as follows:



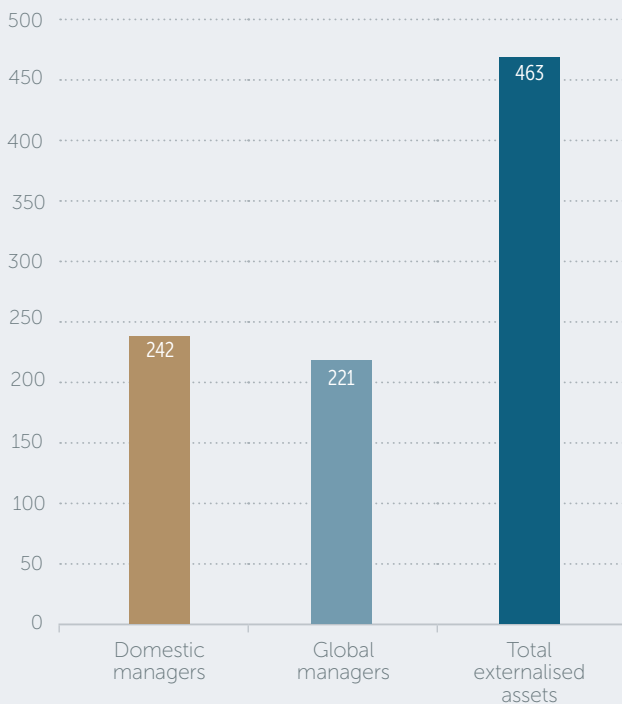
EXTERNALLY MANAGED FUNDS



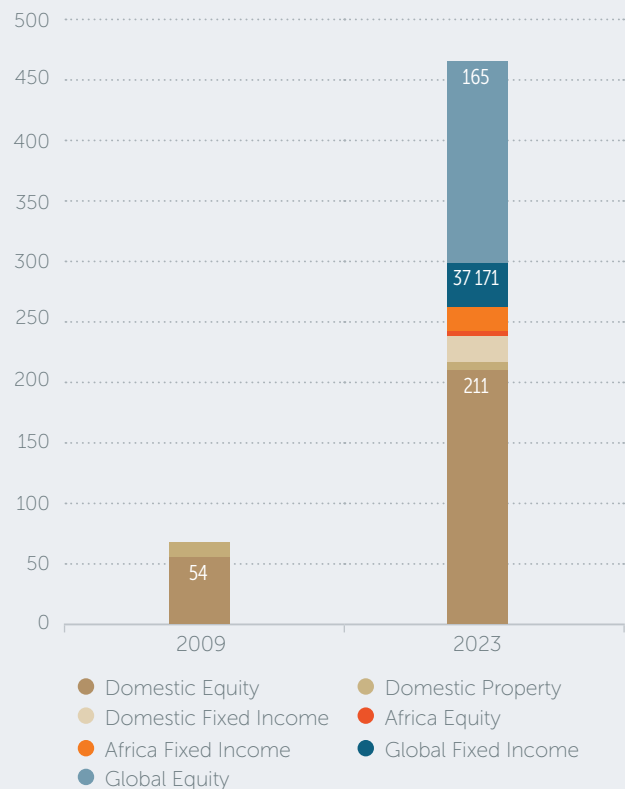
The PIC is one of the largest asset allocators of funds in the country. Assets managed by the PIC's Multi-management team (public markets) totalled R463 billion by the end of the financial year across domestic and non-domestic listed asset classes. The PIC has allocated capital to 11 global managers and 22 domestic firms to invest on behalf of the PIC's clients, with an asset split of R221 billion and R242 billion respectively.

Ours is an alpha-generation objective, i.e. to enable managers to deliver sustainable, over-benchmark returns to client portfolios with clearly defined transformation goals. With this in mind, the PIC introduced a B-BBEE Developmental Manager Programme in 2009 to transform and diversify 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 should be represented as shareholders and in governance and investment roles.

EXTERNALISED ASSETS



EXTERNALISED ASSETS PER ASSET CLASS 2009 VS 2023

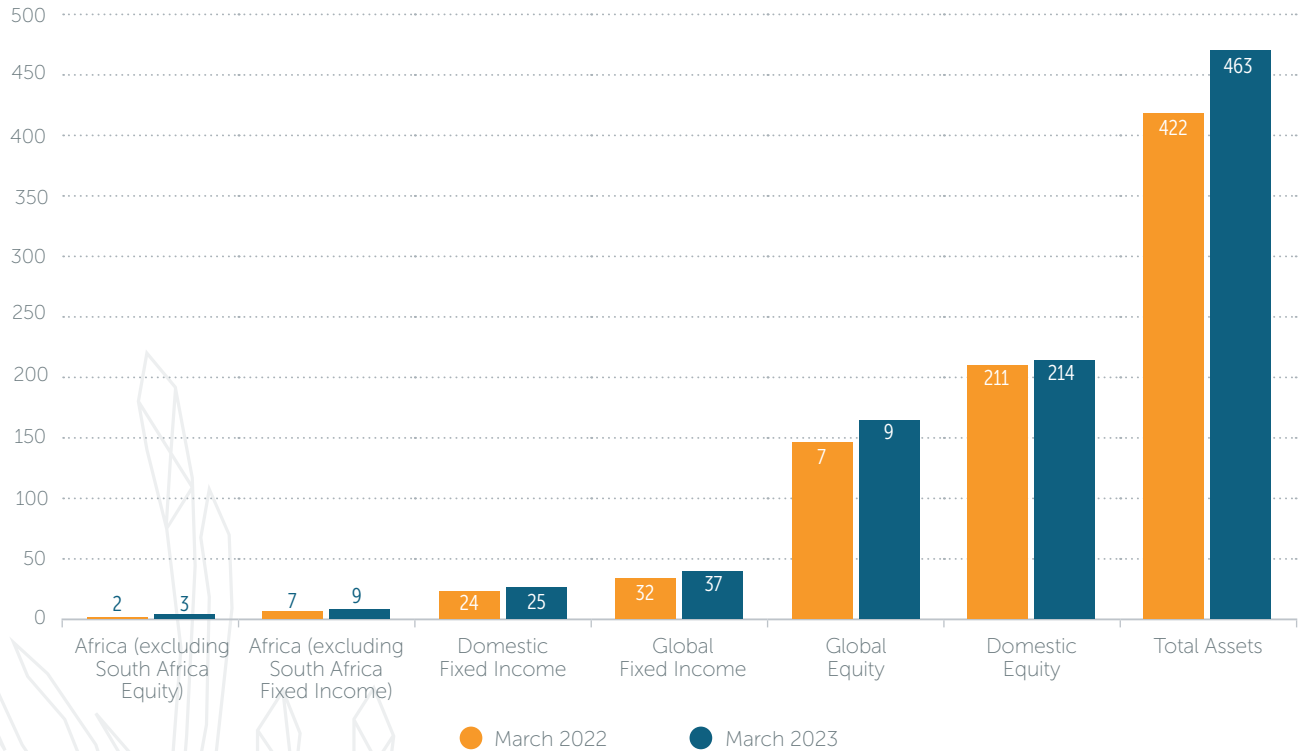


> EXTERNALLY MANAGED FUNDS

Externalised assets grew from R422 billion in March 2022 to R463 billion in March 2023, with significant growth in Africa fixed income and global equity asset classes. The PIC allocated R3.6 billion to three new developmental equity managers and deployed just over US\$700 million to three managers in Africa debt strategies by 31 March 2023.

The focus continues on optimising client solutions across asset classes through rebalancing actions and changing client mandates.

EXTERNALISED ASSETS PER ASSET CLASS – MARCH 2022 VS MARCH 2023



The transformation journey of incumbent black asset managers

Women investment professionals bring diversity in thought leadership and differentiated solutions to investment problems and contribute significantly to decision-making. The PIC will continue to advance the participation of women in asset management, particularly in investment roles through targeted actions in the coming financial year.

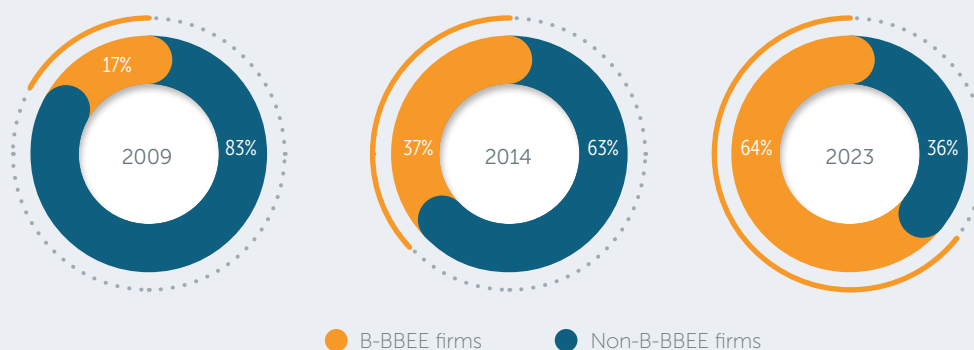
We note that within B-BBEE firms to which the PIC has allocated capital, the median of black-women ownership is only 17%, while the median of black women ownership at non-B-BBEE firms to which assets were allocated is only 12%. Black representation at management level is satisfactory, but the representation of women requires urgent attention to meet the objectives and standards of the PIC Transformation Charter.

FIRMS	BLACK OWNERSHIP (%)	BLACK WOMEN OWNERSHIP (%)	BOARD REPRESENTATION			EXECUTIVE MANAGEMENT		
			BLACK	WOMEN	BLACK WOMEN	BLACK	WOMEN	BLACK WOMEN
B-BBEE FIRMS								
Minimum	58%	-	50%	0%	0%	50%	-	-
Average	86%	26%	82%	36%	29%	84%	23%	23%
Median	92%	17%	82%	40%	29%	80%	23%	23%
Maximum	100%	100%	100%	637%	60%	100%	67%	67%
NON-B-BBEE FIRMS								
Minimum	31%	10%	25%	25%	13%	67%	33%	33%
Average	33%	13%	68%	33%	26%	69%	46%	35%
Median	31%	12%	80%	25%	25%	67%	38%	33%
Maximum	39%	17%	100%	50%	40%	75%	67%	38%

PIC contribution to B-BBEE firms in the asset management industry

As an anchor investor in many black firms, the PIC has enabled experienced black professionals to build credible track records. At the start of the Developmental Manager Programme in 2009, black-owned firms managed only 17% of the R65 billion in externalised assets. By the end of 2022/23, allocations to external black-owned asset managers had grown substantially to R154 billion of the total R242 billion in externalised assets. These allocations are managed by domestic firms with more than 51% black ownership and 30% black management control. This represents 64% of assets allocated to domestic firms.

CAPITAL ALLOCATION OF DOMESTIC FIRMS



An assessment of the financial statements of incumbent black managers shows that the PIC's contribution to a firm's revenue ranges from 15% to 75% depending on the stage in the lifecycle and size of the business. This is the PIC's long-term commitment to advance real transformation, empowerment and diversity in the asset management industry.

> EXTERNALLY MANAGED FUNDS

Fees paid for portfolio management services on domestic assets from 1 April 2022 to 31 March 2023 totalled R837 million (base and performance fees combined), with R516 million (62%) going to B-BBEE firms. While managers earned R330 million in base fees for services rendered, most managers outperformed and earned an additional R186 million in performance fees.

FEES PAID TO DOMESTIC FIRMS



Managers that have the highest success rate have diversified revenue streams and multiple investment offerings. It must be acknowledged that the factors that influence the ability of black-owned firms to achieve this are vast and, while certain regulatory changes may aim to benefit these firms, the 2022 change to Regulation 28 of the Pension Funds Act, where the offshore limit for South African retirement funds was increased to 45%, is having the opposite effect. The higher offshore allowance is seeing assets leave our shores in favour of global firms, which is significantly affecting the industry. The PIC remains committed to finding innovative solutions to these challenges.

Multi-management (public markets) team delivers on client promise

The result of a disciplined investment process is the delivery of positive risk-adjusted returns for clients within the desired time. Three-year information ratios on underlying

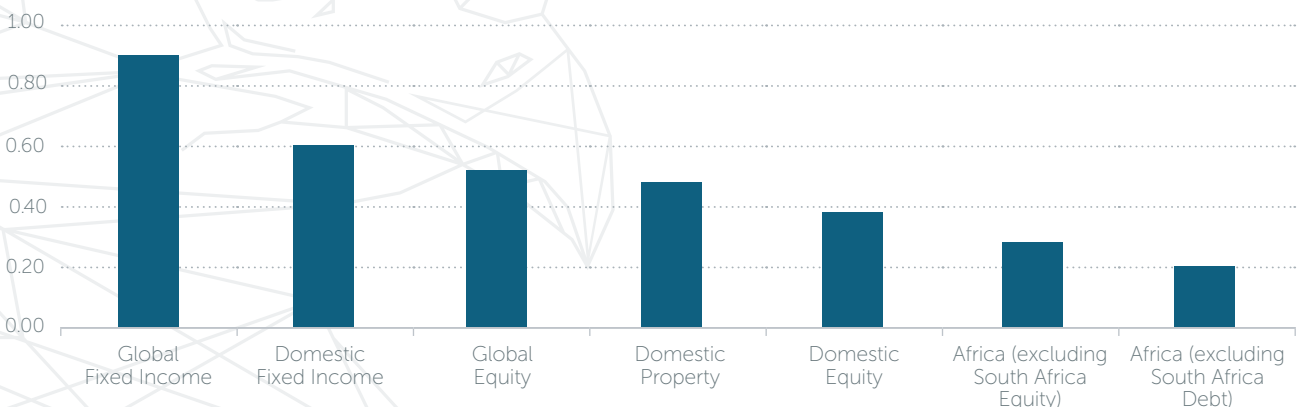
external composites of our largest clients show that all our composites delivered positive ratios, indicating higher returns than risk taken. The global fixed income, domestic fixed income and global equity composites all exceed the 0.5 target, while the other composites are edging towards the target.

We actively monitor managers and strategies to identify where early interventions may prevent negative results. Our alpha-generation process is built on clear principles of portfolio construction – depth in strategy and manager research – and deliberately seeking diversified sources of alpha and risk.

Accelerating impact in 2023/24

- ▶ Allocate accounts to women-focused funds;
- ▶ Allocate global assets to domestic firms; and
- ▶ Ensure alignment with the PIC Transformation Charter.

THREE-YEAR INFORMATION RATIO TO 31 MARCH 2023



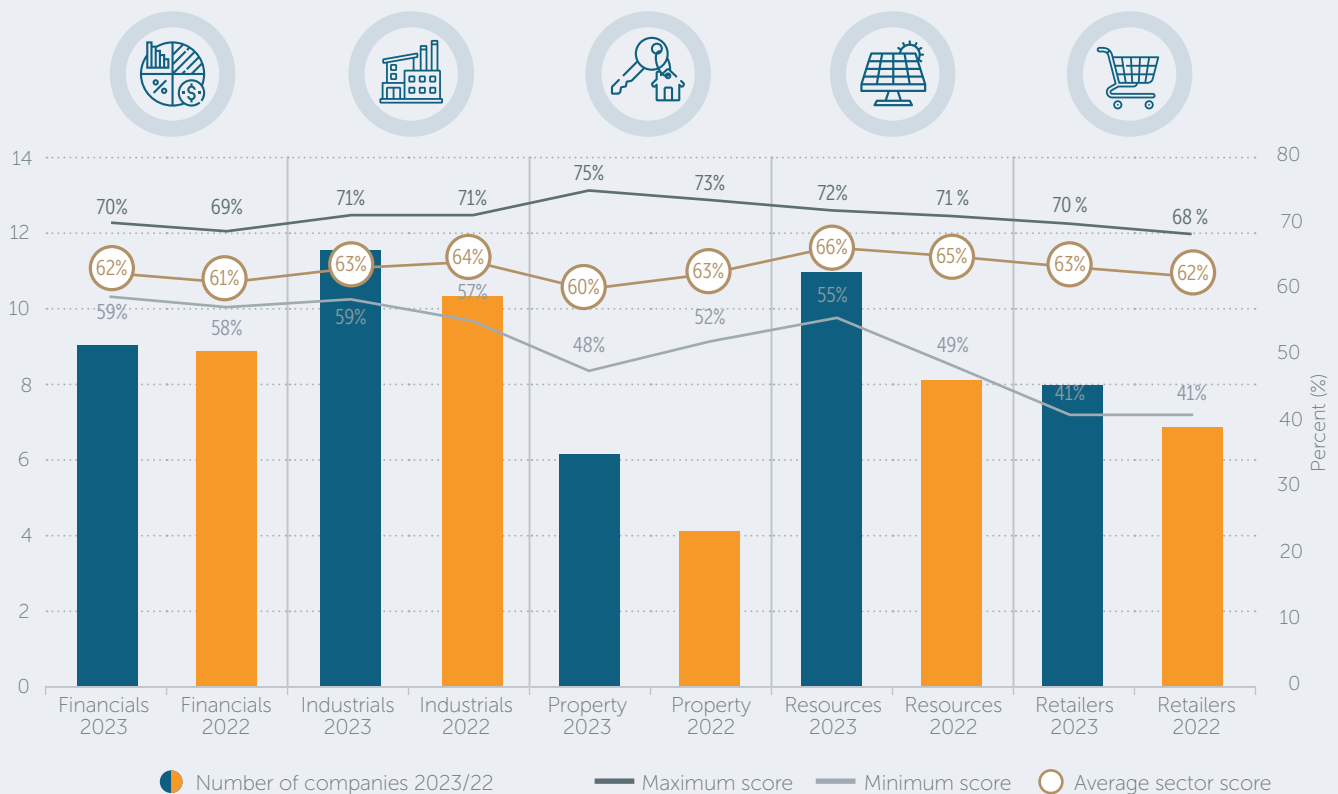
ENVIRONMENTAL, SOCIAL AND GOVERNANCE – LISTED PORTFOLIO

The PIC continues to be committed to responsible investing and ESG through alignment with best practice principles and support for both local and international frameworks and guidelines. The PIC remains a signatory to the United Nations Principles for Responsible Investing (PRI) and the United Nations Global Compact (UNGC) and continues to endorse the Code for Responsible Investing in South Africa (CRISA), including the changes in CRISA 2.0, which were launched in September 2022.

Continued monitoring of ESG practices across our material shareholding in listed stocks and our internal ESG rating matrix reveal a nominal improvement in ESG performance, with most average sector scores above the 60% threshold. Most sectors are performing well, with their maximum overall ESG performance scores at 70% and above. However, the retail and property sectors are returning minimum overall ESG performance scores of below 50%.

On a per pillar-basis, there has been a slight improvement in governance performance scores, with most averaging above 60%. Most social performance scores were below 60% and environmental performance scores have declined slightly.

OVERALL ESG SCORE BY SECTOR



The PIC analysed 112 JSE-listed stocks and confirmed other research findings that these companies continue to perform inadequately against women and racial diversity targets. Protracted transformation reflected by the composition of investee boards and executive committees remains a PIC concern.

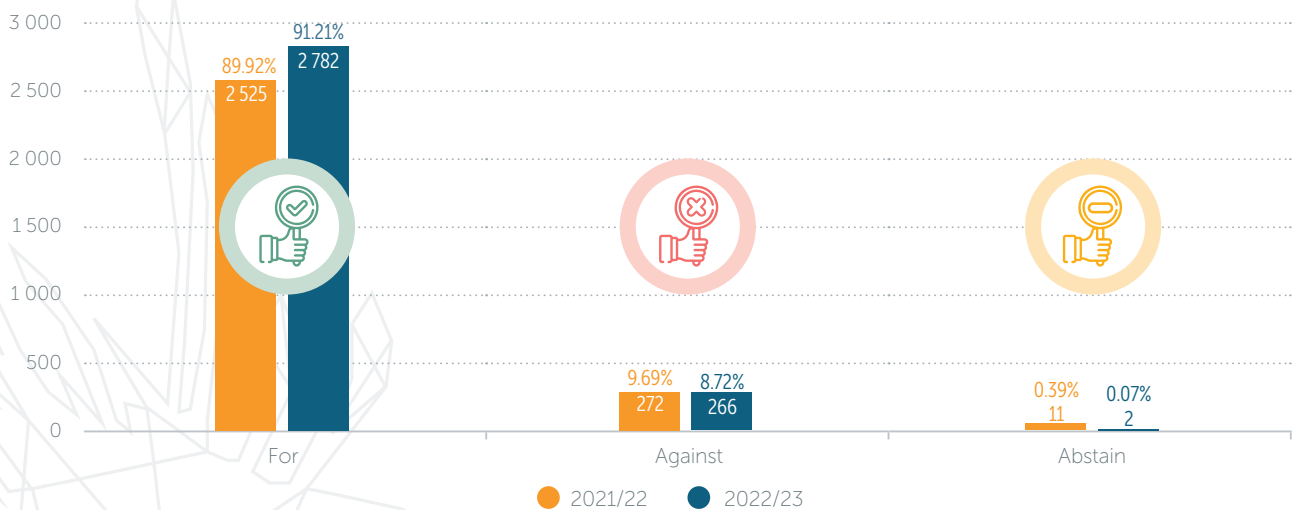
> ENVIRONMENTAL, SOCIAL AND GOVERNANCE – LISTED PORTFOLIO

The average tenure of board members and the undefined tenure of executive management could contribute to this trend. The PIC’s proxy voting guidelines are currently being reviewed to consider amending the tenure of non-executive directors from the current 12 years to align with best practice guidelines of nine years. This will allow accelerated transformation at board level. All these factors will be aligned with a board member’s satisfactory performance and board independence.

STEWARDSHIP PROGRESS ACHIEVED

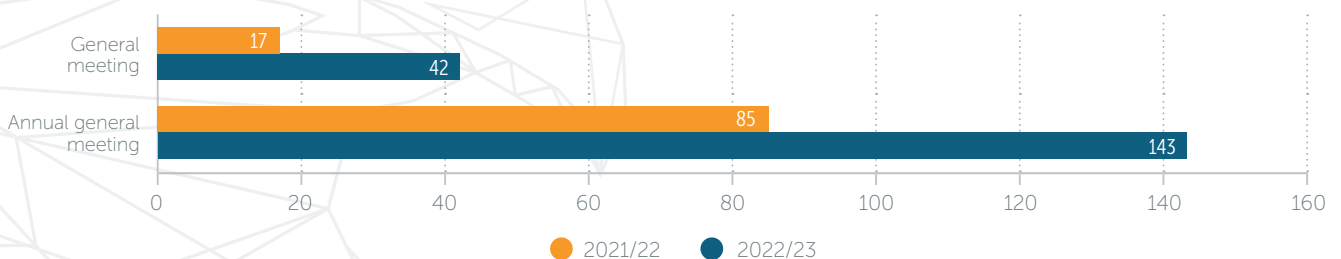


PIC PROXY VOTING IN 2022/23



The PIC’s proxy voting processes are governed by its guidelines. It votes at all investee companies’ meetings, which ensures that the active ownership mandate is executed. Proxy voting is used to influence investee companies’ ESG processes. Our ESG team is responsible for proxy voting processes, including research. Before and after voting, our ESG and Equities teams meet with investee companies to assess improvements made.

PIC PROXY VOTING IN 2022/23

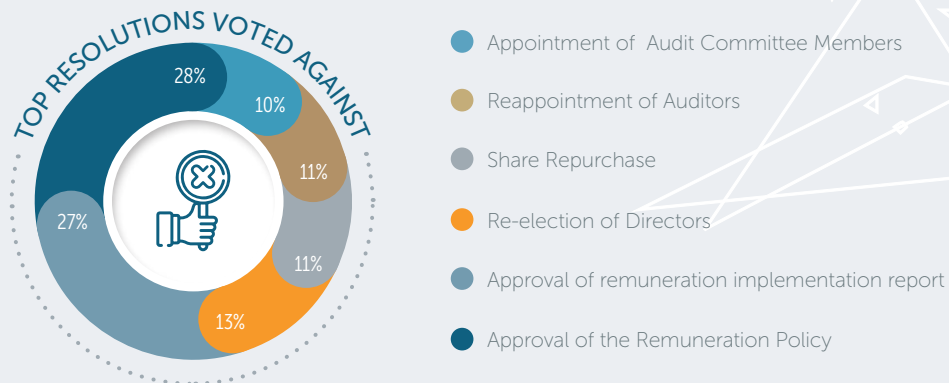


To give effect to the commitment of disclosure and transparency, voting records are published on the PIC website. For the period under review, the PIC voted on 3 050 resolutions at 185 meetings. Key ESG themes voted against included the election of directors and audit committee members, reappointment of external auditors and remuneration practices.

Proxy Voting – Resolutions Voted Against

Below are the top five resolutions (with fifth place shared) voted against in the company annual general meetings or general meetings during 2022/23. In total, 266 resolutions were voted against.

TOP RESOLUTIONS VOTED AGAINST

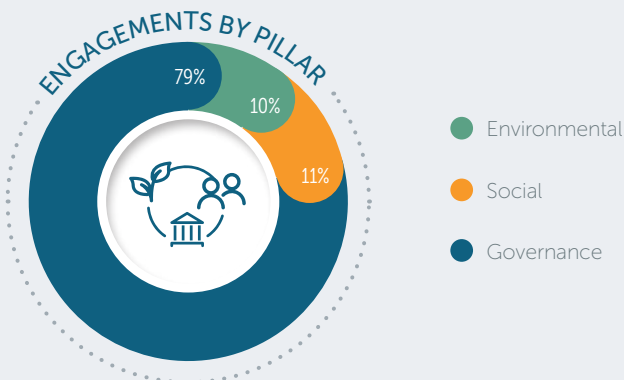


Most resolutions voted against relate to the approval of remuneration and implementation policies. The common requisites used to vote against a remuneration policy for this year were:

- › The structure of the remuneration to be in line with the company's strategy, vision, mission and industry standard;
- › The remuneration policy should disclose both financial and non-financial indicators;
- › The vesting period for long-term incentive schemes should not be fewer than three years;
- › Minimum shareholding requirements for executives must be disclosed; and
- › Incentive rewards should be linked to environmental and other ESG targets where appropriate and relevant.

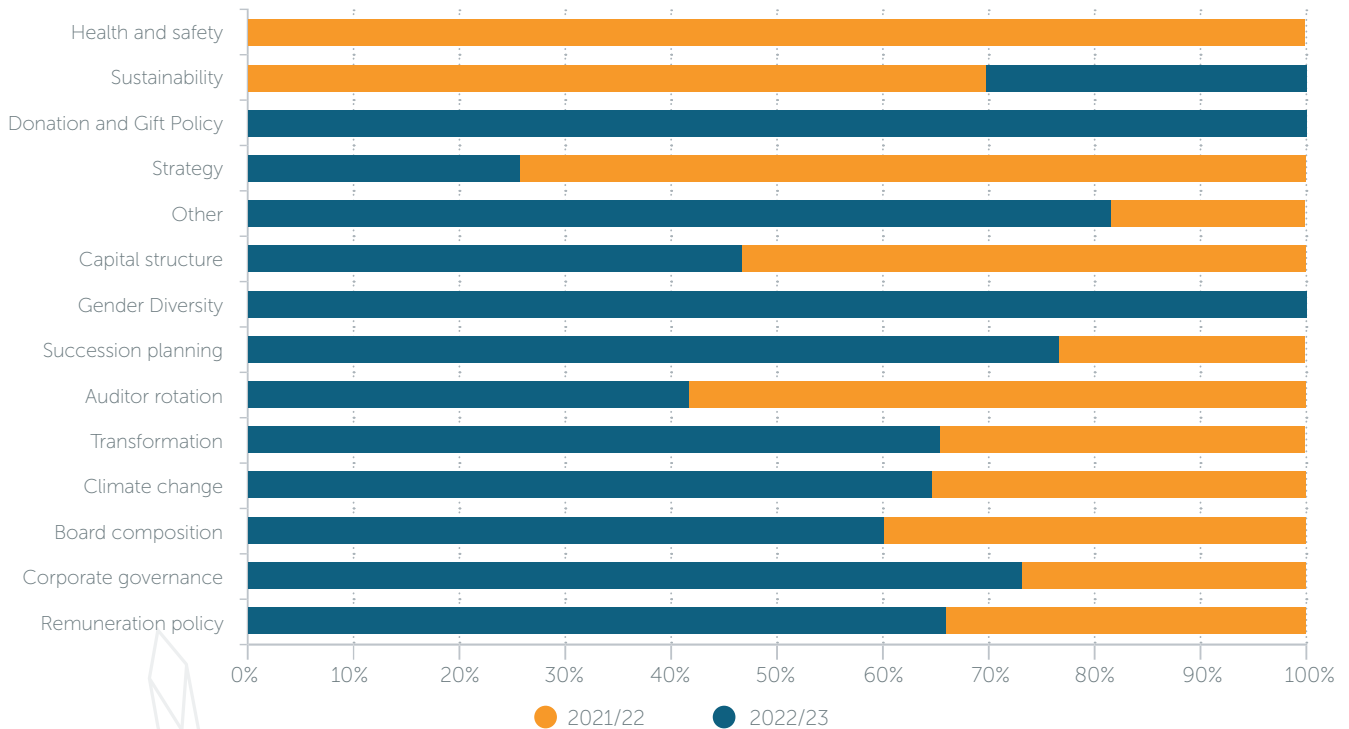
PIC in-house company engagements in 2022/23

There were 210 engagement meetings undertaken with 93 investee companies. Engagements by pillar are detailed below:



The PIC believes that good governance will influence performance on social and environmental practices in investee companies.

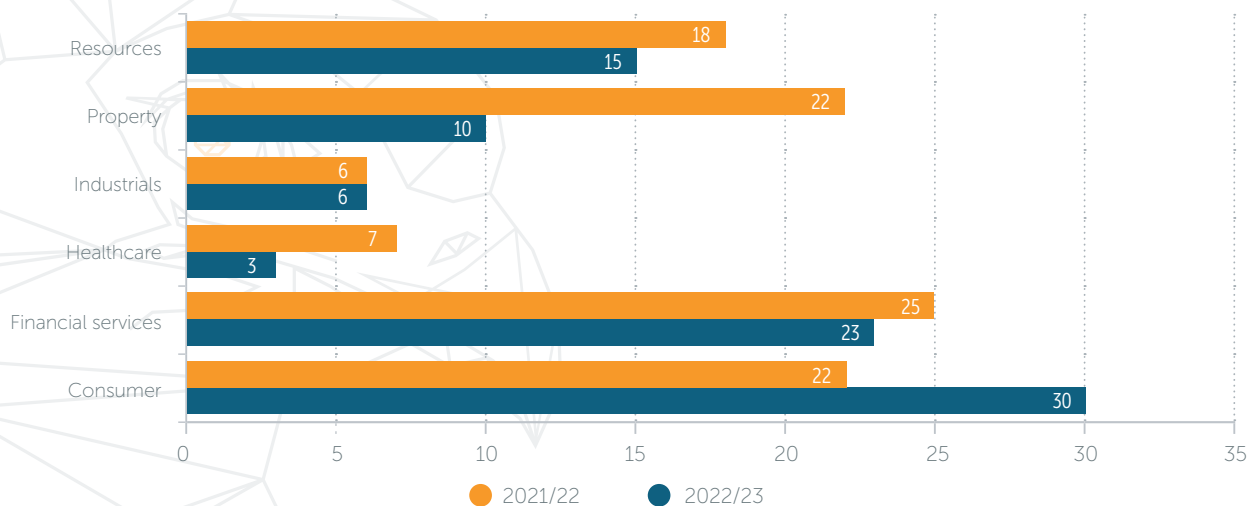
ENGAGEMENTS BY PILLAR



Remuneration continues to dominate discussions between the PIC and investee companies to ensure fair compensation across businesses, considering the extreme levels of inequality in earnings and income. To effect transformation and encourage investee boards to become more intentional in improving their diversity targets, there has been a perceptible increase in board diversity composition discussions, particularly about women and historically disadvantaged individual representation.

The number of engagements on climate change has increased, particularly in the resources sector, which has the largest greenhouse gas footprint. We are pleased to see climate change being addressed as a standalone issue at annual general meetings, in corporate governance reporting, at engagements with investee company boards and as a key performance indicator in executive remuneration.

ENGAGEMENTS BY SECTOR



The consumer sector accounted for most engagements, followed by financial services, then resources.

CASE STUDY: > THE SPAR GROUP LIMITED CORPORATE GOVERNANCE

The Spar Group Limited is a company listed on the JSE that operates as a wholesaler and distributor of goods and services to SPAR supermarkets, a well-established retail brand among South African households.

The group includes Build-It building materials outlets, Spar retail grocery stores, Tops at Spar liquor stores and Spar healthcare and pharmacy outlets. The group was founded in 1932 and currently serves clients across southern Africa as well as in Ireland, Switzerland and Poland.



The PIC, through its client holdings, has a 25.55% exposure in The Spar Group. By the end of 2022, Spar became the subject of adverse media coverage, including the risk of litigation with franchise owners and allegations of racism, which became an immediate concern for investors such as the PIC, given the focus on good corporate governance standards, fairness and transparency. The PIC continued to engage the Spar Group's board as part of active ownership and in line with best practice under Principle 17 of King IV™ Code on Corporate Governance. Principle 17 requires that 'the governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests'.



The PIC has
25.55% exposure
in The Spar Group

The PIC had several engagements and formal correspondence with the Spar Group's board, insisting on:

Accountability:



The PIC engaged the Spar board several times to account for and explain various corporate governance concerns that had emerged, including allegations of fraud, fictitious and/or fraudulent loans, and allegations of discrimination and racism. The board commissioned an independent legal review and reported that the law firm Harris Nupen Molebatsi found that allegations of discrimination and/or racism towards any Spar retailers were unfounded. However, allegations of fictitious loans were found to have merit and constituted a reportable irregularity. These were duly reported to the Independent Regulatory Board of Auditors (IRBA).

Corporate governance, succession planning, transformation:



The PIC raised concerns about the composition of the Spar board and the fact that long, uninterrupted terms among some directors brought into question their independence. The PIC welcomed the appointments of Mike Bosman, Dr Shirley Zinn and Pedro Manuel Pereira da Silva as independent non-executive directors. These appointments began to address various governance concerns, including appropriate: appropriate skills set, racial and gender diversity and general inclusivity on the board.

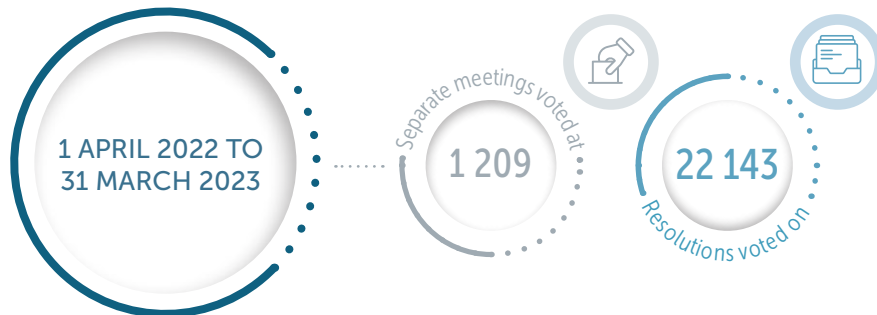
Succession planning and transformation were other major concerns. The departure of the former chief executive officer caused Mike Bosman, the board chairperson, to become executive chair. This was a clear indication that there was no functional succession plan.

It goes against best practice to have the positions of board chairperson and chief executive officer occupied by the same person. Although the Spar board had taken legal advice on the impact of this appointment and had put in place additional processes to strengthen governance during the interim period, the PIC recorded its disapproval of the practice.

The PIC highlighted the need for Spar to focus on racial and gender diversity, including considering that the deputy board chairperson should be a black woman with the requisite skills and experience. The PIC welcomed the appointments of Dr Zinn as deputy chairperson, Angelo Swartz as the new chief executive officer, and executive director to the board, and Megan Pydigadu to the new role of group chief operating officer and executive director.

External Manager Active Ownership – Local Portfolio

2023 VOTING RECORD

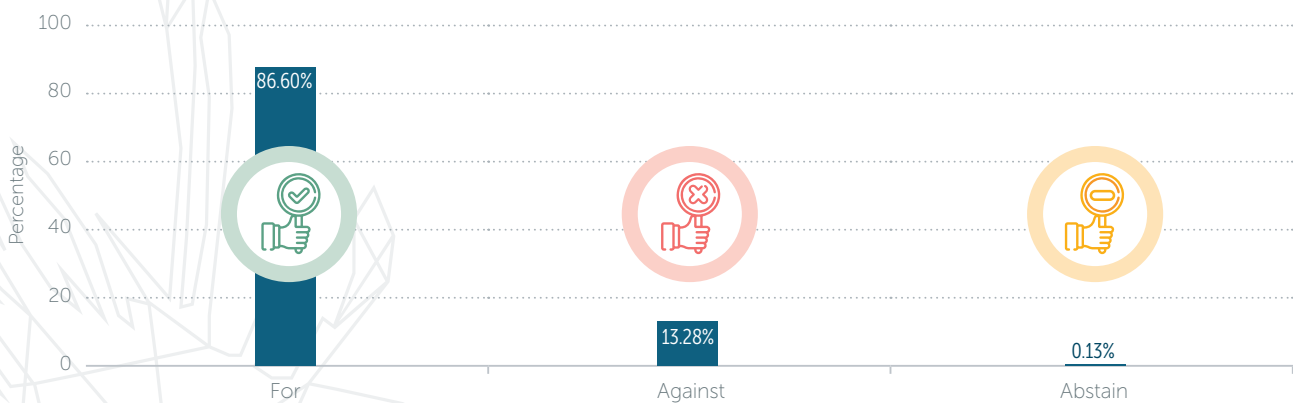


During the financial year, the PIC's external managers voted at 1 209 shareholder meetings on 22 143 resolutions.

They voted for 19 175 resolutions, constituting 86.60% of the votes, against 29.40% resolutions or 13.28%, and abstained in 28 matters – 0.13%.

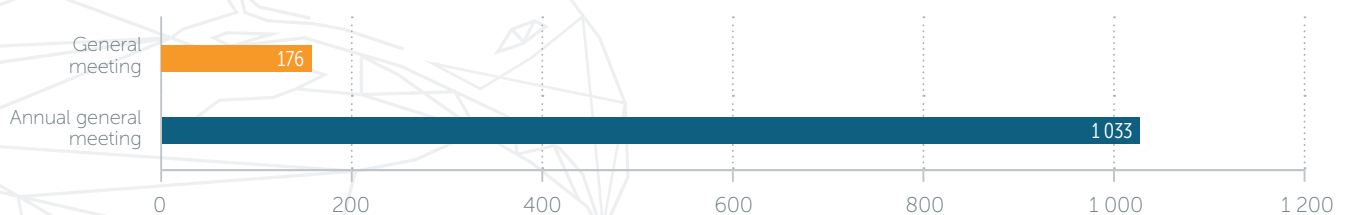
Analysis of 2022/23 votes

RESOLUTIONS



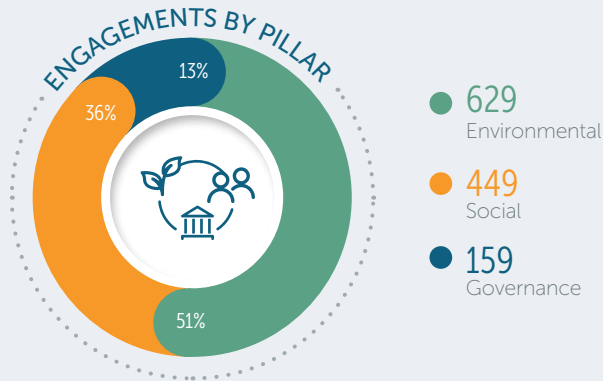
Analysis of meetings per type

MEETINGS

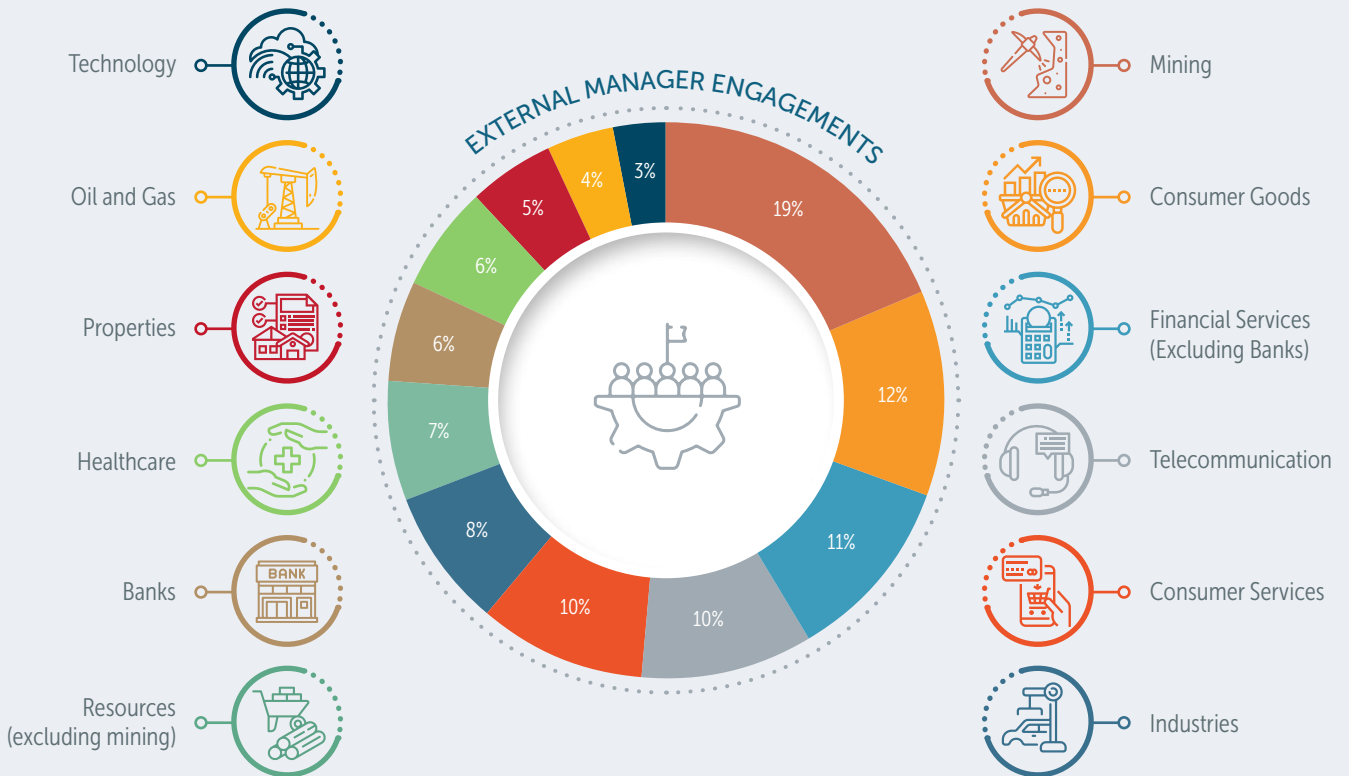


Engagements by pillars

The Environment pillar accounted for most engagements, at 629 of 1 237, followed by social at 449 of 1 237 and governance at 159 of 1 237.



The three sectors dominating external managers engagements were mining, consumer goods and financial services (excluding banks).



External Manager Engagements - Global Portfolio

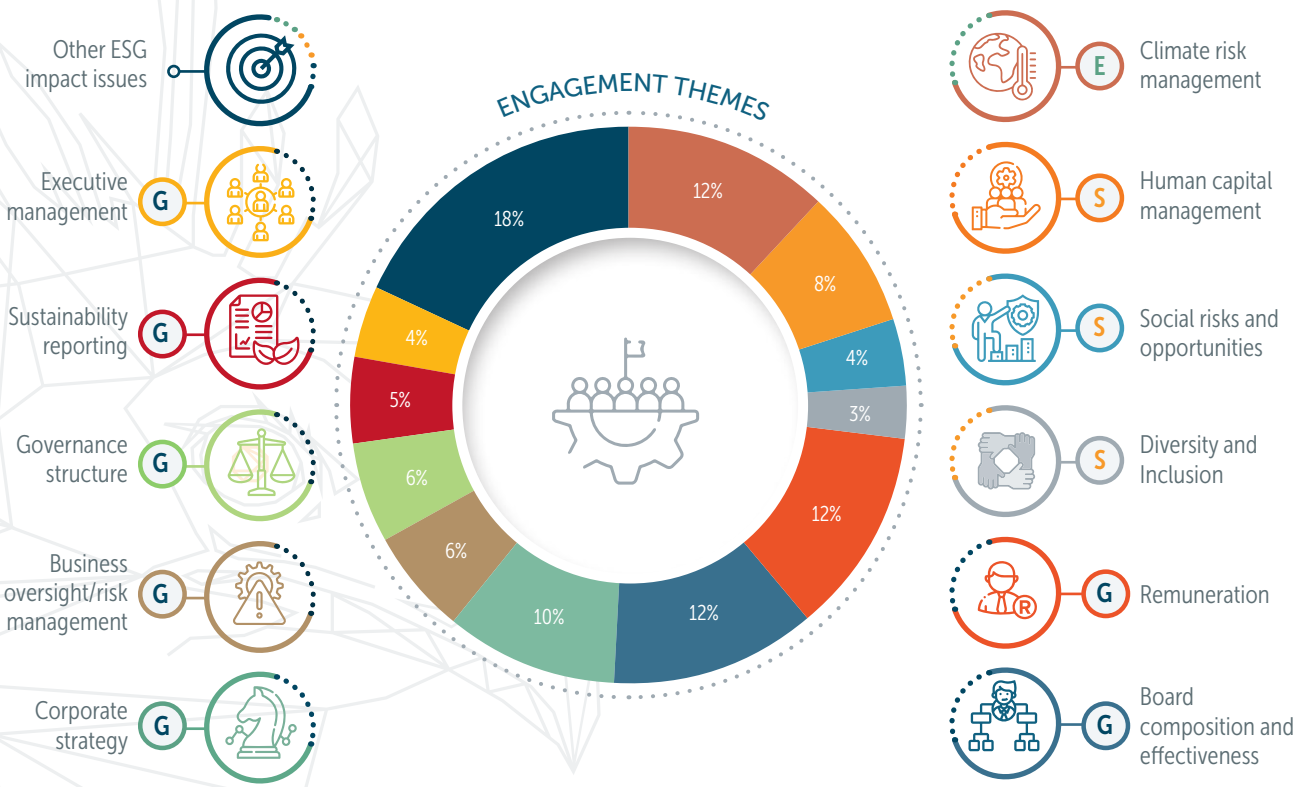
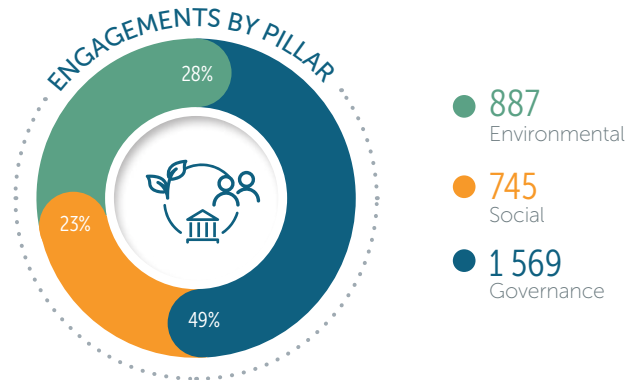
BLACKROCK

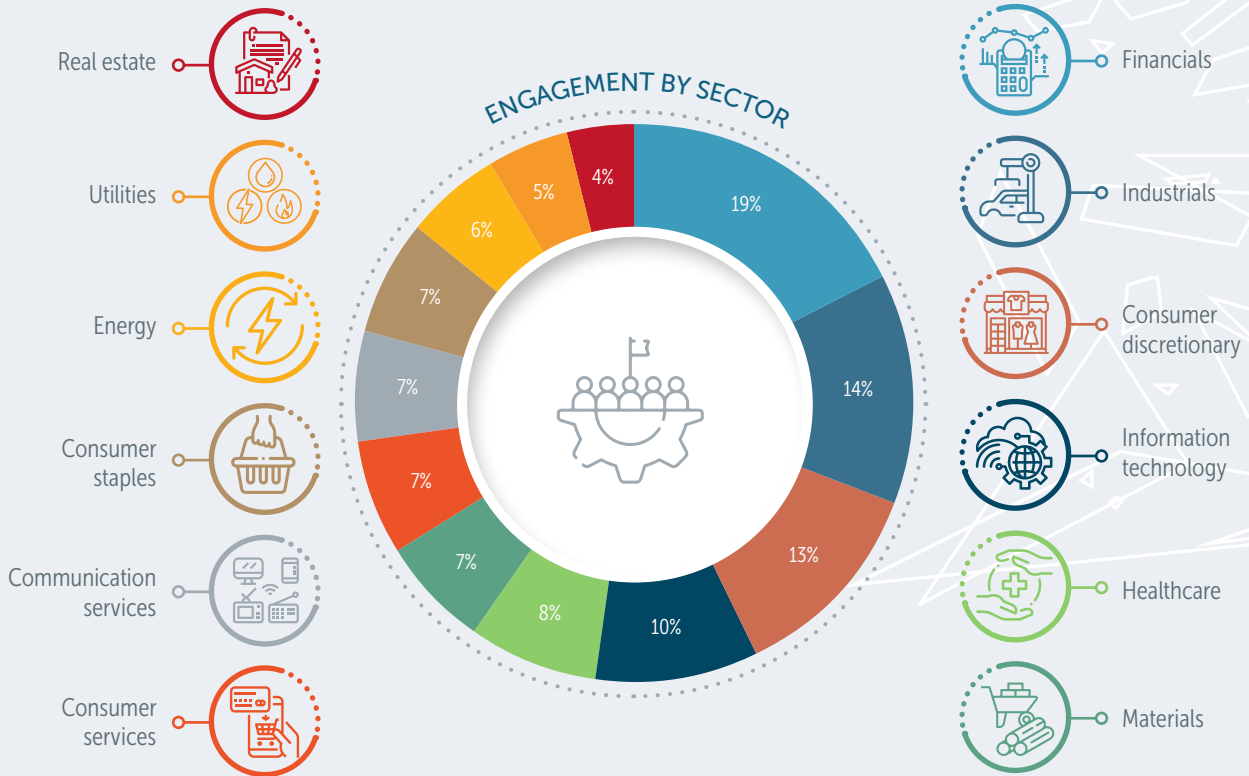
The PIC reports annually on active ownership practices of its offshore external managers to assess progress and undertake due diligence to ensure ESG standards are improved and upheld.

Here, the focus is on BlackRock’s voting statistics and themes discussed in its engagements with investee companies from 1 April 2022 to 31 March 2023.

The number of companies in the portfolio increased from 1 583 to 1 605 during 2022/23 and 1 743 engagements were held. The number of individual companies engaged was 59%, with 47% having multiple engagements. The financial services, industrial and consumer discretionary sectors had the most engagements. Governance issues dominated discussions and remuneration, board composition and strategy were the main agenda points. We view this as

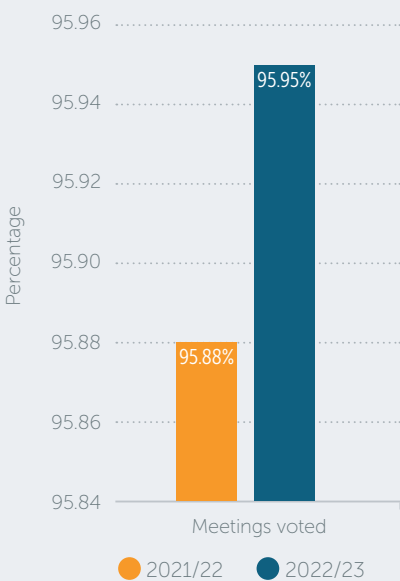
positive as it allows us to mitigate corporate governance risks that would otherwise be difficult to identify. As investment firms continue their vital role in encouraging sustainability, engagements on climate risk management will remain topical.



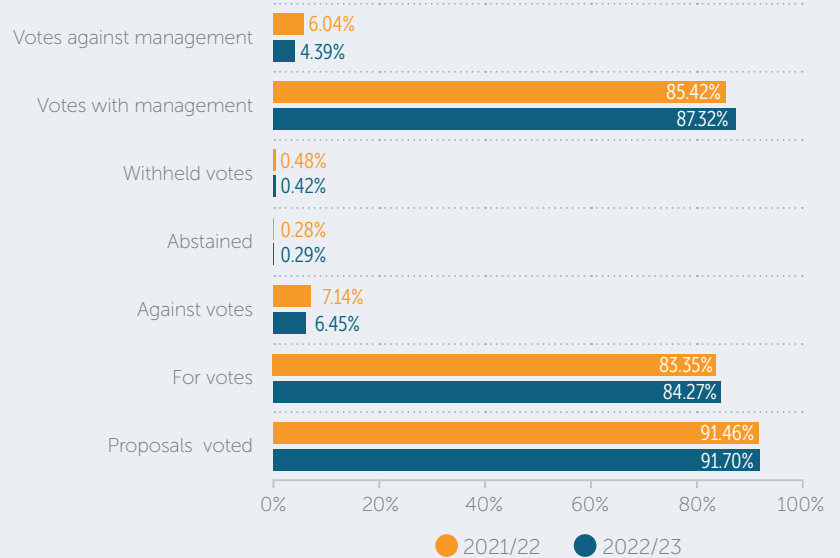


There were 1 555 votable meetings compared to 1 654 in the previous year. Although BlackRock participated in all meetings in 2021/22 and in 1 492 during the year under review, the percentage is largely aligned, indicating consistency in voting participation.

VOTING PARTICIPATION RATE



VOTING STATISTICS

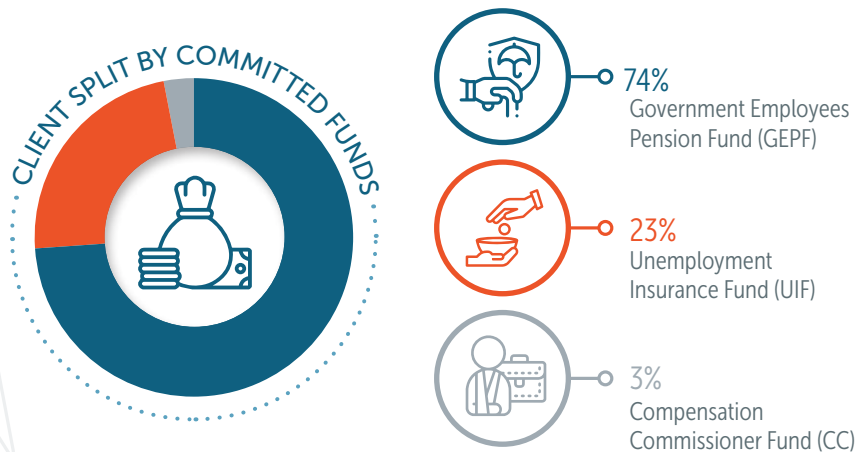


BlackRock voted on 19 507 resolutions in 2022/23, which is 91.70% of the total 21 272 votable resolutions (2021/22: 91.46%).

UNLISTED INVESTMENTS PORTFOLIO – ISIBAYA

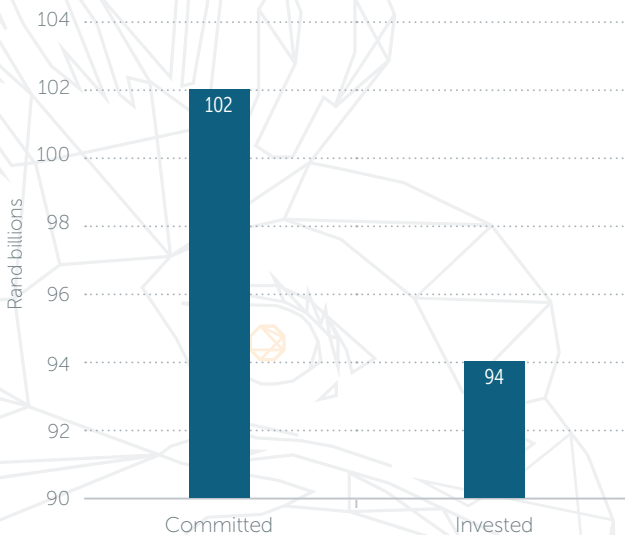
The unlisted investment mandates from clients allow the PIC to invest capital in the domestic market and in projects in the rest of Africa. The portfolio currently comprises 25 active funds with more than 140 underlying portfolio companies spread across all client funds – i.e. the GEPF, the UIF and the CC, as illustrated below.

In the 12 months ending 31 March 2023, the Unlisted Investments division invested R11.5 billion in the domestic economy, covering sectors such as energy, financial services, agriculture and manufacturing.

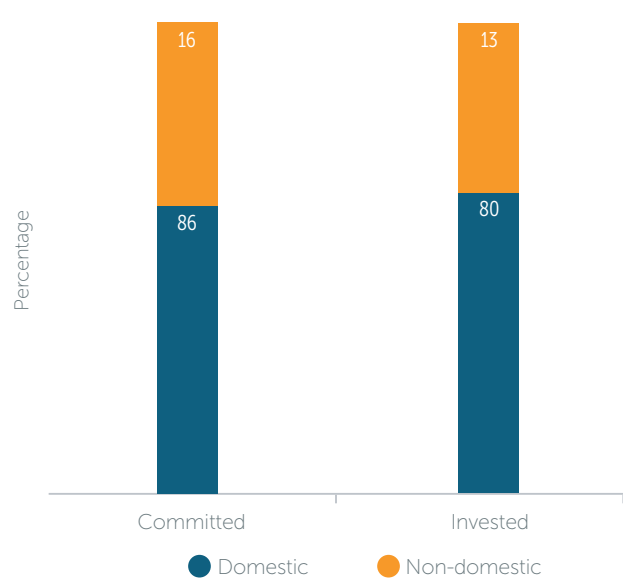


At 31 March 2023, the total capital committed to investments grew to R102 billion, with 85% in the domestic market and the remainder for investments in the rest of the African continent.

ISIBAYA FUNDS COMMITTED AND INVESTED

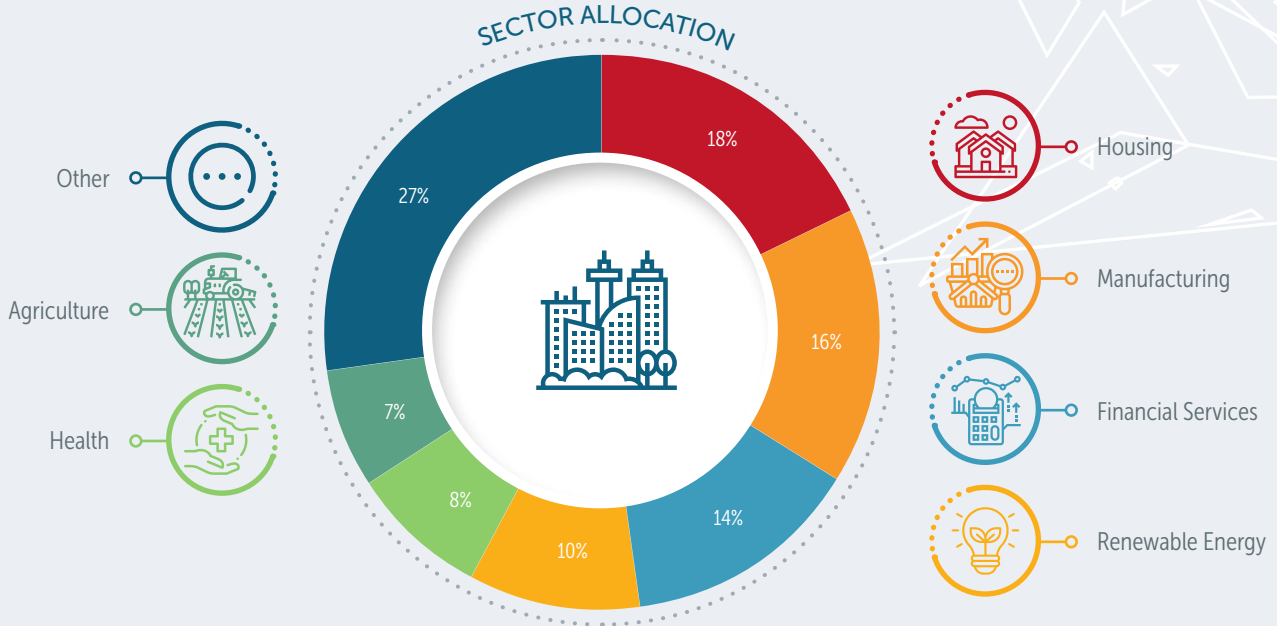


ISIBAYA FUNDS GEOGRAPHICAL SPLIT



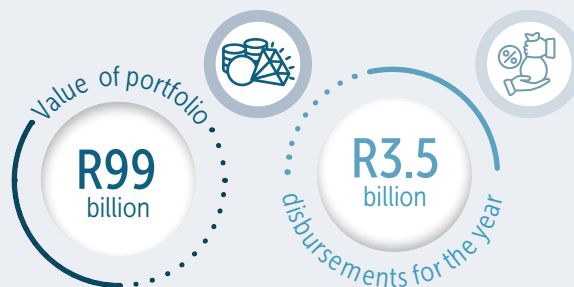
The Unlisted Investments division provides capital directly to private entities and indirectly via external fund managers and intermediaries in order to capture a broad spectrum of investment opportunities. The direct approach entails taking equity and debt positions in private entities to ensure active participation and driving value creation and transformation. We use indirect investing through third-party fund managers and intermediaries to broaden our reach.

Investments are in key strategic economic sectors to generate positive, sustainable long-term returns, while simultaneously supporting social outcomes such as job creation, transformation, greening the economy and improving South Africa's global competitiveness. The chart below depicts the current sector allocation:



Portfolio Performance

The tough economic conditions of the previous financial year persisted, with global geopolitical events negatively affecting most emerging markets. This diminished the unlisted investments portfolio value in the year under review. Thus, the PIC continued to offer limited support to eligible investee companies through, among others, debt restructuring and turnaround funding. The portfolio total value was R99 billion, with disbursements for the year totalling R3.5 billion.



CASE STUDY: > FUNDING SMALL ENTERPRISE SUSTAINABILITY

TCI-TISO is an innovative small-to-medium trade finance solutions service provider established in 2018. The company was founded by a team of international trade professionals with a collective 40 years of trade finance experience. Short-term (30- to 90-day) contract financing is complemented by specialised business support expertise to promote growth and sustainability for small businesses.

In 2019 the PIC, on behalf of the Compensation Fund and the Unemployed Insurance Fund, invested in TCI-TISO through a significant minority equity stake and took a senior debt on the balance sheet.

OUR IMPACT – OVERALL JUNE 2019 – JUNE 2022



28%

Of funded transactions are in Construction and Engineering Services.



26%

Of funding is for Black Women-Owned Businesses



98%

Funded Businesses are B-BBEE Level 1



80%

Technical support provided

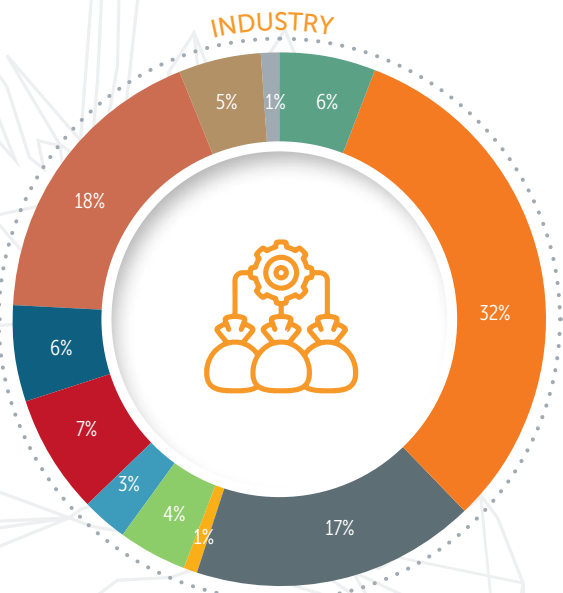


33%

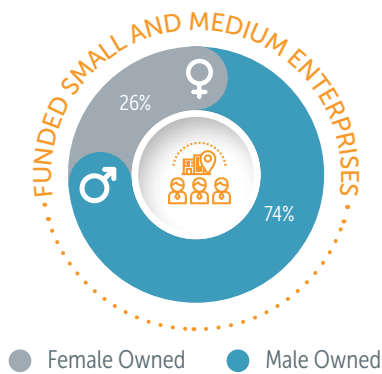
Disbursements in mining sector

The demographics at 30 June 2022 of the total funding disbursed were as follows:

FUNDED DEMOGRAPHICS



- Clothing and Textile
- Construction
- Engineering Services
- Fuel and Energy
- Health Services
- ICT
- Logistics
- Manufacturing
- Mining
- Professional Services
- Security Services



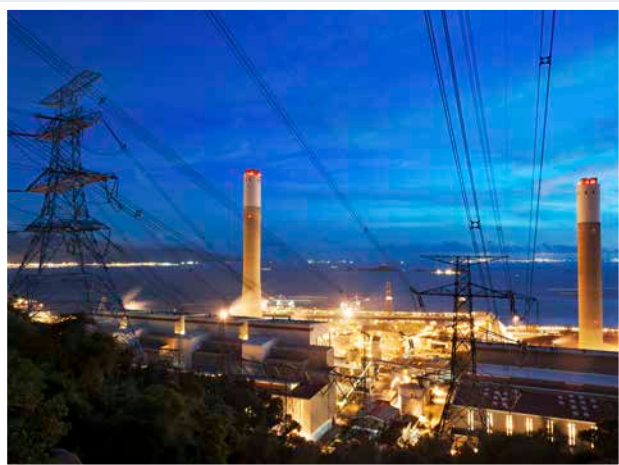
CASE STUDY: > ADDRESSING AFRICA'S INFRASTRUCTURE SHORTFALL

The Africa Finance Corporation (AFC) is a multilateral development finance institution founded in 2007 through an agreement signed by founding member countries. It provides financing solutions to address the shortfall in infrastructure projects, specifically in power, transport, heavy industry, oil, gas, other natural resources and telecoms.

As part of its US\$1 billion fundraising programme, the PIC, acting on behalf of the GEPF, participated by subscribing to a minority equity stake.

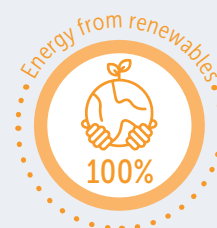
In 2022, the AFC invested US\$222 million in the power sector, with additional disbursements of about US\$200 million expected to close in 2023. The institution plays a key role in the continent's transport sector, with investment in various ports, including Arise Mauritania (a newly constructed and operational port), which achieved commercial operation in 2022.

The PIC's investment in AFC, on behalf of GEPF, allows it to narrow Africa's significant infrastructure gap, which according to African Development Bank currently requires between US\$130 billion and US\$170 billion a year.



Below are details of some transformative AFC projects in 2022:

On 7 December 2022 the AFC, acting as the mandated lead arranger, executed a financing agreement with West African Energy for the development of a 300 megawatts (MW) thermal power project in Senegal.



It has also led the development since 2017 of a 60MW wind-farm project in Djibouti called Red Sea Power. In December 2022, the facility agreements with the lenders led by AFC, FMO (the Dutch entrepreneurial development bank) and the Emerging Africa Infrastructure Fund were signed, launching a project to replace diesel generation sets and to assist the country to achieve its target of 100% energy from renewables.

Source: AFC Annual Report 2022

CASE STUDY: > MUTUALLY BENEFICIAL INVESTMENT



Rand Mutual Holdings (RMH) was established in 2009 and is a licensed financial services provider holding a life insurance licence. It is a 100% subsidiary of Rand Mutual Assurance, a mutual founded on 1 June 1894 to administer compensation for occupational injuries and diseases for the mining industry in line with the Compensation of Occupational Injuries and Diseases Act. In 2015, Rand Mutual Assurance was granted another licence to administer compensation for iron, steel, metals and related industries.

RMH provides administration services for compensation claims and life insurance products to employers and the public. Its products cover workers on and off duty for injuries, illness and death. The company also offers information technology solutions and manages a healthcare/rehabilitation facility for worker rehabilitation.

In 2023, the PIC, on behalf of the Compensation Fund, committed capital to acquire a significant minority equity stake in RMH.

RMH PROVIDES



Administration services for compensation claims and life insurance products.



Information technology solutions.



Cover for workers on and off duty for injuries, illness and death.



Management of a healthcare/rehabilitation facility for worker rehabilitation.

CASE STUDY: > A DECADE OF INVESTING IN RENEWABLE ENERGY

Of the R229 billion total investments in South Africa's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) that have reached financial close,¹ R57.1 billion worth of projects (25%) was rallied by the PIC.

These are multiple projects wherein over R10.5 billion of the PIC's actual client funds have been invested.

This shows the depth, commitment and vision of the PIC's decade-long journey to help diversify the country's energy mix by investing to develop cleaner power sources such as solar, biogas/biomass, small hydro and wind projects. South Africa's REIPPPP is among the world's most successful and progressive renewable energy programmes in terms of attracting private sector-led investments to help transform South Africa into a sustainable, low-carbon, inclusive and equitable society. It provides for real investment into the economy to develop essential economic infrastructure, it creates jobs and it provides opportunities for rural communities to become participants in the energy sector and the co-custodians of infrastructure development.

REIPPPP round one to bid window five have contributed 7 090MW to the national energy mix, made up of 97 independent power producers, 16% of which proceeded to financial close through PIC funding. These are now either under construction or in commercial operation. Of the total project costs 19% that reached financial close are made up of foreign direct equity investments and debt financing from prominent global renewable energy project developers and component manufacturers, in the main from Germany, France, Italy, Spain and the US.

Notwithstanding that, the importance of retaining shareholding in independent power producers for black South Africans is built into REIPPPP procurement conditions. Of the REIPPPP's R65 billion equity investments, R4.3 billion is in direct and indirect equity investments supporting black ownership in the REIPPPP, including black people in local communities.

In total communities and black businesses own a total 9% and 37.3% respectively of all REIPPPP projects that have reached financial close. We have notably supported community trust participation in seven projects through an investment of R383 million to date.

The PIC's contribution to the REIPPPP includes the facilitation of R2.3 billion in socio-economic development (1.3% of total revenues to date) and R699 million in enterprise development (0.4% of total revenues to date). These benefits for communities were generated by projects that are operational and within a 50km radius from communities. To date, 69 554 jobs have been created through the REIPPPP for South Africans, and of the total, 10 359 were directly created by companies in the PIC portfolio.

Although the government has declared that enterprise development will not be a qualifying criterion for future REIPPPP initiatives should the Preferential Procurement Policy Framework Act be nullified, enterprise development will still be scored as a requirement when selecting preferred bidders.



R2.3 billion
In socio-economic
development



69 554
Jobs have been
created through the
REIPPPP



R699 million
In enterprise
development



10 359
Jobs directly created
by companies on the
PIC portfolio

¹ Financial close is when all funding agreements are unconditional and there is confirmation that all conditions have been met.

CASE STUDY: > ENRICHING EMERGING ENERGY ENTERPRISE

To advance transformation in the all-important renewable energy industry, the PIC is investing R310 million on behalf of the GEFP in Rifuwo Energy Partners, thus enabling emerging black independent power producer, Mathaholo Investment Holdings, to break into the sector.

The project will add 43MW to the grid in small-scale embedded generation projects including rooftop solar photovoltaic projects on commercial and industrial sites and schools, and 2MW of biogas.²

The GEFP will have a 42% stake in Rifuwo, while Mathaholo will hold 58%. Rifuwo will invest about 40% of the funding into the projects, with institutions such as Rand Merchant Bank, Resultant Asset Finance and the Industrial Development Corporation providing senior debt. The projects are in Gauteng, the Western Cape and North West, with an aggregate project cost of circa R709 million.

Rifuwo is partnering with established technical and strategic partners to bring the projects to financial close and commercial operations.

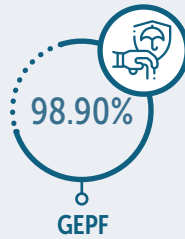
The GEFP's investment will create 60 jobs during construction and 15 during operations, reduce carbon footprints for its clients and minimise the total environmental impact by providing clean energy, ensuring energy efficiency and addressing the economic consequences of persistent electricity supply disruptions.



² Biogas is a type of fuel that is naturally produced from decomposition of organic waste. When organic matter, such as food scraps and animal waste, breakdown in an environment devoid of oxygen, it releases a blend of gases, primarily methane and carbon dioxide.

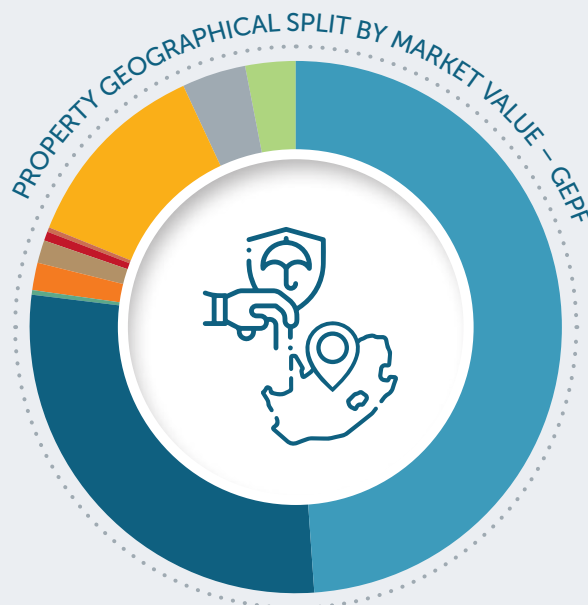
UNLISTED PROPERTIES

The PIC, on behalf of its clients the GEPF, UIF and CC is mandated to invest in unlisted properties. This portfolio of directly- and indirectly held property investments, is valued currently at R51.6 billion and comprises domestic and Rest-of-Africa (ROA) property investments such as Pareto, the Victoria and Alfred (V&A) Waterfront and Gateway Real Estate Africa.



98.90%

0.99% 0.11%



0.5%
Limpopo

0.2%
Mpumalanga

12%
KwaZulu-Natal

4.0%
ACSA*

2.8%
ROA

49%
Gauteng

28%
Western Cape

0.4%
Eastern Cape

1.6%
Free State

1.4%
North West



* ACSA owns and operates South Africa's nine airports, including OR Tambo, Cape Town and King Shaka international airports. ACSA will be reallocated to the Isibaya infrastructure investment pillar in 2024.

> UNLISTED PROPERTIES



RETAIL



INDUSTRIAL /SPECIALISED



OFFICE

52.5%

22.7%

24.8%



GAUTENG

LIMPOPO

EASTERN CAPE

78.3%

18.5%

3.2%



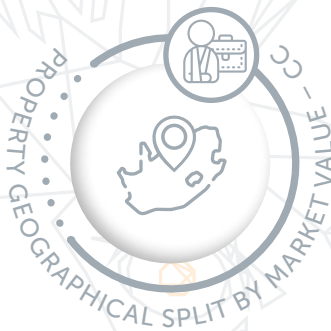
INDUSTRIAL /SPECIALISED



OFFICE

35.8%

64.2%



GAUTENG

LIMPOPO

EASTERN CAPE

55%

27.4%

17.6%



INDUSTRIAL /SPECIALISED



OFFICE

27.40%

72.80%

Market Overview

For the year ended March 2023, domestic property returns reached 9.1%,³ the highest since 2018. All sectors except offices recorded enhanced market values.

The net operating income yield domestically shrank by 20 basis points, a contrast to global markets where yields eased. It is possible that the risk for South Africa has already been factored into the price. Rising costs have negatively affected net income and tenant costs are increasing, while rentals are decreasing. Variable recoveries such as electricity have surged.



South African property returns were 9.1%³ for the year ended March 2023 versus 5.25% in March 2022. This is counter to global markets where a buoyant 2021 was replaced by a gloomy second half of 2022 as liquidity and fund indexes dropped with the impact of tightening capital markets as interest rates increased with inflation.

Post COVID-19, investors have concentrated increasingly on occupier-market fundamentals as business models, sustainability requirements and behavioural changes in work and life have quickly evolved.

The South African industrial sector outperformed at 13.5% total annual return, followed by retail (9.4%) and residential (8.4%). Offices lagged with a return of 6.6%, significantly up from the 0.7% return of 2021/22.

Smaller-format retail continued to outperform larger formats.



Smaller-format retail continued to outperform larger formats, contrary to the previous year. Encouragingly, all formats improved by about 2%.



Office parks improved marginally over freestanding offices, which increased returns by more than 8%. All industrial types improved, with multiparks leading with an annual increase from under 8% to over 14.5%.

Only office parks continued to experience capital devaluations, a trend driven largely by depressed yields as both net investment and net income dragged on capital returns. Office oversupply continues to encumber the sector, as tenant choice and bargaining power are elevated.



Net income growth across the sectors dipped into negative territory again, at -0.8% a year, with office and retail lagging behind residential and industrial, driven mostly by increasing inflation's effect on operating expenses. Electricity and rates remain the largest individual operating cost factors. Office and retail properties faced increased diesel generator maintenance costs in late 2022, as the frequency and length of electricity supply disruptions increased.

Vacancies across all sectors were generally stable, with only residential vacancies materially down.



Increased demand for residential accommodation led to above-inflation base rental growth, a first since December 2019.

³ Morgan Stanley Capital International South African Real Estate Index (December 2022).

Directly held projects

Of the 69 directly owned properties earmarked for disposal, 22 sales had been successfully concluded by end-March 2023, 17 were at conveyancing and 25 formed part of the private treaty process. Forward-looking contracts have been formalised with utility service management contractors, while an efficiency programme, including energy mitigation, is underway.

60%
GEPF



40%
Oceans Umhlanga
Retail

In the directly held portfolio, the Oceans Mall development is a luxury retail component of the overall mixed-use Umhlanga precinct, planned at R3.4 billion. It is co-owned by the GEPF (60%) and Oceans Umhlanga Retail (40%). The 30 000m² mall was completed in October 2022, with approved project spend of about R1.3 billion. Trading in the non-luxury part of the mall began in November 2022, with the luxury section opening in the first quarter of 2023. Tenants include KwaZulu-Natal firsts Gucci, Dolce & Gabbana, Michael Kors and Jimmy Choo. The development has created 879 jobs to date.



The development has created **879** jobs to date.

70%
GEPF



30%
Adowa Infrastructure
Managers

The Adowa student accommodation project is 70% owned by GEPF and 30% by Adowa Infrastructure Managers. The venture received a R2 billion commitment to develop accommodation throughout South Africa, targeted mainly at previously disadvantaged students. In February 2023, Adowa opened Fredericks Street for the 2024 Tshwane University of Technology student intake. Fredericks Street, with 352 beds, adding to the 1 047 existing beds in the Adowa portfolio.



1 399 beds in the Adowa portfolio.



40%
GEPF

25%
UIF

5%
CF



30%
K-SL Group



Triple-storey greenfield Bendor Student Village offers **408** beds.



In Limpopo, the For Generations joint venture between PIC participants (GEPF – 40%, UIF – 25% and CF – 5%) and K-SL Group (30%) has developed the triple-storey greenfield Bendor Student Village offering 408 beds in Polokwane. Each room features a bed, study table, a chair and cupboards, while the communal spaces contain study areas, laundry rooms, a rooftop garden and a recreational centre. The R158 million development was completed in December 2022. Students will take occupation in the second half of 2023.

Indirectly held projects

Gateway Real Estate Africa

PIC investee company Gateway Real Estate Africa (GREA) has responded to the shortage of high-quality private healthcare facilities in Mauritius with Falcon Curepipe Hospital by Artemis. The US\$20 million (R372.8 million) 68-bed development was completed in March 2023. Falcon complements fellow GREA development, the oncology-focused Coromandel Hospital.



R372.8 million development was completed in March 2023.



68 beds

Gateway Real Estate Africa

GREA's US\$30 million (R559 million) Precinct office development in Grand Baie was completed in December 2022. It has been awarded a five-star green rating by the Green Building Council of South Africa, the first Indian Ocean islands development to receive this acknowledgement.



R559 million development was completed in December 2022.



Awarded a **five-star** green rating.

Reimagine > ALT Capital Partners

Reimagine is a South African property fund managed by ALT Capital Partners that develops and acquires convenience neighbourhood and community retail properties mainly in townships and rural areas. Targeting a fund size of R2.5 billion, Reimagine has received commitments of R500 million from the GEPF unlisted real estate portfolio and R800 million from three other investors. The company is raising additional capital, evaluating prospective investments and deploying capital.



The fund has received a commitment of **R900 million** from GEPF and three other investors.

Temo Investment Partners

Temo Investment Partners is an incubation fund manager (first-time fund managers where PIC clients are anchor investors and the Corporation is able to help shape fund strategy and structure). The fund will make mezzanine investments in industrial, retail and commercial real estate in Johannesburg, Cape Town and Durban. It identifies new and existing purpose-built and/or single-tenant properties with long-term underlying rental commitments that have financial leverage, leasing, redevelopment and/or repositioning opportunities.



The fund has received a GEPF commitment of **R500 million** to date.

Accelerating impact in 2023/24

A subdued economic environment has necessitated a measured view of the portfolio to mitigate value erosion. The following approaches have been embedded to protect and enhance future value:

- › Proactive portfolio diversification sectorally and geographically;
- › Repositioning existing assets through redevelopment and refurbishment where possible;
- › Aligning to the benchmark in sector exposure to increase correlations between portfolio and benchmark performance;
- › Acquiring high-quality assets with experienced and risk-aligned partners;
- › Pursuing energy efficiency measures;
- › Creating assets in unserved nodes and exploring new market entrants; and
- › Driving transformation at a racial and gender level in viable real estate opportunities.

CASE STUDY: > GATEWAY TO THE REST OF AFRICA

Having concluded a maiden capital raise in 2018 from investment partners in South Africa, the United Arab Emirates and the United States, GREA started acquiring African real estate assets in retail, commercial, education, healthcare, specialised residential and industrial sectors. The PIC, on behalf of GEPF, committed US\$85 million for a 48.52% shareholding.

GREA specialises in turnkey construction of commercial real estate for multinational corporates and retailers with the ability to enter into hard-currency leases. Thus, GEPF has increased its foothold not only on the continent but across sectors.

Well-documented challenges notwithstanding, GREA has established a portfolio of 13 attractive properties across nine African countries over the last five years. Seven projects have been completed, three are in construction and three are approved.

GREA has also secured a financial transaction through which it funded and managed a development project and secured a development margin. These developments represent deployed capital of more than US\$380 million, with a current development pipeline exceeding US\$500 million.



7 Projects completed



3 Projects in construction



3 Projects approved



Rosslyn Grove was one of three GREA projects delivered during the COVID-19 pandemic. Local procurement of 64% was achieved and about 1 000 jobs created. GREA invested US\$10 000 in an onsite vaccine programme and US\$40 000 to train and develop women in construction. It was named the best high-end residential development at the 2022 African Property Investment summit.



Rosslyn Grove Diplomatic Accommodation – Gateway Real Estate Africa (greafrika.group)

CASE STUDY: > GATEWAY TO THE REST OF AFRICA (CONTINUED)



The Precinct was nominated for the Africa Green Building of the Year title in 2022.



Curepipe Artemis Hospital has filled a gap in the Mauritian market for high-quality private healthcare and will operate alongside the GREA five-storey 123-bed oncology facility, Coromandel Hospital.

CLIENTS PORTFOLIO PERFORMANCE

The PIC's major clients are the GEPF, UIF, CC, CP and AIPF.

On behalf of its clients, the PIC managed to grow its assets under management by 2% for the 2022/23 financial year to R2.599 trillion, an increase of R51.2 billion.



88.61%

Government Employees Pension Fund (GEPF)



5.14%

Unemployment Insurance Fund (UIF)



2.09%

Compensation Commissioner Fund (CC)



1.80%

Compensation Commissioner Pension Fund (CP)



0.69%

Associated Institutions Pension Fund (AIPF)



0.67%

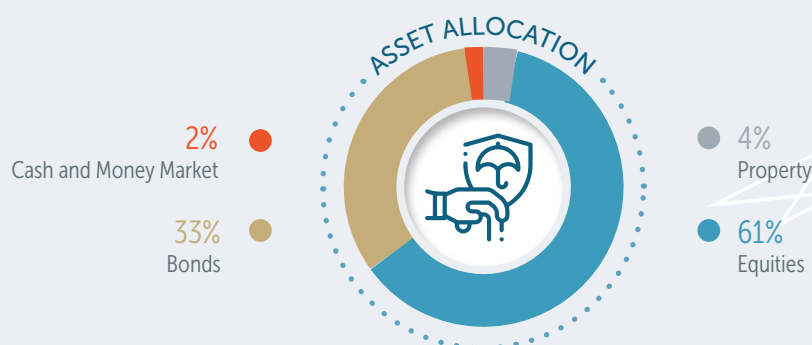
*Other

* Various clients with smaller portfolios.

Government Employees Pension Fund

The GEPPF portfolio constitutes 88.61% of the total PIC AuM. The GEPPF's highly diverse portfolio includes cash, money market instruments, real estate, bonds and equities.

There is further diversification in the equities asset class, with South African listed, local unlisted, international and the Rest-of-Africa equities. Bonds are diversified, with local listed and local unlisted bonds and offshore capital markets. Property assets consist of both listed and unlisted properties, including directly- and indirectly held portfolios. The portfolio also includes Funds-of-Funds (FoF), private equity (PE), and developmental investments (DI) vehicles, adding to the diversification strategy.



Performance

The GEPPF's local listed fund experienced a year-over-year underperformance of 0.21% during the review period, attributed mainly to asset allocation decisions that resulted in an underweight position in money market and inflation-linked bonds.

Over the 24- and 36-month period until March 2023, the local listed fund exceeded its benchmark, outperforming it by 0.60% and 0.18% respectively. The primary driver of alpha, responsible for more than 50% of the portfolio's gains, was equity market stock selection. Additionally, the offshore and Africa portfolio significantly outperformed the benchmarks over both 12 and 36 months.

Asset class	12 months			24 months			36 months		
	Portfolio return	Benchmark return	Relative return	Portfolio return	Benchmark return	Relative return	Portfolio return	Benchmark return	Relative return
Money market	6.24%	5.96%	0.26%	4.99%	4.95%	0.04%	5.00%	4.82%	0.17%
Conventional bonds	5.85%	5.83%	0.01%	9.21%	9.05%	0.14%	11.48%	11.63%	-0.13%
Inflation-linked bonds	5.66%	4.64%	0.98%	8.10%	7.65%	0.42%	10.66%	10.58%	0.07%
Local listed equity	0.74%	0.78%	-0.04%	7.32%	6.40%	0.86%	20.49%	19.88%	0.51%
Local listed property	-4.03%	-3.12%	-0.94%	10.26%	10.95%	-0.62%	17.25%	18.29%	-0.87%
Total GEPPF local listed	2.52%	2.74%	-0.21%	7.82%	7.17%	0.60%	16.30%	16.09%	0.18%
AFRICA LISTED									
Africa listed	10.58%	12.20%	-1.44%	13.13%	7.06%	5.68%	10.95%	8.15%	2.59%
INTERNATIONAL INTERNAL									
Global equity	13.18%	11.17%	1.80%	9.29%	9.33%	-0.03%	15.58%	13.88%	1.49%
Global bonds	16.90%	10.34%	5.94%	5.81%	1.19%	4.57%	0.82%	-4.40%	5.46%

Unemployment Insurance Fund

The UIF, the second-largest PIC client, accounts for 5.14% of total AuM. The fund's assets comprise inflation-linked bonds, listed domestic and international equities cash and money market investments and social investments, classified as socially responsible investments.



Performance

During the year under review, the locally listed portion of the fund underperformed by 0.65% against the benchmark. This was due primarily to the fund's underweight position in cash and money markets, relative to the benchmark and to over-exposure to an underperforming equity asset class.

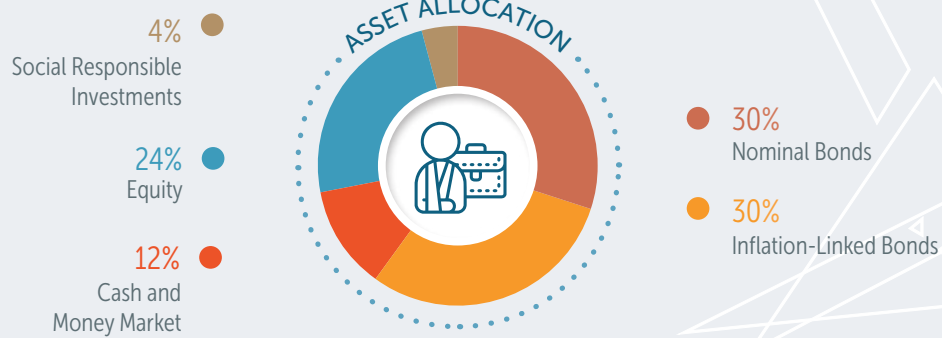
In the 24 months to March 2023, the fund underperformed its benchmark by 0.31% as a result of under-exposure to nominal bonds and over-exposure to stocks driven largely by the selloff in nominal bonds to fund the UIF COVID-19 Temporary Employment Relief Scheme (TERS).

The fund underperformed its benchmark by 0.57% over 36 months. The relative results were still significantly influenced by relative asset positioning and asset allocation driven by selloffs in nominal bonds to fund the UIF COVID-19 TERS.

Asset class	12 months			24 months			36 months		
	Portfolio return	Benchmark return	Relative return	Portfolio return	Benchmark return	Relative return	Portfolio return	Benchmark return	Relative return
Cash and money market	5.92%	5.96%	-0.05%	5.02%	4.95%	0.07%	5.27%	4.82%	0.45%
Conventional bonds	6.08%	5.83%	0.24%	8.29%	9.05%	-0.76%	10.94%	11.63%	-0.69%
Inflation-linked bonds	5.59%	4.92%	0.68%	7.89%	7.80%	0.09%	10.52%	10.68%	-0.16%
Local listed equity	-0.14%	0.26%	-0.40%	10.19%	9.69%	0.51%	23.52%	23.15%	0.37%
Internal equity	-0.13%	0.26%	-0.39%	10.11%	9.69%	0.43%	23.44%	23.15%	0.29%
External equity	-0.10%	0.26%	-0.36%	10.25%	9.69%	0.56%	23.24%	23.15%	0.09%
Local listed property	-3.45%	-3.36%	-0.10%	11.18%	10.81%	0.37%	18.74%	18.19%	0.55%
Total local listed	4.53%	5.19%	-0.65%	7.91%	8.22%	-0.31%	14.07%	14.64%	-0.57%
INTERNATIONAL INTERNAL RETURNS									
Global equity	13.16%	12.79%	0.37%	9.28%	8.54%	0.74%	15.37%	14.05%	1.32%

Compensation Commissioner Fund

The CC represents 2.09% of the PIC's AuM. The fund's portfolio comprises nominal bonds, inflation-linked bonds, listed equities, cash and money market assets, and socially responsible investments.



Performance

Over the 12 months ended 31 March 2023, the fund underperformed its benchmark by 0.21%, attributable to negative contributions from local listed equity and conventional bonds. The fund had an underweight exposure in these areas that continued to affect performance over the subsequent 24 and 36 months, resulting in underperformance of 0.47% and 1.16% respectively.

Asset class	12 months			24 months			36 months		
	Portfolio return	Benchmark return	Relative return	Portfolio return	Benchmark return	Relative return	Portfolio return	Benchmark return	Relative return
Cash and money market	6.07%	5.96%	0.10%	5.20%	4.95%	0.25%	5.22%	4.82%	0.40%
Conventional bonds	5.93%	5.83%	0.09%	9.01%	9.05%	-0.04%	11.64%	11.63%	0.02%
Inflation-linked bonds	5.60%	4.92%	0.69%	7.94%	7.80%	0.14%	10.62%	10.68%	-0.06%
Local listed equity	0.63%	0.71%	-0.07%	7.04%	6.65%	0.39%	20.19%	19.89%	0.30%
Total CC	4.39%	4.60%	-0.21%	7.68%	8.15%	-0.47%	12.30%	13.46%	-1.16%

Compensation Commissioner Pension Fund

The CP portfolio, accounting for 1.80% of AuM, consists of listed equities, nominal bonds, inflation-linked bonds, cash and money market investments.



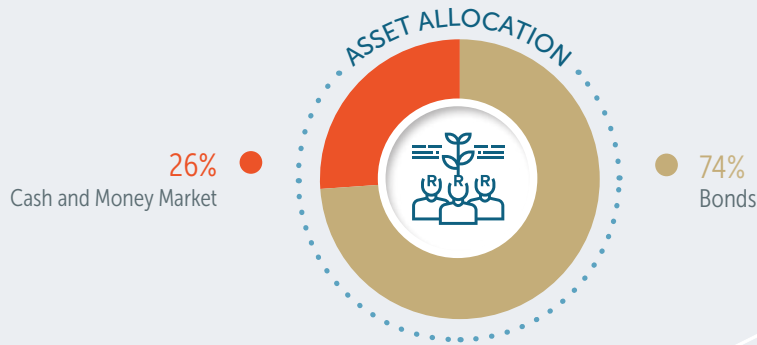
Performance

The fund underperformed its benchmark by 0.07% over the 12 months ended 31 March 2023 due to the negative contributions from conventional and inflation-linked bonds. This fund had an underweight exposure in these areas that continued to affect performance over the subsequent 24 and 36 months, resulting in underperformance of 0.41% and 1.28% respectively.

Asset class	12 months			24 months			36 months		
	Portfolio return	Benchmark return	Relative return	Portfolio return	Benchmark return	Relative return	Portfolio return	Benchmark return	Relative return
Cash and money market	6.33%	5.96%	0.36%	5.25%	4.95%	0.30%	5.11%	4.82%	0.29%
Conventional bonds	5.93%	5.83%	0.10%	8.97%	9.05%	-0.08%	11.69%	11.63%	0.06%
Inflation-linked bonds	5.43%	4.92%	0.51%	7.94%	7.80%	0.15%	10.66%	10.68%	-0.02%
Local listed equity	0.95%	0.71%	0.24%	7.02%	6.65%	0.37%	20.25%	19.89%	0.36%
Total CP	4.52%	4.45%	0.07%	7.53%	7.94%	-0.41%	11.98%	13.27%	-1.28%

Associated Institutions Pension Fund

The AIPF, representing 0.69% of AuM, includes bonds, cash and money market investments.



Performance

For the 12 months ended March 2023, the fund invested predominantly in nominal bonds marginally outperformed its benchmark by 0.02%. Due to an underweight position in nominal bonds compared to the benchmark, over 24 and 36 months, the fund underperformed by 0.24% and 0.25% respectively.

Asset class	12 months			24 months			36 months		
	Portfolio return	Benchmark return	Relative return	Portfolio return	Benchmark return	Relative return	Portfolio return	Benchmark return	Relative return
Cash and money market	5.87%	5.96%	-0.09%	4.88%	4.95%	-0.07%	4.88%	4.82%	0.06%
Conventional bonds	5.93%	5.83%	0.10%	8.88%	9.05%	-0.17%	11.60%	11.63%	-0.03%
Total AIPF	5.99%	5.96%	0.02%	7.85%	8.09%	-0.24%	9.73%	9.97%	-0.25%

Other clients

The funds mentioned below account for 1.55% of the total assets managed by the PIC. The clients below have various assets, including listed equities, bonds, cash and money markets.

Asset class	12 months			24 months			36 months		
	Portfolio return	Benchmark return	Relative return	Portfolio return	Benchmark return	Relative return	Portfolio return	Benchmark return	Relative return
Political office bearers	5.95	5.83	0.12	8.81	9.05	-0.24	11.55	11.63	-0.07
Guardian Fund	6.18	5.4	0.78	5.27	4.7	0.57	5.36	4.8	0.57
National Skills Fund	6.12	5.96	0.16	5.16	4.95	0.21	5.12	4.82	0.3
Reconstruction and Development Programme Fund	6.19	5.96	0.22	5.18	4.95	0.23	5.17	4.82	0.35
President's Fund	6.13	5.96	0.17	5.09	4.95	0.14	5.11	4.82	0.29
University loan investments	6.25	5.96	0.29	5.2	4.95	0.25	5.18	4.82	0.35
Temporary Employees Pension Fund	6.14	5.96	0.18	5.12	4.95	0.18	5.12	4.82	0.3
Small clients	5.52	5.71	-0.19	4.34	4.66	-0.32	3.97	4.37	-0.4
PIC Metropolitan Money Market Fund	5.94	5.96	-0.02	4.97	4.95	0.02	4.85	4.82	0.03
PIC Metropolitan Bond Fund	6.14	5.83	0.3	9.3	9.05	0.25	11.87	11.63	0.25
PIC Old Mutual Balanced Fund	1.95	5.99	-4.04	9.79	5.96	3.83	16.43	5.04	11.39
PIC Old Mutual Equity Managed Fund	4.13	0.23	3.9	8.65	9.87	-1.22	16.94	23.02	-6.08

GENERATING SOCIAL RETURNS: SOCIAL IMPACT OF UNLISTED INVESTMENTS

Environment, Social and Governance Principles for Responsible Corporate Behaviour

The Responsible Asset Allocator Initiative (RAAI) recognised the PIC as one of the most responsible asset allocators in the world for 2022, our second such accolade. The RAAI is focused on mobilising capital from the world's largest asset allocators toward responsible investing and the achievement of the United Nations Sustainable Development Goals (SDGs).

The RAAI commended the PIC's commitment to responsible investment practices, including its approach to ESG issues and how these principles are embedded to promote sustainable investments in renewable energy, affordable housing and other projects that contribute to South Africa's socio-economic development.



ESG PRINCIPLES
ARE EMBEDDED
TO PROMOTE
SUSTAINABLE
INVESTMENTS



Renewable energy



Affordable housing



Projects that contribute to
South Africa's socio-economic
development

The PIC's insistence on responsible corporate behaviour and the adherence to ESG principles also shape the way investee companies design, implement and report on the structural management and oversight of their ESG compliance programmes and processes. The PIC's ESG team oversees ESG performance and monitors, engages and oversees ESG risks within investee companies to ensure that the PIC can effectively implement and fulfil these requirements, which are also prescribed by its clients' investment mandates.

The PIC believes that a strong commitment to the highest standards of business ethics and sound corporate governance is essential to creating long-term value for clients. Thus, we require that external fund managers incorporate responsible ESG practices in their investment processes, governed by ESG policies and aligned to PIC policies and best practice.

The PIC believes that a **strong commitment to the highest standards of business ethics and sound corporate governance** is essential to **creating long-term value** for clients.



The social impact of unlisted investments

The PIC's longstanding commitment to responsible investing and ESG is evident in our active participation in the PRI and UNGC, and in its endorsement of and support for CRISA and the SDGs.

It is acknowledged that rising greenhouse gas emissions are caused by increased human economic activity, driven by a rising demand for energy, goods and services, and by the conversion of natural ecosystems to intensive land-use. 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. Global warming presents a systemic risk to economies, with substantial financial consequences.

Companies with a greater understanding of their asset exposure and vulnerability to climate change are 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.

Mitigations will be guided by the latest science, while considering national circumstances and capacities for a just transition. This is especially true for assets with long-term implications for both environmental and socio-economic development. There should be no trade-off in driving an evolving, sustainable low-carbon economy.

The PIC's hydrogen investment strategy, for example, unlocks value by funding and providing early-stage capital to develop the hydrogen value chain. Countries worldwide are increasingly considering hydrogen as a potential clean energy source.

The PIC has invested in venture capital funds that unlock the hydrogen value chain to enable a swift transition to sustainable energy. These funds additionally invest in storage, transportation and hydrogen applications to address the structural constraints that affect sectors such as mining,

transportation and heavy industry. To date, these funds have facilitated 184 jobs for women and 211 jobs for men in growth technology companies across the hydrogen value chain, thereby upskilling individuals with skills needed in the low-carbon future.

Generating Social Returns

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 Unlisted Investments division (Isibaya) believes that all investments have consequences – not just for investee companies, but for communities in which they operate and for the economy. 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.

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. Unlisted investment developmental indicators are aligned with 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.

Employment opportunities

Our responsible investment philosophy requires that we fund companies that can generate measurable, beneficial social and/or environmental impact with sustainable financial returns. PIC portfolio investee companies have 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.

The PIC has invested in venture capital funds that unlock the hydrogen value chain to enable a swift transition to sustainable energy.



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



170 964

30%

51 816



51%

87 416



18%

31 732

UNDISCLOSED



82 572

General funds



8 449

Health



13 674

Mining



9 507

Transport infrastructure
and logistics



1 764

Housing



2 586

Renewable energy



454

Energy (gas and coal)



5 664

Properties



11 294

Financial services



704

Oil and gas



5 866

Manufacturing



1 736

Education



21 588

Agriculture



1 360

Student accommodation



1 559

Information and
communications technology



2 187

Construction

Agriculture



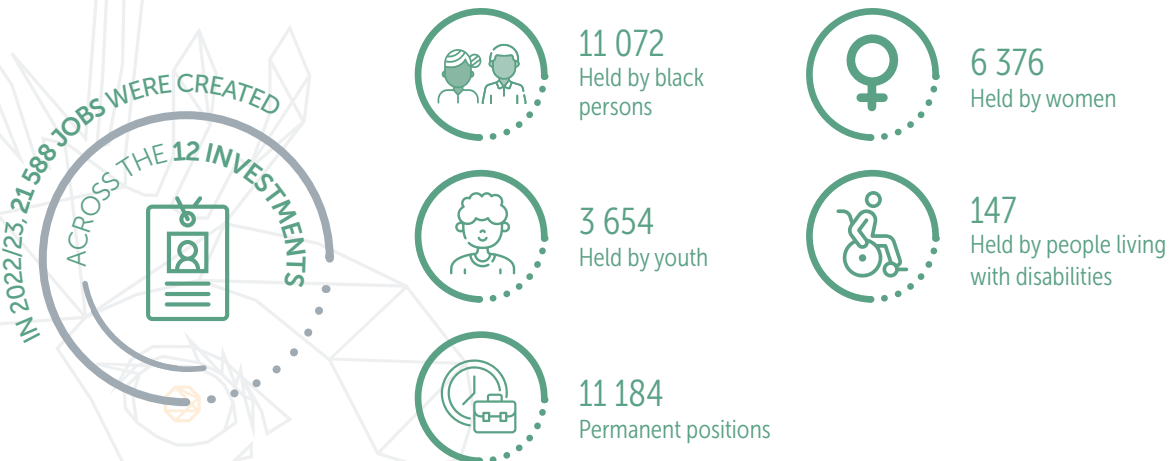
The PIC supports and promotes agricultural, forestry and fisheries, through policies, strategies and programmes that enhance their sustainable use and stimulate economic growth, job creation, food security and rural development. The 12 current investments which support 28 farms, six processing plants, four food production plants and two abattoirs.



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

- ▶ Social impact through the creation of sustainable jobs that have reduced unemployment levels in the surrounding communities;
- ▶ Promote food security and the sustainable use of agricultural resources;
- ▶ Ensure the bankability of farming businesses; and
- ▶ Improve the quality of life of farming communities.

South Africa's low growth trajectory and growing unemployment, especially after the COVID-19 pandemic, geopolitical international events and the effects of climate change, have severely affected food security. In 2022/23, 21 588 jobs were created across the 12 investments:



Advancing transformation remains a PIC priority, as current patterns of ownership remain aligned with historical racial patterns of South Africa, especially in agriculture. One initiative that attempts to alleviate this comprises three trusts – one each for farmworkers, employees and emerging farmers. Each trust has at least 10% equity stake.

CASE STUDY: >



DEWFRESH

Dewfresh produces a wide range of short- and long-life dairy products, soya products and fruit juices. It was established in 1973 through a consolidation of the various businesses of the Grobler family. The PIC sought to invest in the development of the asset to grow the footprint of black entrepreneurs in agriculture and to create jobs. Dewfresh has improved its B-BBEE scorecard rating from level 3 at the time of our investment to level 2 through its participation across the B-BBEE value chain. All elements of enterprise and supplier development, equity ownership, management control and skills development have also advanced, as has environmental compliance.



SOUTHERN FARMS

Southern Farms, which previously traded under the name Schuitdrift, is an independent grower and exporter of seedless table grapes that attracted a PIC investment of around R250 million in 2013. The entity's accreditation by the Sustainability Initiative of South Africa reflects its ethical and environmentally sustainable trade, care for the environment and compliance with labour legislation.

SOCIAL IMPACT IN THE AGRICULTURAL SECTOR:



3
Employee trusts supported



17
Emerging farmers – financial support and skills transfer



440
Access to healthcare



1 431
Housing for employees



2 385
Access to education and skills development programmes, including matric, management, leadership and life skills

Basic education



Various data sources show that South Africa lags behind global enrolment trends in private education institutions. The Progress in International Reading Literacy Study report of 2023 revealed that a staggering 81% of Grade 4 pupils in South Africa can't read for meaning. Even before the COVID-19 pandemic, the education system faced significant historical challenges, such as poverty, unequal access and inadequate infrastructure.

Demand for high-quality education in the country and the rest of the continent continues to grow amid a lack of resources such as good-calibre teachers and infrastructure. Estimates, without taking into account future population and economic growth, are that more than a million more learners could be eligible to attend independent schools.

Online/distance learning in tertiary schools increased by 40% between 2017 to 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. A further concern is the skill of teachers and students to advance the fourth industrial revolution, with much training still needed to prepare teachers, especially in coding and robotics.

The PIC supports independent schools geared for the fourth industrial revolution and contributes to fund the building of schools.

To date, more than R1.2 billion had been committed to education, facilitating over 1 700 jobs and supporting more than 22 000 learners.



R1.2 billion
Committed to education



1 700
Jobs



22 000
Supported learners

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

Investee	Fundi	Schools and Education Investment Impact Fund of South Africa *	TOTAL
Total	178	1 558	1 736
Permanent	158	Not disclosed	158
Temporary	20	Not disclosed	20
Men	51	423	474
Women	127	1 135	1 262
Black men	47	259	306
White men	-	54	54
Foreign men	4	110	114
Black women	116	748	864
White women	9	282	291
Foreign women	2	105	107
Black economic empowerment level	1	1	

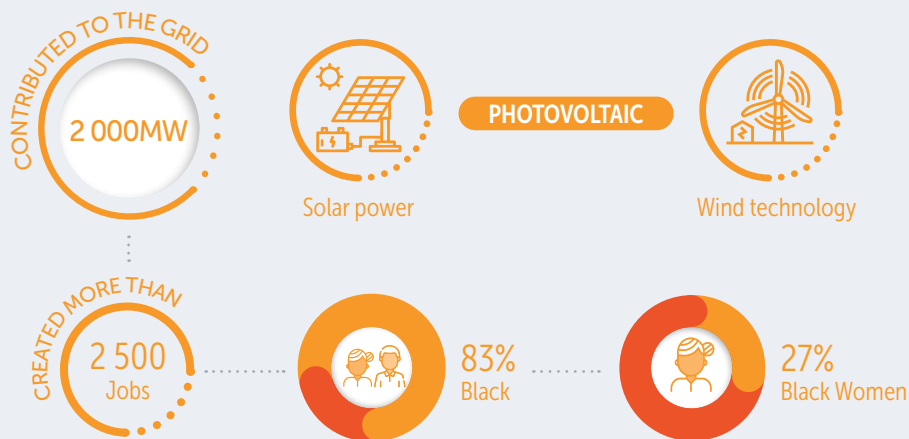
*Numbers at 31 March 2023. The company reports once a year

Energy

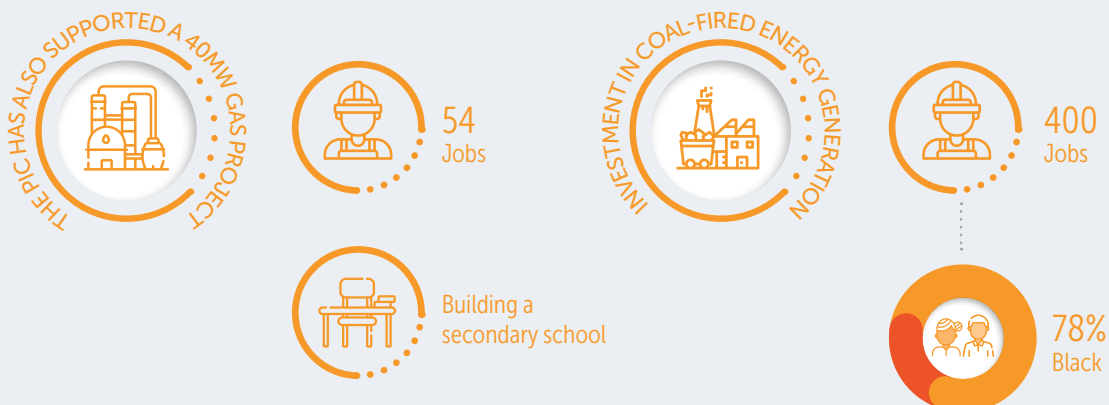


Responding to climate change in South Africa is fundamentally about economic competitiveness and lifting people out of poverty, inequality and unemployment while contributing to the global goal of reduced carbon emissions. Decarbonising the whole economy would require some R6 trillion over the next three decades, more than half of that in the energy sector.⁴ The Just Energy Transition Investment Plan states that R1.5 trillion is needed over the next five years, particularly in the priority sectors of electricity, new energy vehicles and green hydrogen.

The PIC intends to build on its existing investments in renewable energy that have contributed more than 2 000MW to the grid through photovoltaic, concentrated solar power and wind technology. These investments have significantly supported climate change mitigation by reducing carbon emissions. They have created more than 2 500 jobs. Through direct investments in the REIPPPP, about 83% of job numbers have been allocated to black individuals, with 27% of having gone to women. Additionally, 38% of these projects have black ownership above 20% and black women ownership above 10%, while two projects have black ownership of above 40%.



The PIC has also supported a 40MW gas project in Mozambique that sustains 54 jobs and that is building a secondary school in Manjangué, which will significantly support education upliftment in the Chókwè District. Our investment in coal-fired energy generation has supported 400 jobs, 78% of which are allocated to black individuals.



⁴ National Business Initiative, Business Unity South Africa and Boston Consulting Group, South Africa's Net-Zero Transition, 2023. Available at www.nbi.org.za/wp-content/uploads/2022/12/South-Africas-Net-Zero-Transition.pdf.

Oil and gas



PIC investments in oil and gas have created 704 jobs, with the majority of these through the TotalEnergies Marketing South Africa (TMSA) investment where the PIC provided debt funding to Tosaco, which holds 25% of TMSA. TMSA, a level 1 B-BBEE contributor, produces, distributes and markets diverse petroleum products for retail, commercial, agricultural and industrial sectors. The portfolio comprises 547 service stations and TotalEnergies has indicated its ambition to reinvent energy and become a player in the energy transition on the journey to net zero by 2050. It is, therefore, looking to strengthen its multi-energy strategy and invest more heavily in renewable energies, low-carbon energies, electricity storage and CO₂ capture and storage.



704
Jobs created



547
Service stations
in the portfolio

The PIC has also provided debt funding to Sunrise Energy, an independent, National Energy Regulator of South Africa-licensed liquefied petroleum gas (LPG) import terminal in Saldanha Bay. This highly automated operation has 5 500 tons of storage capacity for the import and distribution of LPG. From the commissioning to end-December 2022, Sunrise Energy safely facilitated the import of 534 334 tons of LPG via 129 vessels and dispatched 23 100 road vehicles. Since 2018, it has distributed 100 packs combining a two-plate gas cooker top and filled 9kg gas bottles to families in the local community. The beneficiaries include pensioners, persons with disabilities, early childhood development centres, soup kitchens and the less fortunate.



534 334 tons
LPG imported



23 100
Road vehicles
dispatched



100
Two-plate gas
cooker tops



100
9kg gas
bottles

Housing



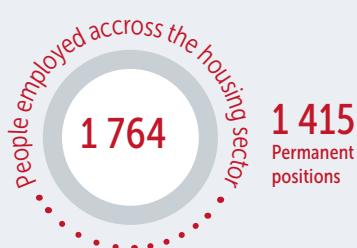
In South Africa, housing is considered a fundamental human right protected by the country's Constitution. The NDP recognises the need for a comprehensive response to the entrenched spatial patterns in South Africa that worsen social inequality and economic inefficiency.

It proposes the promotion of mixed housing strategies and increased urban development to improve access to services. The objective is to enhance living standards by providing low-income housing in well-located urban areas, accompanied by service delivery.⁵ In line with this vision, the PIC facilitates the development of integrated human settlements and operates in the affordable and social housing sector. It offers affordable rental housing and housing finance, providing alternative options for individuals who cannot access subsidised housing or prefer to relocate closer to economic centres instead of peripheral subsidised housing projects.

Over the past decade, the PIC has collaborated with other asset managers, commercial banks and leading development finance organisations to develop inner-city residential rental properties to support numerous property entrepreneurs in their development ventures. Despite these efforts, there are still insufficient affordable residential properties, with 20% of urban households residing in informal settlements. Key challenges include limited financial options for the lower end of the market and high unemployment rates and inflation, which exacerbate affordability issues.

The PIC has eight investee companies in this sector, which permanently employ more than 1 700 people.

In 2022/23, there were 1 764 existing jobs across all investments in the housing sector, as follows:



1 498
Held by black persons



405
Held by youth



564
Held by women



4
Held by disabled individuals

The table below details the number of units built, sold or rented out by the investee companies:

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	17 500 houses and erven transferred, 17 300 of which are rental units and student beds finance (7 400 being the rental unit component)
Urban Lifestyle Investments	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	At least 17 000 social and affordable housing units
Educor Property Holdings	Financed 42 properties, 25 of which are in tertiary institutions
Royal Bafokeng Resources Properties	1 575 units built, 74 remain unsold

⁵ SDG Country Report 2019 – South Africa, Statistics South Africa.

Financial services



The emergence of fintech companies caught the financial services sector by surprise as fintech firms are developing rapidly and have the potential to disrupt many aspects of the industry. The fintech dimension is relatively small but growing, focusing primarily on payments, business-to-business support and lending. The South African financial sector is large and complex, dominated by five large banks that account for most of the sector's assets. Pension, investment funds and insurance companies make up a significant part of the sector with an unusually diverse range of business models and significant variation in risk profiles.

By AuM, finance and insurers are the biggest drivers in the sector. Even though financial services have struggled to grow jobs in recent times, they are among the largest contributors to employment in the country.

Driven by our Financial Services Strategy, PIC investments aim for financial inclusion, transformation and fair market structure. A transformed player alone may not drive financial inclusion and an inclusive financial sector may not drive the transformation of ownership. A highly competitive financial sector may also not drive the desired financial inclusion or transformation results and vice versa. The PIC invests in micro-product providers, directly and indirectly, lobbies for banking regulation to drive transformation and explores larger stakes in banking players. In addition, the PIC invests in and scales the smaller players so that they grow to stimulate healthy competition in the sector.

The R26 billion invested in 13 financial services companies focus mainly on fintech, banking, developmental finance, investment services and asset finance, mortgage finance, small and medium enterprise finance and stock exchanges. These companies employ more than 11 000 people, as detailed below:



R26 billion
Invested in 13 financial
services companies



11 000
Employed by
different companies

INVESTEES COMPANY	TOTAL JOBS	MEN	WOMEN
African Bank	3 465	1 167	2 298
Bayport Management Limited	6 618	3 303	3 315
Bayport Financial Services			
Resultant Finance	6	3	3
SA Home Loans	845	296	549
Grobank		Not disclosed	
Trade Capital Investments – Tiso	11	7	4
Yalu		Not disclosed	
ZARX		Not disclosed	
Afrixembank	317	201	116
Mazwe	32	8	24
Total	11 294	4 985	6 309

Information and communications technology



The exponential growth of artificial intelligence, blockchain, digital twin technologies, the metaverse and the internet of things⁶ are radically changing ICT.

The African ICT mergers and acquisitions market has remained active despite global uncertainty and investment in connectivity infrastructure is growing. Historically, the focus was on submarine cables, but attention has shifted to equipping the interior regions through fibre and data centres. This is driven by Africa's broadband user base, which is expected to double in size over the next decade. But the continent will continue to lag behind developed markets if outdated legislation is not amended and poor infrastructure is not upgraded. In South Africa, for example, electricity supply disruptions have adversely affected several industries, including ICT. The availability of communication services is dependent on a consistent supply of electricity. Independent Communications Authority of South Africa licensees spent R2.6 billion in 2022/23 on batteries and R873 million on generators.⁷



R2.6 billion
South Africa licensees spent
in 2022/23 on batteries



R873 million
South Africa licensees spent
in 2022/23 on generators

During 2022/23, the PIC distributed US\$900 000 to ICT initiatives, which has facilitated more than 1 500 jobs during the year.



US\$900 000
Distributed to ICT initiatives



1 500
Jobs facilitated
through the year

Through the PIC's investments, disbursed from a specialised fund, Convergence Partners:



47 000km+
Fibre has been installed
in Africa



1 million
Homes connected



800
Schools were equipped
technologically

⁶ <https://www.telecomreviewafrica.com/en/articles/features/3267-africa-s-digital-transformation-in-2023-shaped-by-major-trends>

⁷ www.icasa.org.za/legislation-and-regulations/state-of-ict-sector-report-2023-report

Mining



With improved commodity prices, the mining industry aided South Africa's economy during the COVID-19 lockdown period. The PIC invested in seven unlisted mining initiatives that increased job creation by 15% year-on-year to 14 575. This is a significant improvement over the previous years. However, momentum has been concerningly hampered by rail and port infrastructure constraints.



7
The PIC invested in seven unlisted mining initiatives



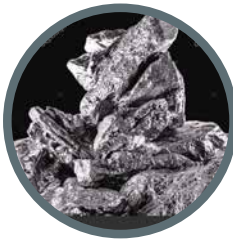
14 575
The PIC increased job creation by 15%

Electricity supply disruptions have also had a detrimental effect on mining, with output having decreased by 9% year-on-year in November 2022, according to Statistics South Africa. The largest negative impact was in platinum group metals with a 22% decrease in production output, diamonds with a 21.5% decline and iron ore with a 19.4% decrease in November 2022. Electricity supply disruptions have caused thousands of sector employees to lose their jobs and has led to the risk of shaft closures.



9%

Overall decline



-22%
platinum production



-21.5%
diamonds production



-19.4%
iron ore production

Properties



Sentiments were positive that a real recovery would finally take hold in the property sector as the worst effects of COVID-19 retreated. These notions were, however, thwarted by Russia's invasion of the Ukraine, which led to consumer price inflation soaring and central banks globally increasing interest rates. Domestic prime lending rates ended 2022 at pre-pandemic levels.

South Africa's property market was further weakened by unprecedented rolling blackouts and by lower consumer and business confidence and purchasing power.

The PIC manages a property portfolio of more than R50 billion, comprising more than 170 directly held and 15 indirectly held properties, including in the rest of Africa. For the period under review, the property portfolio sustained more than 5 600 jobs as depicted in the table below:

THE PIC MANAGES A PROPERTY PORTFOLIO OF MORE THAN R50 BILLION



170
Directly held
properties



15
Indirectly held
properties



5 600
Jobs
sustained

Investee company	Total	Permanent	Temporary	Men	Women	Black Men	White Men	Foreign Men	Black Women	White Women	Foreign Women	BEE level
Emerging African Property Holdings	11	11	-	6	5	4	2	-	3	2	-	2
Arch Property Fund	42	42	-	18	24	5	13	-	16	8	-	2
Airports Company South Africa	2 449	2 297	152	1 283	1 166	1 230	53	-	1 129	37	-	2
Gateway Real Estate Africa	386	204	182	368	18			Not disclosed				N/A
Menlyn Maine Holdings	32	32	-	19	13	8	11	-	4	8	1	7
Pareto	31	31	-	11	20	9	2	-	19	1	-	5
Oceans	2 092	1 287	805	1 946	146	1 813	115	18	111	31	4	2
V&A Waterfront	262	225	37	130	132	112	16	2	110	22	-	2
Mowana Properties (Directly Held)	318	318	-	113	205	101	10	-	182	23	2	1
Precinct Developer							Not disclosed					2
Riverside Office Park/ Cartoze	5	5	0	4	1	4	0	0	1	-	-	1
Tshwane Mall	36	36	0	10	26	10	0	0	26	-	-	1
GRAND TOTAL	5 664	4 488	1 176	3 908	1 756	3 296	222	20	1 601	132	7	

Student accommodation



Student accommodation remains a very positive component of the property sector for investment, since demand for rentals in this segment consistently outstrips supply. Undergraduate student funding through the National Student Financial Aid Scheme (NSFAS) has been a key contributor over the past three years. NSFAS has not only made it possible for more young South Africans to attend university, but the rental subsidies included in most of its funding means that prospective students can access accommodation close to their university campus.

The objectives of the PIC's education infrastructure investment portfolio are to:

- ▶ Provide high-quality student accommodation near South African universities and other tertiary institutions;
- ▶ Create jobs during construction and operation;
- ▶ Provide 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;
- ▶ Facilitate support structures and create an environment conducive to learning;
- ▶ Support the national agenda of universal access to tertiary education; and
- ▶ Advance B-BBEE through black ownership and management with property sector experience.

Many students tend to move to designated student accommodation simply because their homes do not have the facilities and connectivity to learn.

The PIC has, through three investments, funded student accommodation initiatives that delivered more than 22 000 beds. The investment covers Gauteng, Western Cape, KwaZulu-Natal, Limpopo and Eastern Cape.

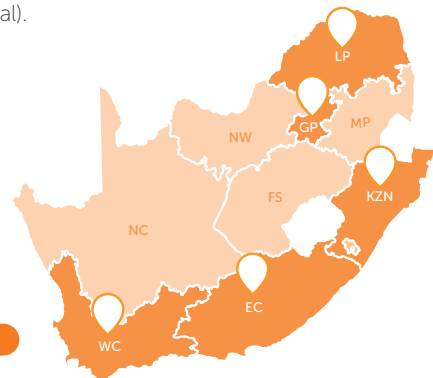
These investments facilitated more than 1 300 jobs (construction and operational).



1 300
Jobs facilitated



22 000
Beds in five provinces



Leading to increased demand for student accommodation

Investee	Total jobs	Permanent	Temporary	Men	Women	Black men	White men	Foreign men	Black women	White women	Foreign women
Adowa	239	167	72	119	120	116	-	3	70	-	50
K-SL	702	124	578	592	110	588	4	-	110	-	-
South Point	419	264	155	265	154	248	11	6	151	2	1
TOTAL	1 360	555	805	976	384	952	15	9	331	2	51

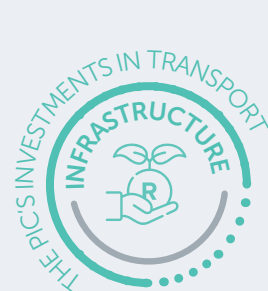
Transport and logistics

National roads facilitate the movement of goods, promoting trade and economic development. They provide a vital link for transporting raw materials, agricultural products and manufactured goods to markets and ports. Efficient road networks support industries, logistics and supply chains, driving economic growth and creating job opportunities.

The PIC's investments in transport infrastructure include seven significant assets, including three toll concessions: the N3 Toll Concession (N3TC), Bakwena Platinum Corridor Concession and N4 TRAC. Spanning more than 1 370km, each concession must design, construct, finance, operate and maintain its sections of these vital routes through an enduring private-public partnership with the South African National Roads Agency. Through its investment in African Infrastructure Investment Fund, the PIC is indirectly invested in three portfolio companies: Umoya Energy, N4 TRAC and N3TC.

The PIC is also invested in RTT Holdings, a leading multichannel distribution logistic partner that offers world-class supply chain excellence, and in Lanseria International Airport, a key player on South Africa's aviation landscape that supports domestic, regional and international air travel.

In the 2022/23 financial year, investments by the PIC in this sector facilitated 9 507 jobs, with 91% (8 652) beneficiaries being black individuals. In addition, 80% of the positions are permanent, offering long-term stability. Of the 1 675 women employed, 80% (1 335) are black.



3
Toll
concessions



1 370km
Roads between
toll concessions



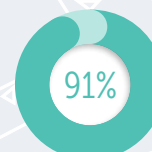
Lanseria
International
Airport



Multichannel
distribution
logistic partner



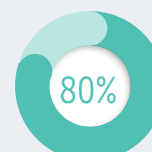
9 507
Jobs created



8 652
Black people



1 675
Women employed



1 335
Black women

Investee	Total	Permanent	Temporary	Men	Women	Black men	White men	Foreign men	Black women	White women	Foreign women	Not disclosed	Youth	People with disabilities
Lanseria International Airport	295	250	45	185	110	131	54	-	104	6	-	-	138	1
RTT	6 793	5 848	945	6 065	728	5 770	270	25	539	183	6	-	4 039	27
Zamalwandle	91	91	-	83	8	80	1	2	6	2	-	-	43	-
N3TC*	1 566	881	685	1 183	383	1 139	44	-	381	2	-	-	368	-
N4 TRAC*	699	517	182	275	424	192	19	64	295	31	98	-	-	7
Bakwena Platinum Corridor Concession	26	18	8	13	13	5	5	3	10	3	-	-	7	2
African Infrastructure Investment Fund	2 302	1 398	867	1 486	816	1 331	63	64	676	33	98	37	368	7
TOTAL	9 507	7 605	1 865	7 832	1 675	7 317	393	94	1 335	227	104	37	4 595	37

*Excluded from the totals in the table and counted in African Infrastructure Investment Fund numbers since the PIC has direct and indirect exposure to N3TC and N4 TRAC.

Healthcare



The PIC has directly and indirectly invested in 45 hospitals and medical centres and three clinics with a combined capacity of 5 365 beds. These investments have supported more than 8 400 jobs. They include Busamed, a majority black-owned, B-BBEE level 4 private hospital group with eight hospitals and more than 1 300 beds, and Razorite Healthcare Fund Managers, a B-BBEE fund to advance acute, sub-acute and primary healthcare in South Africa.



45
Hospitals and
medical centres



3
Clinics



8 400
Jobs



5 365
Beds in
total

In 2021/23, the PIC approved transaction conditions for the Mpudulle Eye Centre, a 100% black-owned business, with a licence from the Gauteng Provincial Department of Health to develop a greenfield specialised eye day-clinic facility in Suiderberg, in northern Pretoria. During 2022/23, construction of the eye clinic was completed and Mpudulle became operational mid-March 2023



100%
Black-owned



Mpudulle provides retinal, cataract and strabismus surgeries, targeting middle-income earners in Soshanguve, Rosslyn, Amandasig, Ga-Rankuwa, Mabopane, Laudium, Atteridgeville, Centurion and Montana. The facility has three theatres, six beds, three recliners and five scope rooms. During construction, an average 49 jobs were created in a month, while 37 jobs were created post-construction.



3
Theatres



6
Beds



49
Jobs during
construction



37
Jobs created
post-construction

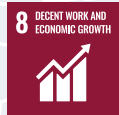
Players in the healthcare sector have traditionally focused on social aspects given the nature of healthcare, but many are now setting targets to become carbon neutral and/or have zero waste.⁸

⁸ www.pwc.co.za/en/press-room/south-african-healthcare-reimagined-2022.html.

Manufacturing



The manufacturing industry is crucial to stimulating economic activities (SDG 8) and promoting inclusive and sustainable industrialisation (SDG 9). The sector faced supply chain constraints, infrastructure, labour cost and skills constraints; global inflation, repeated and uncertain lockdowns in China, the global consequences of the conflict in the Ukraine and escalating energy costs.



Manufacturers are integrating ESG initiatives into their operations to better assess their exposure to extreme weather events, identify operational risk, evaluate cost-saving opportunities, comply with regulations, meet customer and investor expectations and improve employee productivity.



Environmental sustainability is increasingly important given rising consumer awareness about the need to reduce the carbon footprint of goods and services.⁹ Environmental trends key to the evolution of manufacturing business practices include climate change, carbon emissions and water scarcity.



Climate change



Carbon emissions

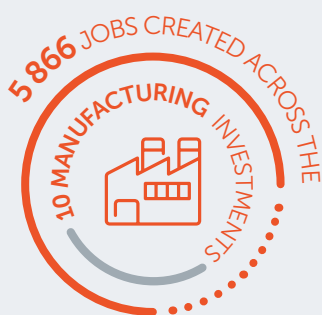


Water scarcity

Key reasons to pursue sustainability include:

- ▶ To increase operational efficiency by reducing costs and waste;
- ▶ To respond to or reach new customers and increase competitive advantage;
- ▶ To protect and strengthen brand and reputation and build public trust;
- ▶ To build long-term business viability and success; and
- ▶ To respond to regulatory constraints and opportunities.¹⁰

In 2023, there were 5 866 jobs created across the 10 manufacturing investments:



1 671
Jobs held by
black persons



588
Jobs held by
women



506
Jobs held by
youth



3 023
Permanent
positions

⁹ Revitalising SA's manufacturing sector 2022 Pan-African Investments and Research Services Pty Ltd prepared for Proudly South African.

¹⁰ US EPA, www.epa.gov/sustainability/sustainable-manufacturing.

Manufacturing



Detailed table:

Investee company	Total jobs	Permanent	Temporary	Men	Women	Black men	White men	Foreign men	Black women	White women	Foreign women	Youth	People with disabilities
Amalooloo	146	89	57	131	15	90	12	29	10	3	2	41	1
Consol	Exited												
Ekuzeni	252	251	1	144	108	114	2	28	100	4	4	144	-
Export Trading Group	2 156	1 255	901	1 811	345	-	-	84	-	-	8	-	-
Gurb	97	97	-	52	45	29	22	1	34	10	1	24	-
Kansai Plascon	1 224	1 183	41	937	287	873	55	9	246	39	2	243	-
Naturecell	5	5	-	3	2	1	2	-	2	-	-	-	-
Sphere	1 728 Not disclosed												
SSIH	258	143	115	229	29	149	80	-	23	6	-	54	-
TOTAL	5 866	3 023	1 115	3 307	831	1 256	173	151	415	62	17	506	1

Multi-management private markets (Fund- of-Funds)



The Fund-of-Funds and co-investments mandate provides for indirect unlisted investments through partnerships with intermediaries.

The PIC is invested in 12 fund managers across various sectors. Fund-of-Fund investments facilitated 82 572 jobs, 29% of which went to women. All South African-domiciled fund managers fall within B-BBEE levels 1 to 4.



12
Fund managers across
various sectors



82 572
Jobs
facilitated

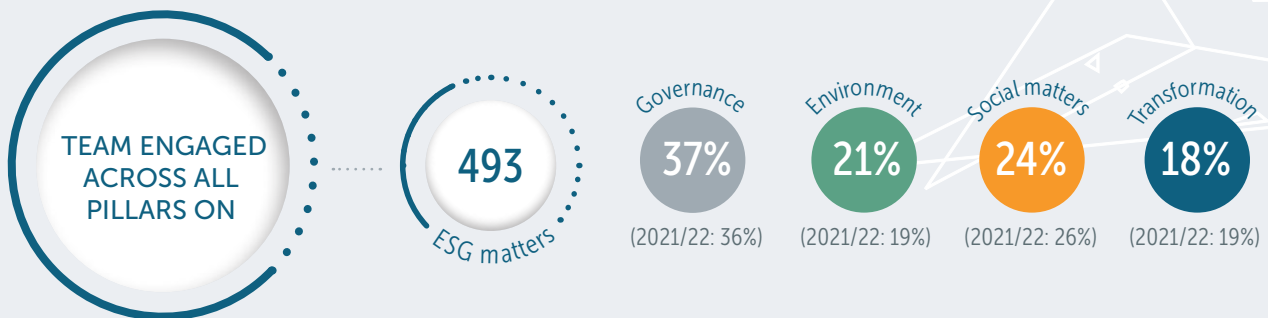


29%
Jobs to
women

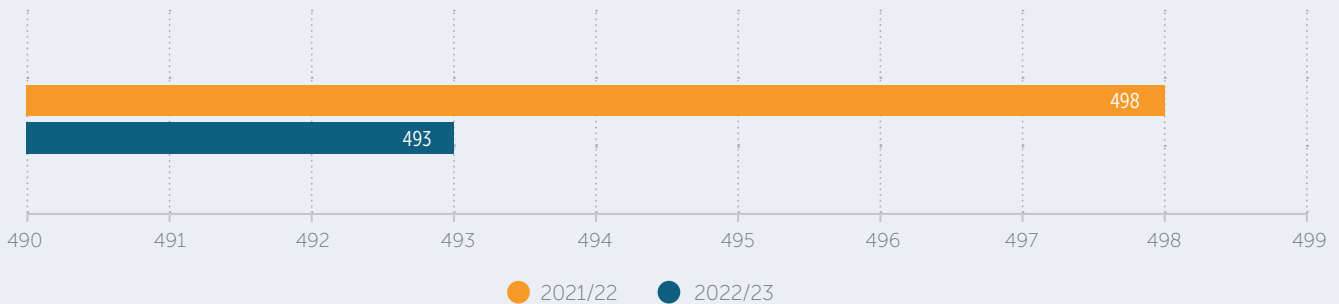
UNLISTED INVESTMENTS ENGAGEMENTS AND PROXY VOTING

Engagements by pillar 2022/23

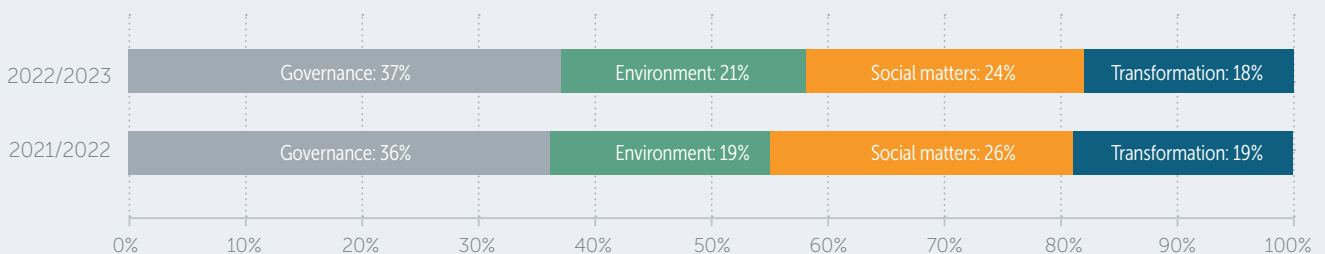
For the year under review, the team engaged across all pillars on 493 ESG matters, with data collected from 84 investee companies. Companies in business rescue, liquidation or litigation were excluded. Voting on governance accounted for 37% (2021/22: 36%), environment 21% (2021/22: 19%), social matters 24% (2021/22: 26%) and transformation 18% (2021/22: 19%).



ENGAGEMENTS



ENGAGEMENT COMPOSITION TREND



Voting record period: 1 April 2022 to 31 March 2023

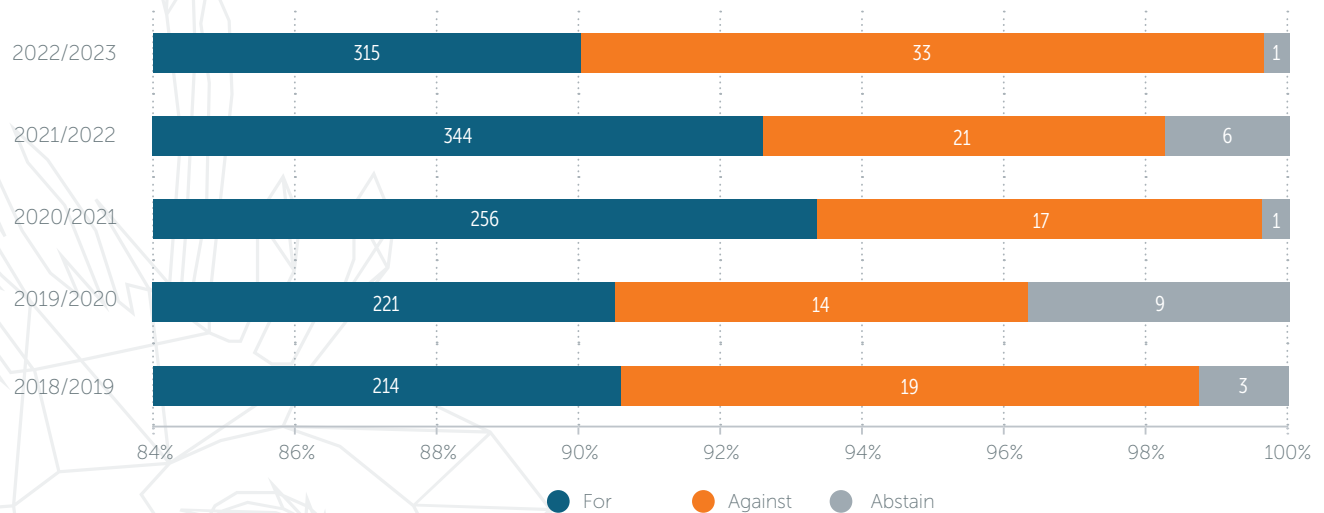
The PIC has a well-established approach to responsible investing, which includes:

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

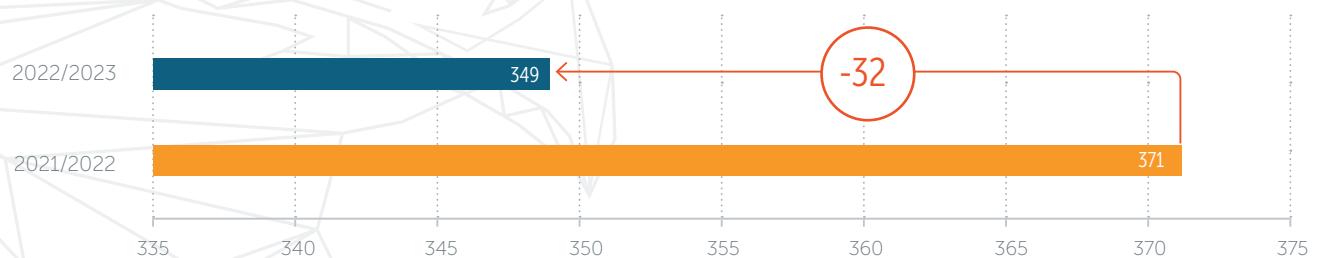
The PIC votes at all company meetings. During the year under review, we voted on 349 resolutions at 42 companies compared to 371 at 69 companies in the previous year.

Voting pattern	2018/19	2019/20	2020/21	2021/22	2022/23
Voted for	214	221	256	344	315
Voted against	19	14	17	21	33
Abstained	3	9	1	6	1
Companies voted on	29	60	34	69	42
Total resolutions	234	244	274	371	349

ENGAGEMENT COMPOSITION TREND



TOTAL RESOLUTIONS VOTED ON



Transformation performance

The PIC's ambitious transformation targets across its corporate and AuM portfolio are outlined in its Transformation Charter. The targets for funding, ownership, management, black women, people living with disabilities, youth and diversity go beyond the legislated minimums in the sector-specific and generic black economic empowerment codes. In advancing the transformation agenda, gender equality and women's empowerment must be advanced under the enhanced recognition categories of black persons and the shared belief in the values espoused in the UNGC seven women empowerment principles.

The PIC is placing greater emphasis on encouraging boards of investee companies to drive transformation and inclusivity as a strategic priority. Transformation extends further than mere representation to fostering an inclusive environment that prioritises the employment and advancement of individuals from underrepresented groups, with a specific focus on persons with disabilities, historically disadvantaged individuals, women and youth, and increased inclusion and representation of persons with disabilities, historically disadvantaged individuals and women at both board and executive management levels – including retention, development and succession planning for such individuals (at least 50% of members should be historically disadvantaged and at least 50% should be women).

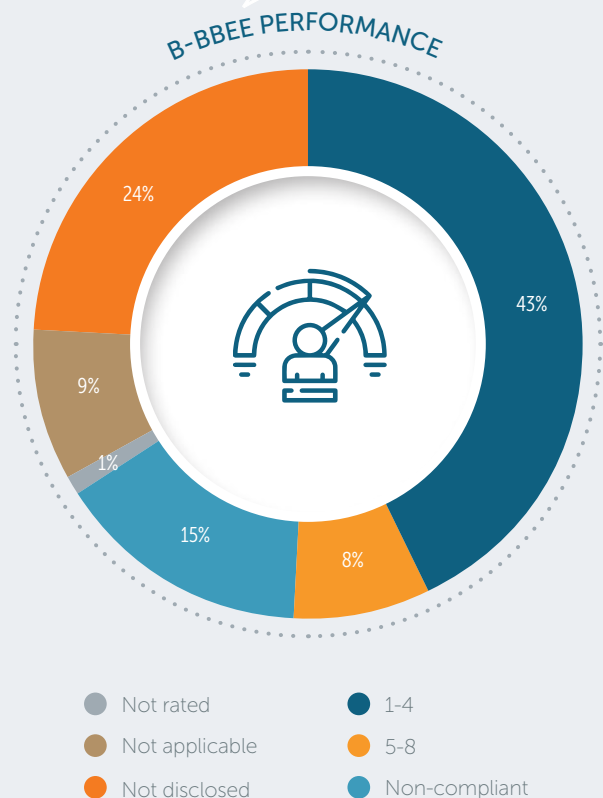
Transformation is monitored for investee companies in South Africa and it is an ESG requirement. Amending contractual obligations on legacy transactions is challenging. Investee companies contracted on transformation must compile a

three- or five-year transformation plan, report on B-BBEE performance ratings ranging from levels 8 to 1 and provide regular insight on company progress. Poor-performing companies are encouraged to strive for a minimum of level 4 in line with client mandates.

43%

of unlisted investments for 2022/23* and 2023/24* are rated between levels 1 and 4. 9% are not applicable = foreign investments

The companies' B-BBEE performance is as follows:

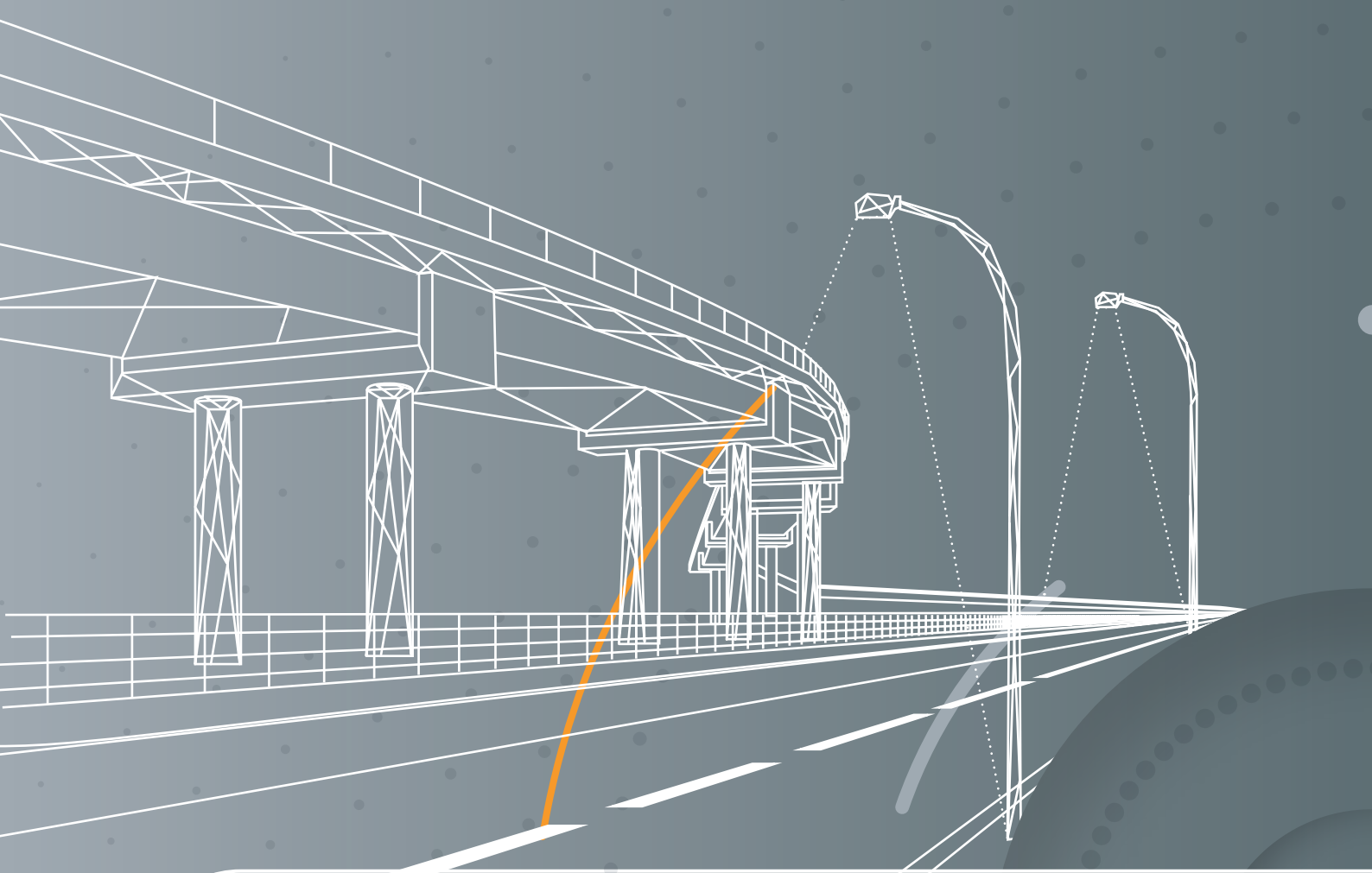


*B-BBEE certificates are valid for 2022/23 and some are already in their 2023/24 period.



Accelerating impact in 2023/24

- Step up client engagements focusing on transformation, diversity equity and inclusivity; and
- Liaise more on climate change and the just transition.



**ENVISIONING A TRANSFORMED FUTURE:
EMPOWERING COMMUNITIES
WITH SUSTAINABLE
INFRASTRUCTURE FUNDING**





PART FOUR

ENABLERS OF SUSTAINABLE RETURNS

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GOVERNANCE AT THE PIC

Acting in the public interest, the PIC Board and executive management ensure that the PIC fulfils its mandate and responsibilities with the highest integrity and ethical standards, complying with laws, regulations and standards. The Board sets the tone for the organisation by defining, following, practising and upholding the highest principles of corporate governance, integrity and ethics and by working proactively with the executive management to foster a corporate culture of effective governance at business functions.

The Board believes that corporate governance is an ethically driven business process that, with an effective and efficient operating structure, delivers strategic and organisational benefits, and sustainable value creation. In executing its fiduciary duties, the Board applies sound corporate governance and promotes effective management and the long-term success of the PIC. The PIC practises fairness, accountability, responsibility, appropriate transparency, integrity and competency in all dealings with stakeholders, as embodied in the King IV™ Report on Corporate Governance for South Africa, 2016, to the extent that these align with legislation governing the PIC.

Good governance is embedded in the Board's pursuit of 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.

Corporate governance approach

The Board has adopted a stakeholder inclusive approach guided by its commitment to the principles of King IV™. The approach to entrench effective governance in all its policies, terms of reference and procedures and processes enables the PIC to pursue transformation in not only its own governing structures, but those of its investee companies.

The PIC's King IV™ compliance disclosure report appears in the corporate governance statement on pages 152 to 159.

The role of the shareholder

The shareholder, in addition to appointing Board members, annually concludes a Shareholder's Compact with the PIC, ensures that the PIC's Annual Performance Plan and Corporate Plan align with its mandate and the government's priorities, and directs the development and implementation of strategic priorities and policies.

Parliamentary Oversight

As a state-owned entity, the PIC is overseen by 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. It reviews the PIC 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 oversee service delivery and consider entities' performance against key performance indicators included in their corporate plans. SCOF called on the PIC on 30 March 2023 to present on and account for its audit outcomes for the previous financial year (2021/22).

Purpose and role of the PIC Board

The Board is accountable to the shareholder and ultimately responsible for governance and oversight. It also manages, formulates and reviews strategic direction and delivers accountable corporate performance according to the PIC's goals and objectives.

The Board represents the shareholder and promotes and protects the PIC's interests. It achieves this by leading ethically and effectively, taking into account the PIC's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development – inseparable elements of the value-creation process.

The Board leads the PIC, and operates independently of management and free of organisational impairment. It independently reviews all issues of strategy, performance, resources and standards of conduct, either directly or through its committees.

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, 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.

The delegation of broad authority to the CEO for day-to-day management enables the Board to focus on its primary responsibilities, including the monitoring of PIC performance and commitments.

Board composition

Board composition complies with the Mol and the PIC Act, which decree that the Board comprise 10 non-executive members and three executive members, including the Chief Executive Officer (CEO) or a person of similar designation.

The PIC Act further decrees that the Minister must designate the Deputy Minister of Finance, or in consultation with Cabinet, any other Deputy Minister in the economic cluster, as Chairperson of the PIC Board.

The Deputy Minister of Finance was appointed Chairperson.

Abel Sithole, CEO, Brian Mavuka, Acting Chief Financial Officer (CFO), and Makano Mosidi, Chief Technology Officer (CTO), were appointed Executive Directors from 1 November 2021 to 31 October 2024. The shareholder, on 26 September 2022, amended the PIC Mol by special resolution to provide that the CEO, CFO and Chief Investment Officer (CIO) shall be appointed ex-officio Executive Directors. The revised Mol was lodged with the Companies and Intellectual Properties Commission (CIPC), which placed it on file on 3 October 2022 in line with Regulation 15(2) and (3) of the Companies Act. The process, outlined in Section 6(1)(b) of the PIC Act, gave effect to the revised Mol, through which Cabinet replaced the CTO with Kabelo Rikhotso, CIO, as Executive Director, effective 15 February 2023.

The Board is highly curated with a balance between Executive Directors and Non-Executive Directors and an appropriate mix of knowledge, skills, experience and power. The diversity encourages robust debate at Board and Board committee levels, and ensures that there is a clear separation of responsibilities so that no individual has unfettered decision-making powers.

Chairperson

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

While the Board acknowledges the recommended practice of King IV™ to appoint an independent Non-Executive Director as Chairperson, the Chairperson of the Board,

Dr David Masondo, being the Deputy Minister of Finance, is not an independent director.

Lead Independent Director

The Deputy Chairperson of the Board, Ntombifuthi Mtoba, acts as Lead Independent Director to ensure that there is a proper balance of power, to strengthen the independence of the Board and to lead in the absence of the Chairperson or in instances where the Chairperson has a conflict of interest.

Supplementing the Board's skills and experience

The Board supplements its skills and experience with the expertise of management and external subject matter experts and advisers.

In line with the terms of reference of the Board committees, the Board approved the appointment of independent experts to enrich the skills of the Investment Committee (IC) and the Information, Communication and Technology Governance Committee (ICTGC). Independent experts serve on the committees to assist members to perform their duties and responsibilities. In appointing these experts, the Board appreciates the environment in which the PIC operates, the complex developmental projects considered in the Unlisted Investment Portfolio and the new-age digital technologies leveraged by peers for competitive advantage and speed.

Mojabeng Manthata and Mathabo Makhaya were appointed to serve on the IC for Unlisted Investments, while Dr Busisiwe Mbuyisa was appointed to the ICTGC.

The Board often needs external legal advice urgently. Although the PIC Procurement Policy permits such procurement, this may take too long. Thus, an open tender process is underway to appoint a law firm for use by the Board.

Board induction and development

On joining the PIC Board, directors participate in a comprehensive induction programme tailored to their backgrounds and the committee positions they will hold.

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. Newly appointed directors complete a skills-analysis form that helps the Company Secretary to develop an appropriate training and development programme for directors, individually and collectively.

The Board acknowledges that it has to continue to educate itself on the key issues, risks and opportunities facing the business. During the year under review, directors attended the following training or workshops:

- › Ethical leadership and compliance, by the Ethics Institute;
- › Webinar on ethical leadership in state-owned entities, hosted by the Ethics Institute;
- › Fifth annual Infrastructure Project Finance Conference (virtual);
- › Regulatory examination (RE 5 workshop) conducted by Growth In Motion;
- › Webinar presenting insightful findings from the Social and Ethics Committee trends research report, facilitated by the Institute of Directors South Africa; and
- › Combined assurance workshop, with PricewaterhouseCoopers.

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

Evaluating Board performance

THE BOARD PERFORMS THREE MAJOR ROLES IN A COMPANY:



DIRECTION

Steers the strategic direction of the PIC



CONTROL

Monitors the management of the PIC



SUPPORT AND ADVICE

Advisory Role

Board evaluations typically determine the effectiveness with which these roles are executed and whether members act in the best interests of the PIC to promote the highest standards of corporate governance.

The PIC performs a Board evaluation every second year. The Directors' Affairs Committee (DAC) has been mandated to oversee the performance evaluation of the Board, its committees and individual directors.

Following the Board's one-year anniversary on 1 November 2022, the Institute of Directors South Africa (IoDSA) was appointed to assess its effectiveness and performance.

The Board will consider the results of the assessment early in the 2023/24 financial year, after which steps will be taken to address any gaps or potential areas for improvement.

Company Secretary

The performance of the Company Secretary, Bongani Maserumule, is assessed annually by the Board.

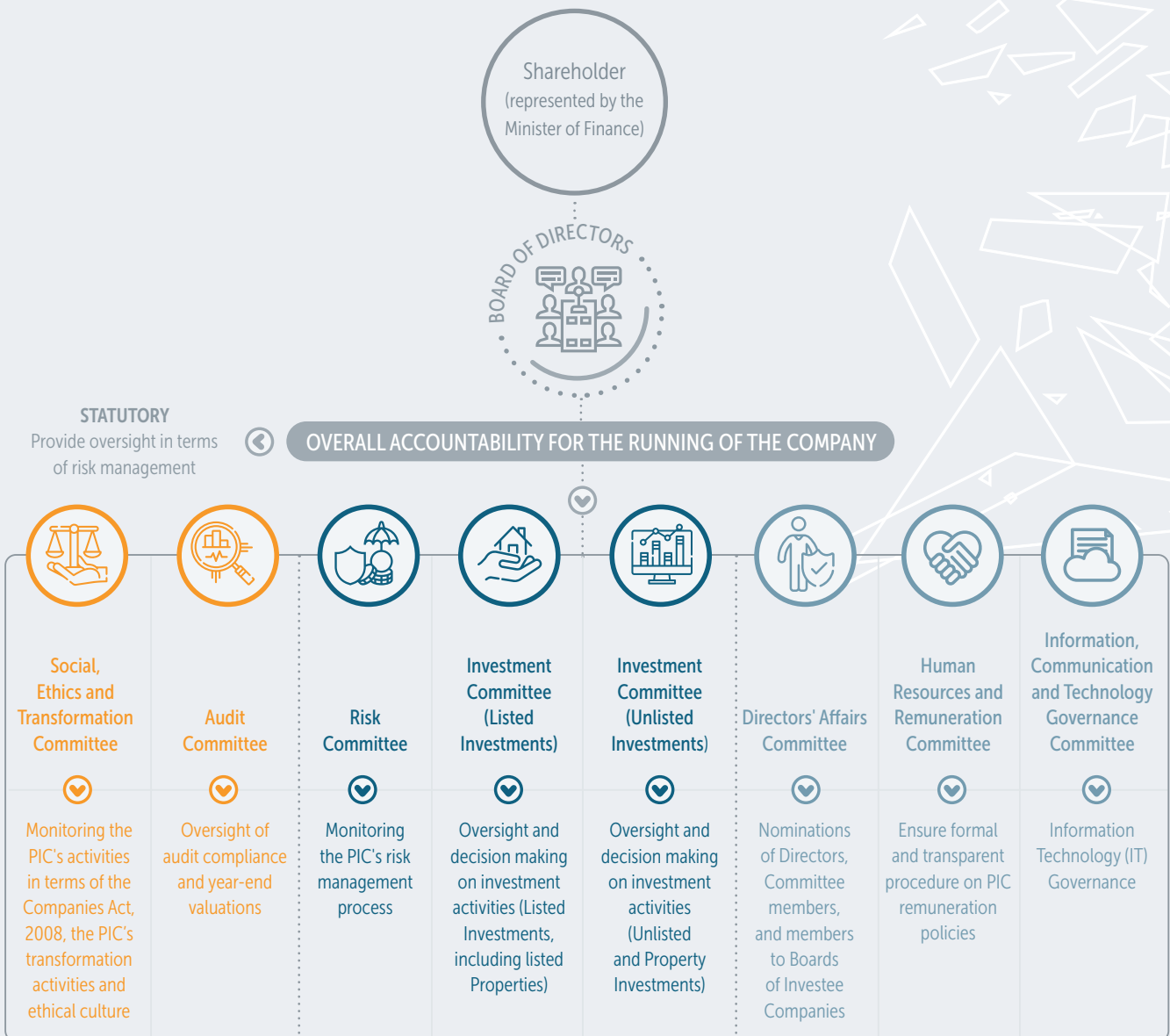
Board governance structure

The PIC Board reports to the Minister of Finance, the shareholder representative on behalf of the South African government. Section 6(1) of the PIC Act requires the Minister, in consultation with Cabinet, to appoint PIC Board members. Section 7 of the PIC Act authorises the Board to establish committees it considers necessary to assist the Board in discharging its responsibilities and duties.

To be a well-governed and credible corporation, the PIC must have the necessary structures, policies and skills to manage financial performance, regulatory compliance, risk management, investment performance and social and ethical responsibilities.

Board-established standing committees, with Board-approved terms of reference, recommend the PIC policies in their domains to the Board for approval and oversee and monitor their implementation. Other committees or task teams may be established from time to time to consider matters of particular importance.

The Board continuously monitors and is satisfied that executive management prioritises equity, diversity and inclusion, thereby adhering to the demands of being a good corporate citizen. The PIC's corporate atmosphere is welcoming to everyone, regardless of his and her background or identity.



As a responsible corporate citizen, the PIC holds itself accountable for the social, financial and environmental impact of its activities on communities, without compromising profitability for its stakeholders.

The PIC develops dynamic relationships among communities, businesses and benevolent activities to complement and supplement one another. Thus, it acknowledges the importance of a strong foundation of corporate citizenship and is committed to ethical behaviour through balancing the needs of 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 ethical conduct, i.e. doing the right things at the right time and in the right way. Corporate governance remains integral

to due diligence, efficient allocation of funds and post-investment monitoring and support for investee companies. Investment activities and achievements contribute to the wellbeing of workers, present and future generations of pensioners and their beneficiaries.

The Board and management ensure that the PIC achieves and maintains the highest level of ethical conduct by developing and overseeing an implementable strategy.

The Board acknowledges that there is no 'one size fits all' in what constitutes good corporate governance and is satisfied that the PIC restored its integrity and applied the principles of good governance during the year under review. The Board confirms that the PIC's corporate governance practices are (and were for 2022/23) compliant with the Companies Act, the PFMA, the PIC Act and King IV™.

Charter

The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the year under review.

Schedule of attendance at Board and committee meetings

Before the start of each financial year, the Board and committee meetings are scheduled in line with the key financial reporting dates, the Board Charter and the terms of reference of committees. A meeting pack is distributed to directors a week before the meeting. It contains the agenda, minutes of previous meetings, updates on matters arising from previous meetings and documents to be tabled.

All Board committees must establish an annual workplan for each financial year to ensure that all matters, including those within the committees' terms of reference, are covered by meeting agendas.

Additional meetings may be convened with approval of the Board, or a Board committee Chairperson, or at the request of other committee members, or the Board Chairperson or for the Audit Committee (AC), or the external or the internal auditors, subject to approval by the AC Chairperson. All committee members must receive fair and reasonable notice of such a meeting.

The Board Chairperson and the chairpersons of each committee are responsible for the effective running of their meetings and must ensure that all directors/committee members play a full and constructive part.

For all Board and Board committee meetings, a quorum is achieved when the majority of members are present in person, or participate through teleconference, video conferencing or virtual platforms. However, a quorum cannot be established unless the Non-Executive Directors form the majority.

The Board

Board members

The PIC Board profile is informed by Section 6(1) of the PIC Act. The Board comprises a suitable balance of experience, skills, continuity, diversity and independence required to discharge its duties successfully. It has technical, financial, investment, commercial, legal and social expertise and background to fulfil its governance role and fiduciary duties objectively, independently and effectively.

At 31 March 2023, the Board comprised 10 Non-Executive Directors and three Executive Directors. The Board is considered diversified in terms of gender, race and age.

Non-Executive Directors	Date of appointment
Dr David Masondo, <i>Chairperson*</i>	1 November 2021
Ntombifuthi Mtoba, Deputy <i>Chairperson**</i>	1 November 2021
Barbara Watson**	1 November 2021
Prof Bonke Dumisa**	1 November 2021
Mugwena Maluleke**	1 November 2021
Tryphosa Ramano*	1 November 2021
Beverley Bouwer*	1 November 2021
Walter Hlaise*	1 November 2021
Frans Baleni*	1 November 2021
Dr Lufuno Mulaudzi*	1 November 2021
Executive Directors	
Abel Sithole**	1 November 2021
Brian Mavuka**	1 November 2021
Makano Mosidi***	1 November 2021
Kabelo Rikhotso****	15 February 2023

*Members appointed from 1 November 2021 until 31 October 2024

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

***Member was removed from the Board on 15 February 2023 to align the Board composition with the approved Mol

****Member appointed from 15 February 2023 until he ceases to be the PIC CIO

Meeting attendance summary

The Board ordinarily meets six times in a financial year, and biannually with the boards of its major clients.



NUMBER OF MEETINGS ATTENDED BY THE BOARD



*Member until 15 February 2023

**Member from 15 February 2023

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

MEETING ATTENDANCE



MS NTOMBIFUTHI MTOBA

DEPUTY CHAIRPERSON

POSITIONS

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

QUALIFICATIONS

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

MEETING ATTENDANCE



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

MEETING ATTENDANCE



MS BEVERLEY BOUWER

POSITIONS

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

QUALIFICATIONS

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

MEETING ATTENDANCE



COMMITTEES: ● Audit ● Social, Ethics and Transformation ● Directors' Affairs ● Listed and Unlisted Investments ● Human Resources and Remuneration ● Information, Communication and Technology Governance ● Risk ☆ Chairperson ● Independent Non-Executive Director



PROF BONKE DUMISA

POSITIONS

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

QUALIFICATIONS

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

MEETING ATTENDANCE



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

MEETING ATTENDANCE



MR MUGWENA MALULEKE

POSITIONS

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

QUALIFICATIONS

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

MEETING ATTENDANCE



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

MEETING ATTENDANCE



COMMITTEES: ● Audit ● Social, Ethics and Transformation ● Directors' Affairs ● Listed and Unlisted Investments ● Human Resources and Remuneration ● Information, Communication and Technology Governance ● Risk ☆ Chairperson ● Independent Non-Executive Director

BOARD OF DIRECTORS



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

MEETING ATTENDANCE



MS BARBARA WATSON

POSITIONS

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

QUALIFICATION

- › Bachelor of Social Science

MEETING ATTENDANCE



MR ABEL SITHOLE

POSITIONS

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

QUALIFICATIONS

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

MEETING ATTENDANCE



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
- › Member of the Information, Communication and Technology Governance Committee

QUALIFICATIONS

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

MEETING ATTENDANCE



COMMITTEES: ● Audit ● Social, Ethics and Transformation ● Directors' Affairs ● Listed and Unlisted Investments ● Human Resources and Remuneration ● Information, Communication and Technology Governance ● Risk ☆ Chairperson ● Independent Non-Executive Director

***MS MAKANO MOSIDI****MR KABELO RIKHOTSO****MS BONGANI MASERUMULE****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)

* Member was removed from the Board on 15 February 2023 to align the Board composition with the approved Mol.

MEETING ATTENDANCE**POSITION**

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

QUALIFICATIONS

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

MEMBER APPOINTED

15 February 2023

MEETING ATTENDANCE**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

COMMITTEES: ● Audit ● Social, Ethics and Transformation ● Directors' Affairs ● Listed and Unlisted Investments ● Human Resources and Remuneration ● Information, Communication and Technology Governance ● Risk ☆ Chairperson ● Independent Non-Executive Director



CHAIRPERSONS – COMMITTEES



MS NTOMBIFUTHI MTOBA

AUDIT



MS BARBARA WATSON

SOCIAL, ETHICS AND
TRANSFORMATION



DR DAVID MASONDO

DIRECTORS' AFFAIRS



MS TRYPHOSA RAMANO

LISTED AND UNLISTED
INVESTMENTS



MR FRANS BALENI

INFORMATION,
COMMUNICATION AND
TECHNOLOGY GOVERNANCE



MR MUGWENA MALULEKE

HUMAN RESOURCES
AND REMUNERATION



MS BEVERLEY BOUWER

RISK

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 this 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.

The Board has seven Board committees, established in accordance with Section 72 of the Companies Act. All are chaired by Non-Executive Directors. Composition, meeting attendance and activities for the reporting period are detailed below.

Audit Committee

The AC was established in terms of Section 72 of the Companies Act and, as a statutory committee, in terms of Section 84(4)(c) of the Companies Act. The AC's statutory duties are codified in Section 94(7) of the Companies Act. It oversees internal financial controls and accounting systems, internal audit, external audit, Annual Financial Statements and the Integrated Annual Report.

The committee's purpose, role and key activities during the reporting period are detailed on page 5 of the Annual Financial Statements.

Composition and meeting attendance summary

- › The shareholder shall, at each annual general meeting, appoint at least three AC directors, all of whom shall be both non-executive and independent directors of the Board [sections 94(2) and 94(4) of the Companies Act, and paragraphs 14.1, 14.2 and 14.3 of the MoI].
- › AC members shall appoint a Chairperson from among themselves (Paragraph 14.4 of the MoI).
- › Most AC members shall be financially literate, with at least one having recent and relevant financial experience.
- › At least one AC member shall be a member of the PIC's Risk Committee (RC).
- › The Chairperson of the Board shall not be eligible for AC membership.
- › The AC shall meet at least eight times in a financial year or more frequently if need be. Four of the eight scheduled meetings shall be for year-end valuations, while the other four shall be held:
 - Before the start of the annual external audit;
 - After the completion of the external audit; and
 - Before Board approval of the annual financial statements of the annual external audit.



NUMBER OF MEETINGS ATTENDED



Ntombifuthi Mtoba
Chairperson



Tryphosa Ramano



Beverley Bouwer



Walter Hlaise

Social, Ethics and Transformation Committee

The SETCO was established in terms of Section 72 of the Companies Act and, as a statutory committee, in terms of Section 72(4) of the Companies Act, read with Regulation 43 of the Companies Act. The SETCO oversees and reports on the PIC's ethics, sustainable development and stakeholder relationships, and ensures that the PIC is and remains a good and responsible corporate citizen. To fulfil its dual mandate, the committee reports quarterly, or when required, to the Board and annually to the shareholder at the annual general meeting.

The SETCO's purpose, role and key activities during the reporting period are detailed on page 177 of this report.

Composition and meeting attendance summary

- ▶ A minimum of five members, consisting of Non-Executive Directors and Executive Directors, most of whom shall be Non-Executive Directors.
- ▶ The Board shall appoint a Non-Executive Director as the SETCO Chairperson.
- ▶ SETCO members must have sufficient qualifications, capacity, knowledge and experience.
- ▶ The Board Chairperson may be a SETCO member but not its chairperson.
- ▶ The SETCO shall meet quarterly or more frequently if need be.



NUMBER OF MEETINGS ATTENDED



Directors' Affairs Committee

The DAC was established in terms of Section 72 of the Companies Act and assists the Board in oversight of corporate governance, director evaluation and remuneration and the nomination of directors for appointment to investee company boards.

Purpose and role of DAC

The DAC assists the Board to identify qualified individuals for nomination and appointment to the PIC Board or to investee company boards, and must ensure that the nomination process is transparent.

Composition and meeting attendance summary

- › Comprises the Chairperson of the Board, the chairpersons of Board committees and an Executive Director.
- › The Board Chairperson shall be the DAC Chairperson.
- › DAC members must have sufficient qualifications, capacity, knowledge and experience.
- › The DAC shall meet at least quarterly or more frequently if need be.



NUMBER OF MEETINGS ATTENDED



Investment Committee – Listed and Unlisted Investments

The IC was established in terms of Section 72 of the Companies Act. It ensures the integrity and efficiency of PIC 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.

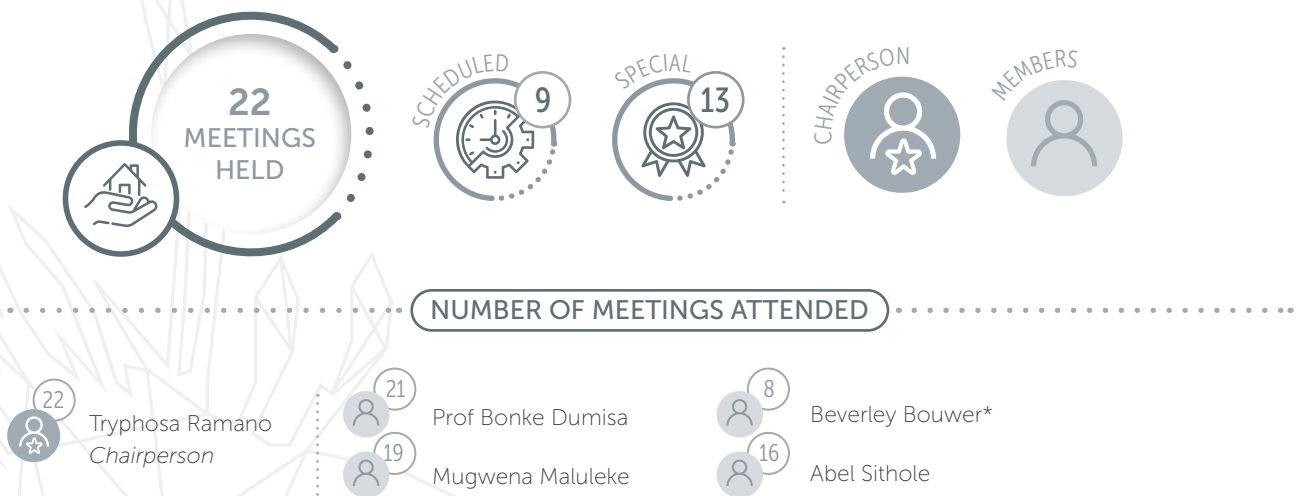
The IC is split into two committees covering listed and unlisted investments.

Purpose and role of IC-UI

The Investment Committee – Unlisted Investments (IC-UI) assists the Board to execute its statutory duties and its oversight of unlisted investment activities, based on investment mandates and the Board-adopted investment strategy.

Composition and meeting attendance summary

- ▶ Has a minimum of five members, consisting of Non-Executive Directors and Executive Directors, most of whom shall be Non-Executive Directors.
- ▶ The CFO is excluded from IC-UI membership, but may attend meetings as an invitee.
- ▶ The Board shall appoint a Non-Executive Director as IC-UI Chairperson.
- ▶ IC-UI members must have sufficient qualifications, capacity, knowledge and experience.
- ▶ IC-UI shall meet at least six times in a financial year or more frequently if need be.



*Member from 30 November 2022

Purpose and role of IC-LI

The Investment Committee – Listed Investments (IC-LI) assists the Board to execute its statutory duties and its oversight of listed investment activities, based on investment mandates and the Board-adopted investment strategy.

Composition and meeting attendance summary

- › Has a minimum of five members, consisting of Non-Executive Directors and Executive Directors, most of whom shall be Non-Executive Directors.
- › The CFO is excluded from IC-LI membership, but may attend meetings as an invitee.
- › The Board shall appoint a Non-Executive Director as IC-LI Chairperson.
- › IC-LI members must have sufficient qualifications, capacity, knowledge and experience.
- › IC-LI shall meet at least six times in a financial year or more frequently if need be.



NUMBER OF MEETINGS ATTENDED



*Member from 30 November 2022

Information, Communication and Technology Governance

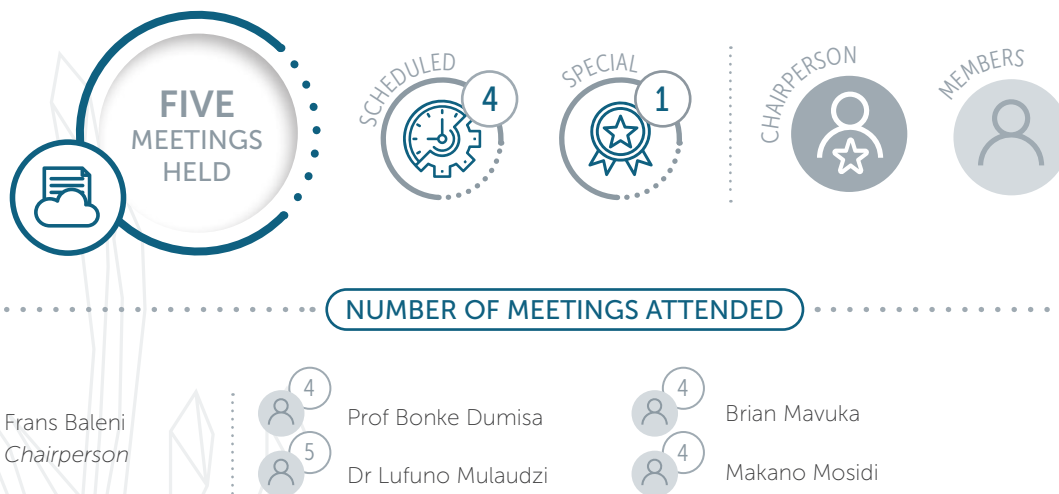
The ICTGC was established in terms of Section 72 of the Companies Act and oversees technology and information governance. It also ensures that the PIC's technology and systems support the setting and achievement of strategic objectives to operate competitively.

Purpose and role of ICTGC

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

Composition and meeting attendance summary

- ▶ Has a minimum of five members, most of whom shall be independent Non-Executive Directors.
- ▶ The Board shall appoint a Non-Executive Director as ICTGC Chairperson.
- ▶ ICTGC members must have sufficient qualifications, knowledge and experience.
- ▶ ICTGC shall meet at least four times in a financial year or more frequently if need be.



Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee (HRRC) was established in terms of Section 72 of the Companies Act.

Purpose and role of HRRC

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

Composition and meeting attendance summary

- › Has a minimum of three members, all Non-Executive Directors.
- › The Board Chairperson may be a member of the HRRC but shall not be its chairperson.
- › The Board shall appoint a Non-Executive Director as HRRC Chairperson.
- › HRRC members must have sufficient qualifications, knowledge and experience.
- › The HRRC shall meet at least four times in a financial year or more frequently if need be.



NUMBER OF MEETINGS ATTENDED



Risk Committee

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

Purpose and role of RC

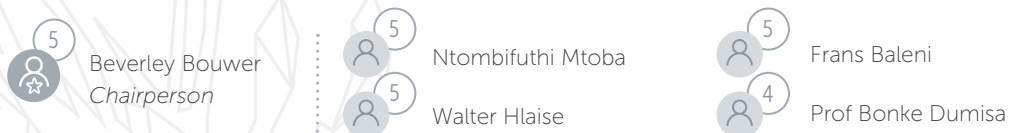
The committee assists the Board to oversee and approve the PIC's enterprise-wide risk management practices and related matters.

Composition and meeting attendance summary

- › Has a minimum of three members, all Non-Executive Directors.
- › At least one AC member shall be a member of RC.
- › The Board Chairperson is not eligible to be appointed an RC member.
- › The Board shall appoint a Non-Executive Director as RC Chairperson.
- › RC members must have sufficient qualifications, knowledge and experience.
- › The RC shall meet at least four times in a financial year or more frequently if need be.



NUMBER OF MEETINGS ATTENDED



Conflict of interest management and ethics

The PIC manages public funds, thus it is crucial that it maintains and is seen to maintain the highest standards of competency, ethics and integrity. In embracing the principles of King IV™, the Board has approved 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 act ethically, responsibly and lawfully, adhere to best practice, practise integrity, treat clients' assets with prudence and communicate with stakeholders fairly and honestly.

The Companies Act places a duty on directors to avoid conflicts of interest. Directors must ensure that their own interests, decisions and actions do not take precedence over the interests of the PIC. This is managed through the Code of Conduct and Conflict of Interest Management Policy, which include responsibilities for identifying, avoiding, declaring and resolving actual, potential or perceived conflicts of interest.

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, ensuring that their financial products are suitable for the intended purpose. Additionally, compliance with 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, is monitored.

All directors are required on appointment, and thereafter annually or whenever their disclosure circumstances change, to submit a declaration of interest form, disclosing all financial interests held by the director and/or related parties. Each director has a legal duty to complete the form in terms of Section 75(4) of the Companies Act. All information provided by directors is treated confidentially and in accordance with the Protection of Personal Information Act, 4 of 2013 (POPI Act).

The PIC manages public funds, thus it is crucial that it maintains and is seen to maintain the highest standards of competency, ethics and integrity.



On publication of a meeting pack and at the beginning of each meeting, Board and committee members are obligated to disclose any conflicts of interest related to agenda items. Any conflicts are managed in terms of Section 75(5) of the Companies Act.

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

Conflict of interest is a concern for external stakeholders, particularly in situations or relationships that may appear to influence the decisions of the Board and management. Recognising that failure to disclose potential conflict may lead to ethics failures, the Board addresses these concerns and perceptions through transparent and proactive communication.

While the responsibility for promoting ethics spans all governance and functional areas, the primary management, oversight and coordination of ethics reside with the PIC Ethics Office. This office is overseen by the CEO and has direct, independent access to the Board through the Chairperson of the SETCO.

Executive management

In accordance with the PIC Act and MoI, the executive management team, under the leadership of the CEO, is responsible for the day-to-day policy decisions and management of the PIC, except for those areas entrusted to the Board and its committees.

The executive management team comprises the CFO, CIO, CTO, Chief Risk Officer (CRO) and Chief Operating Officer (COO).

The CEO oversees and implements commercial operations, while the investment processes are managed by the CIO and investment operations by the COO.

The Board appointed Kabelo Rikhotso as permanent CIO in May 2022. The recruitment of a permanent CFO is advanced.

The Board has confidence in the capabilities of the PIC's executive management team and its solid foundation in upholding ethical principles, practising sound corporate governance and fostering accountability in guiding the PIC's future endeavours.

Delegation of authority

The Board retains effective control over the operations of the PIC through well-developed governance structures, comprising various Board committees and a comprehensive delegation of authority (DoA).

The review of the corporate DoA, approved by the Board in March 2022, commenced to ensure alignment with the PIC's organisational structure, approved by the Board in November 2022. The temporary suspension of the investments delegation of authority limits of the portfolio management committees (PMCs) pending the appointment of a CIO, was lifted in January 2023, following a review by the IC.

Following the governance breach identified in the Ayo settlement, the Board identified a gap in the DoA and requested management to include qualitative factors in the DoA.

During the financial year, the Board reviewed its charter and approved revised terms of references for all its committees to ensure focused oversight and alignment with the DoA and best practice.

The Board is satisfied that the delegation to its committees and management promotes independent judgment, assists with balance of power and contributes to role clarity and the effective discharge of authority and responsibility.

Stakeholder management

Stakeholder management is an important component of the PIC business model since stakeholders are an important consideration for the long-term growth of the Corporation. The Board subscribes to Principle 16 of 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."

The Board acknowledges that maintaining good corporate governance and effective communication are essential to deliver the PIC's mandate and to protect its brand, reputation and relationships with all stakeholders. The SETCO oversees stakeholder engagement activities.

Guided by the Stakeholder Management Framework, the PIC maintained regular engagement with stakeholders throughout the year under review. A detailed discussion on stakeholder engagement activities appears on page 162 of this report. Detailed information regarding engagements with listed and unlisted investee companies is contained under the Environmental, Social and Governance (ESG) section on pages 73 to 81 and 103 to 123 respectively.

Remuneration governance

The Board, in reviewing the PIC's Remuneration Policy, considered the prescripts of King IV™, best practices in remuneration, associated South African legislation and State-owned Enterprises Remuneration Guidelines. Remuneration principles include consistency, equity, fairness and transparency. The policy was approved by the shareholder on 2 June 2022.

Non-Executive Directors are not employees of the PIC, 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 Policy on Non-Executive Directors' Fees. The shareholder approved the fees for 2023/24 by special resolution at the annual general meeting on 26 June 2023. Dr David Masondo, Chairperson of the Board, by virtue of being the Deputy Minister of Finance, does not receive directors' fees.

Corporate performance and reporting

The PIC's performance, and the individual performance of the executive management team, is evaluated annually before reviews and approvals of annual remuneration packages are confirmed.

The Board approved and rated the 2021/22 corporate balanced scorecard in line with achieved performance targets based on the audit outcome. It also approved the 2022/23 scorecard, which will be rated during 2023/24. The scorecard is based on the key performance indicators agreed with the shareholder at the beginning of each financial year, through the Shareholder's Compact and Corporate Plan. It includes information on PIC performance objectives for financial sustainability, how the organisation met the financial expectations of clients, improved on ethical behaviour and

leadership, transformation, ESG integration, staff turnover, the retention of critical skills and skills development impact.

To allow it to monitor progress against the scorecard, the Board receives quarterly management reports giving detailed and comprehensive analysis of financial and operational performance, including variance analysis between budgeted and actual figures, activities and prospects, and management's performance against the key performance indicators.

The Board is satisfied that it complied with its annual workplan-aligned duties and responsibilities during the reporting period.

External audit and assurance

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

At the annual general meeting held on 26 June 2023, the shareholder confirmed the reappointment of the Auditor-General of South Africa (AGSA) to perform the external audit for the financial year ending 31 March 2023, in accordance with the PIC MoI. The AC, in line with Section 94(7) of the Companies Act, oversees AGSA's role in audit reporting, determines its terms of engagement and fees, and assesses its effectiveness and performance. AGSA's work complements the work of the PIC's internal assurance providers.

The AC also monitors the independence of the external auditors assigned by AGSA to perform the PIC's audit. AGSA attends all AC meetings and the Board meeting to present the final audit report and the implications of audit findings.

Details of AGSA's work appear in the AC report on pages 5 to 9 of the Annual Financial Statements.

Risk management

The Board is responsible for the governance of risk and internal controls, assisted by the RC and the AC, and supported by the PIC's control functions, which include internal audit, enterprise and financial risk management, and compliance functions. The AC reviews and monitors the internal control system, while the RC oversees the risk maturity level and integrated enterprise-wide risk management. All Board

committees monitor risks according to their responsibilities and report any risks identified to the Board through the RC.

Risk management is reviewed at Board meetings. The Board has identified and evaluated the significant risks in the delivery of the PIC strategy and agreed how each is to be addressed and what actions are to be taken.

In ensuring that the PIC's risk management and internal control systems are adequate and effective, the Board reviews and approves the risk appetite and tolerance levels to ensure that they support the achievement of the strategy and business goals.

The risk management section, presented on pages 37 to 51 of this report, provides an overview of the strategic risks and the mitigation strategies to address the identified risks.

After reviewing the reports presented to the RC, the Board expresses confidence in the PIC's integrated Enterprise-wide Risk Management Framework. This framework effectively identifies, assesses, and measures risks within the organisation, including both current and emerging risks, and ensures their appropriate management.

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 PIC's attitude to risk, ethics and business practices, compliance seeks to ensure that employees and stakeholders conform to norms, laws and regulations.

The Board, through the AC, the RC and the IC, considers compliance reports quarterly.

The review of the PIC's organisational structure consolidated the Regulatory Compliance, Mandate Compliance and Legal Compliance functions into a single Compliance function. The table on the next page provides an overview of the key roles and responsibilities of this function.



All Board **committees monitor risks** according to **their responsibilities** and **report any risks identified** to the Board through the RC.



REGULATORY COMPLIANCE

- ▶ Monitor and review the PIC's compliance with legislation, policies and procedures and report findings to Exco, Board and regulators (where applicable), including reporting irregularities or suspected irregularities deemed material
- ▶ Track progress of business units in addressing compliance findings previously identified and reported through compliance audit reports
- ▶ Maintain and monitor compliance with the PIC's FAIS licence conditions
- ▶ Compile and submit regulatory reports to the Financial Services Conduct Authority (FSCA), the South African Reserve Bank (SARB), and the Prudential Authority

LEGAL COMPLIANCE

- ▶ Identify, review and maintain the PIC regulatory universe, including risk rating of applicable legislation in terms of its impact on PIC operations
- ▶ Monitor and report on regulatory changes to business and committees, including analysis of possible regulatory compliance threats/risks
- ▶ Draft and maintain compliance risk management plans for legislation applicable to the PIC and assist business in ensuring that controls address all legislative requirements
- ▶ Provide training and workshops to business on legislative and policies requirements
- ▶ Develop, maintain and implement compliance policies and procedures
- ▶ Provide business with regulatory requirements compliance opinions, guidance and advice

MANDATE COMPLIANCE

- ▶ Develop and maintain compliance models (rules) in the Charles River Investment Management System compliance module to integrate various mandate requirements
- ▶ Monitor client mandate compliance daily to ensure that breaches are timeously detected and corrected by management
- ▶ Prepare and present mandate compliance reports to committees and clients and prepare assets under management reports for submission to regulators, i.e. the SARB, the Prudential Authority and the FSCA
- ▶ Manage provision of daily and weekly positions to portfolio managers to assist in investments decision-making
- ▶ Guide, advise and support business to implement client mandates

ANTI-MONEY LAUNDERING SPECIALISTS

- ▶ Perform and monitor the duties relating to Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) as required by the Financial Intelligence Centre Act (FICA), the Prevention of Organised Crime Act (PoCA) and the Protection of Constitutional Democracy against Terrorist and Related Activities Act (PoCDATARA)
- ▶ Assess FICA know-your-client documents for clients, investee companies and their beneficial owners, and issue FICA compliance certificates to clients/investee companies/transactions that are compliant
- ▶ Perform initial and ongoing risk rating of clients and investee companies using the Risk Management and Compliance Programme (RMCP) matrix, to ensure continuous compliance with FICA
- ▶ Identify, analyse and report suspicious and/or unusual transactions, terrorist properties report and cash threshold transactions to the Financial Intelligence Centre



REGULATORY COMPLIANCE

- › Perform daily pre- and post-trade monitoring of PIC holdings in listed equity stocks to ensure compliance to rules that govern these stocks, such as the Companies Act (multiple of 5% rule), and ensure disclosure/reporting to regulators, investee companies and the market
- › Conduct daily monitoring of collective investment schemes funds against the Collective Investment Schemes Control Act and Regulation 28 and ensure disclosure/reporting to stakeholders



LEGAL COMPLIANCE



MANDATE COMPLIANCE



ANTI-MONEY LAUNDERING SPECIALISTS

- › Screen new and existing clients, investee companies and their beneficial owners against the United Nations Security Council list and related sanctions lists, through the Dow Jones system, and report any matches to the authorities as required by FICA
- › Review and maintain the RMCP, including incorporating legislative changes, and guide the business on implementation
- › Develop and maintain training material on FICA, PoCA and PoCDATARA and provide training to employees



The consolidation of the compliance function will **enhance efficiency and effectiveness** in the **mitigation of non-compliance risk**.

Mpati Commission of Inquiry

The Board 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 term of the advisory panel ended on 31 December 2021, and it submitted its final report to the Board on 31 January 2022.

The advisory panel verified and confirmed the actions taken by management as of 31 December 2021 and provided recommendations for further actions. Implementation of the Mpati Commission recommendations continues to be a priority for the Board. As of 31 March 2023, 96% of the recommendations had been implemented and 4% were in progress. These are matters still under investigation and those to be implemented by third parties.



Board's commitment to executing its strategy

The Board oversees the affairs of the PIC, including strategy development and management's monitoring, implementation and execution of the strategy. It is accountable for organisational performance through reporting and disclosure.

In August 2022, the Board participated in a strategy session led by the CEO and facilitated by Emmanuel Lediga, an external service provider. This allowed the Board to engage with management on strategy and vision. The following strategic drivers were identified:

- › Financial sustainability;
- › Improvement in compliance, governance, ethics and culture;
- › Enterprise-wide risk management;
- › Improvement in systems and technology;
- › Investment performance;
- › Execution of client mandates;
- › Improvement in stakeholder management;
- › Stakeholder engagement;
- › Improved internal and external communication;
- › Client-centricity;
- › Shareholder activism;
- › Rebuilding the PIC brand;
- › Corporate social investments;
- › Catalyst for transformation and diversity;
- › Human capital; and
- › Capacity building and lifting low morale.

The Board constantly monitors the implementation of the strategy.

It reviewed and approved for submission to the shareholder the annual budget, the PIC's Corporate Plan for financial years 2023/24 to 2025/26, and the Shareholder's Compact for financial year 2023/24 on 11 November 2022. These were submitted in line with the PFMA and approved by the shareholder.



Key focuses during 2022/23:

The Board considered detailed feedback from the chairpersons of Board committees on the deliberations of meetings, with detailed presentations by the CEO reporting on the PIC's performance against key performance indicators, including financial results. In addition, it:

- › Approved the revised Board Charter and terms of reference of Board committees;
- › Approved the PIC's Annual Performance Report;
- › Approved the 2021/22 PIC Integrated Annual Report;
- › Approved the 2021/22 audited annual financial statements;
- › Approved the 2023/24 Shareholder's Compact;
- › Approved the 2023/24 to 2025/26 Corporate Plan;
- › Approved a revised organisational structure for the PIC;
- › Considered employee relations matters involving executive management;
- › Approved the revised Corporate DoA;
- › Reinstated the authority of the investment teams and portfolio management committees (PMCs);
- › Approved the PIC Transformation Charter;
- › Approved the Stakeholder Engagement Plan;
- › Considered the potential impact of the "two-pot retirement system" on PIC assets under management (and sustainability);
- › Concluded new mandates with the Government Employees Pension Fund (GEPF) and the Unemployment Insurance Fund (UIF);
- › Received and considered progress reports by management on the implementation of Mpati Commission recommendations;
- › Adopted forensic investigation reports by external investigators and approved the implementation of recommendations. Most of the investigations emanated from Mpati Commission recommendations; and
- › Considered whistleblower reports raising allegations against executive management and, where required, authorised an independent investigation.



Focuses for 2023/24

The Board will continue to work with executive management to:

- › Set the direction and tone for a workplace culture aligned with the PIC's purpose, values, strategy and mandate;
- › Promote ethical, responsible and lawful decision-making;
- › Promote an inclusive workplace where the PIC holds itself to account;
- › Support a risk-based anti-bribery and -corruption programme;
- › Declare and manage actual, potential or perceived conflicts of interest;
- › Create lasting social, environmental and economic value without risking returns for clients;
- › Streamline and automate investment processes;
- › Monitor implementation of client mandates;
- › Monitor cost containment and PIC sustainability; and
- › Improve the performance management system and monitor performance against key performance indicators.

KING IV™ 2022/23 Compliance Disclosure Report

This report is to be read in conjunction with the rest of the Integrated Annual Report, in particular, the Corporate Governance Statement on pages 126 to 151, the Audit Committee Report on pages 5 to 9 of the Annual Financial Statements, the Social, Ethics and Transformation Committee Report on pages 177 to 181 and the Human Resources and Remuneration Report on pages 164 to 169.



LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP



STRATEGY, PERFORMANCE, REPORTING AND VALUE CREATION



GOVERNING STRUCTURES, DELEGATION, AND ADEQUATE AND EFFECTIVE CONTROL



GOVERNANCE FUNCTIONAL AREAS



STAKEHOLDER RELATIONSHIPS, TRUST, GOOD REPUTATION AND LEGITIMACY

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

PRINCIPLE 1:



Ethical leadership

The Accounting Authority should lead ethically and effectively.

- › The Board Charter and Board committee terms of reference are reviewed annually and when necessary to ensure relevance. The most recent review took place in March 2023.
- › Adequate meeting attendance for Board and Board committee meetings.
- › Ongoing monitoring of compliance with the Code of Ethics Policy, Board of Directors Code of Conduct Policy, Declaration of Interest Policy and Guidelines and Gift Policy.

PRINCIPLE 2:



Organisational ethics, values and culture

The Accounting Authority should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

- ▶ Directors set the overall tone for ethical leadership of the Board.
- ▶ The PIC conducted an enterprise-wide policy review during 2022/23 to ensure alignment of policies and compliance with legislation.
- ▶ Periodically review the Code of Ethics Policy, Board of Directors Code of Conduct Policy, Declaration of Interest Policy and Guidelines and Gift Policy to provide guidance on ethical conduct across all activities of the Board.
- ▶ SETCO, through the Ethics Office, ensures that the PIC's ethics are managed effectively.
- ▶ All directors and employees must sign an annual pledge to adhere to the Code of Ethics Policy.
- ▶ Policies are published on the PIC website.
- ▶ PIC employee contracts refer to all policies and attendance of appropriate training.
- ▶ Suppliers must sign conflict of interest forms before entering into a contract with the PIC.
- ▶ A fraud and whistleblowing hotline is in place: 0800 205 098; www.pic.gov.za/pic/links/whistle-blowers.



0800 205 098



www.pic.gov.za/pic/links/whistle-blowers

PRINCIPLE 3:



Responsible corporate citizenship

The Accounting Authority should ensure that the organisation is and is seen to be a responsible corporate citizen.

- ▶ The SETCO oversees PIC corporate citizenship performance.
- ▶ The Board reviewed and approved the PIC's vision and mission in August 2022. The Ethics Office is facilitating a review of PIC values.
- ▶ All investment transactions with a high reputational risk are assessed by the Ethics Office and the SETCO.
- ▶ A Politically Exposed Persons Policy is in place and reviewed annually.
- ▶ A climate change position paper has been drafted and awaits approval by the Board.
- ▶ Quarterly reports on PIC corporate social investment and community involvement are submitted to the SETCO (see pages 177 to 181).

STRATEGY, PERFORMANCE, REPORTING AND VALUE CREATION

**Strategy implementation and performance**

The Accounting Authority should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

- › The Board oversees the PIC's strategy and its execution.
- › Annual management and Board strategic sessions are held to review strategic direction.
- › Key performance indicators are reviewed and approved annually by the Board, as is the corporate balanced scorecard.
- › The Minister of Finance annually concludes a Shareholder's Compact with the PIC, ensures that the PIC's Annual Performance Plan and Corporate Plan align with the Corporation's mandate and the government's priorities, and provides direction on developing and implementing strategic priorities and policies.
- › The PIC submits quarterly reports on its performance against key performance indicators included in the Corporate Plan to National Treasury, in accordance with the PFMA.
- › Strategic risks are assessed quarterly by the RC and annually by the Board.
- › The Board oversees the risk management process, guided by the RC.
- › The Board takes account of the legitimate interests and expectations of clients and broader stakeholders in decision-making in the best interests of the PIC.
- › PIC transformation needs are embedded in the strategic objectives of the PIC and reflected in its Employment Equity Plan.
- › The Board approved a Transformation Charter for the PIC, which outlines how the Corporation will actively advance transformation through its investment activities when executing its operational plans, investment strategies and policies.
- › The PIC is classified as a level 4 black economic empowerment contributor, but plans to increase by two levels over the next two years.
- › A comprehensive Communications Strategy is in place and is supported by a Stakeholder Management Policy and Stakeholder Engagement Plan.
- › The Board, with assistance from the AC, annually performs solvency and liquidity tests.

**Reporting and disclosure**

The Accounting Authority should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects.

- › The PIC's Integrated Annual Report sets out the corporation's strategic initiatives, business model, material matters and its risks and opportunities.
- › The AC reviews the integrity of the report.
- › The Board approves the report, including the annual financial statements.
- › The report, annual financial statements and corporate governance disclosures (proxy reports) are published on the PIC website.
- › Regular meetings and quarterly reports facilitate engagement with the shareholder, clients, external asset managers and the PIC's broader stakeholders, including investee companies and potential investors.

GOVERNING STRUCTURES, DELEGATION, AND ADEQUATE AND EFFECTIVE CONTROL



Role and responsibilities of the Accounting Authority

The Accounting Authority should serve as the focal point and custodian of corporate governance in the organisation.

- ▶ Corporate governance remains the responsibility of the Board.
- ▶ The Board annually reviews the PIC's Corporate Plan.
- ▶ An internal King IV™ gap analysis is conducted periodically and reviewed by the AC.
- ▶ The Board Charter and annual workplan are reviewed annually. The last review took place in March 2023.
- ▶ All Board committees operate under Board-approved terms of reference and Board-approved Delegation of Authority Framework.
- ▶ The number of Board and Board committee meetings and attendance of directors at these meetings are disclosed on pages 131 to 144.
- ▶ All directors have the right to independent professional advice at the PIC's expense to ensure that they fulfil their governance roles.
- ▶ The Company Secretary is pivotal to ensuring good corporate governance.



Composition of the Accounting Authority

The Accounting Authority should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

- ▶ Directors are appointed by the shareholder in consultation with Cabinet, in line with Section 6(1) of the PIC Act.
- ▶ An assessment of directors' skills and competence is performed through thorough background checks before appointment.
- ▶ Newly appointed directors are asked to complete a skills-analysis form that assists the Company Secretary to develop an appropriate training and development programme for directors, individually and collectively.
- ▶ The Board comprises 10 Non-Executive Directors and three Executive Directors, namely the CEO, CFO and CIO.
- ▶ In line with the MoI, Non-Executive Directors shall hold office for three years, subject to annual review at or outside the annual general meeting, and shall not serve more than three consecutive terms. A Non-Executive Director may be reappointed only if an independent assessment finds that the member is still independent.
- ▶ Newly appointed directors are provided with a formal letter of appointment signed by the shareholder.
- ▶ Directors participate in a comprehensive induction programme when appointed to the PIC Board, which is tailored to their background and the committee positions they will hold.
- ▶ All directors are required on appointment, and thereafter annually or whenever their disclosure circumstances change, to submit a declaration of interest form, disclosing all financial interests held by the director and/or related parties. This is a legal duty in terms of Section 75(4) of the Companies Act.
- ▶ The Chairperson of the Board is appointed in accordance with Section 6(1A) of the PIC Act, while the Deputy Chairperson is elected by the Board.
- ▶ The roles and responsibilities of the Chairperson are documented in the Board Charter and are separate from those of the CEO.

GOVERNING STRUCTURES, DELEGATION, AND ADEQUATE AND EFFECTIVE CONTROL



Committees of the Accounting Authority

The Accounting Authority should ensure that its arrangements for delegation within its own structures promote independent judgment and assist with the balance of power and the effective discharge of its duties.

- › Appropriate governance structures are in place, i.e. AC, SETCO, DAC, IC, ICTGC, HRRC and RC.
- › The Board has delegated certain powers to the Board committees through the Board-approved Delegation of Authority Framework. The corporate DoA was last reviewed in March 2022 and the investments DoAs in February 2023.
- › Board committees assist the Board in discharging its corporate governance responsibilities and report to the Board quarterly or when necessary.
- › The AC oversees the effectiveness of the PIC's assurance functions and services and the integrity of the annual financial statements and other external reports.
- › The composition, duties and responsibilities of the Board committees are set out in their terms of reference.



Evaluations of the performance of the Accounting Authority

The Accounting Authority should ensure that the evaluation of its performance and that of its committees, its chair and its individual members support continued improvement in its performance and effectiveness.

- › The PIC performs a Board evaluation every second year. The DAC oversees the evaluation of the Board, its committees and individual directors. Following the one-year anniversary of the Board on 1 November 2022, the Board appointed IoDSA to assess its effectiveness and performance.
- › While the Board acknowledges the recommended practice of King IV™ to appoint an independent Non-Executive Director Chairperson, the Chairperson of the Board, Dr. David Masondo, being the Deputy Minister of Finance, is not an independent director.
- › Ntombifuthi Mtoba, elected Deputy Chairperson by the Board in accordance with the Mol, is an independent Non-Executive Director.
- › The AC annually assesses the performance of the CFO.



Appointment and delegation to management

The Accounting Authority should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

- › The Board has delegated certain powers to management and management committees through the Board-approved Delegation of Authority Framework. The corporate DoA was last reviewed in March 2022 and the investments DoAs in February 2023.
- › Alignment is underway of the corporate DoA with the newly approved PIC organisational structure.
- › The role and responsibilities of the Board Chairperson and the CEO are separate.
- › In accordance with the MoI, the CEO is appointed by the Board, with the approval of the Minister in consultation with Cabinet.
- › The CEO is not an AC member.
- › The Board monitors the CEO's performance.
- › The CEO's conditions of employment, termination and membership on boards outside the PIC are stipulated in his employment contract.
- › The Board appoints the Company Secretary.
- › The Board annually reviews the Company Secretary's performance.
- › The Company Secretary is not a member of the Board.

GOVERNANCE FUNCTIONAL AREAS



Risk governance

The Accounting Authority should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

- › The Board oversees risk management guided by the RC.
- › The Board monitors that operational, financial, market and credit risks are consistent with the PIC's Enterprise Risk Management Framework and are within the risk appetite.
- › The RC and the Board assess strategic risks quarterly and annually respectively.
- › The Board annually reviews the Enterprise Risk Management Framework.



Technology and information governance

The Accounting Authority should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.

- › IT governance is formally delegated to the ICTGC and is governed by a Board-approved IT Governance Charter.
- › The ICTGC, through the Board-approved Delegation of Authority Framework and its terms of reference, directs, controls and measures the PIC's IT activities and processes and keeps the Board apprised of technology and information performance and requirements.
- › The risk management process considers IT risks.
- › The Board has delegated to management the responsibility to implement and execute effective technology and information management and to oversee the integration of people, technologies, information and process across the PIC.
- › The Board annually reviews the IT Strategy.
- › Various IT and information management policies are in place.
- › A Disaster Recovery Plan is in place and its effectiveness is tested periodically.

GOVERNANCE FUNCTIONAL AREAS



Compliance governance

The Accounting Authority should govern compliance with applicable laws and has adopted, non-binding rules, codes and standards in a way that supports the organisation to be ethical and a good corporate citizen.

- › The Board has delegated compliance governance to the AC.
- › The PIC, as a financial services provider, has appointed a Compliance Officer.
- › The PIC established a regulatory universe to ensure compliance with laws and regulations.
- › The Board approves policies that give direction on compliance.
- › The Board annually reviews and approves a Compliance Audit Plan. Compliance audit reports are submitted quarterly to the AC.
- › The PIC's Compliance division monitors regulatory compliance, mandate compliance and legal compliance.



Remuneration governance

The Accounting Authority should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.

- › The PIC's Remuneration Policy for employees was approved by the shareholder in June 2022.
- › Non-Executive Director fees are approved in accordance with Section 66(9) of the Companies Act and the Policy on Non-Executive Directors' Fees. The shareholder approved Non-Executive Director fees by special resolution at the annual general meeting on 31 March 2022.
- › Directors' remuneration is disclosed on pages 67 to 68 of the Annual Financial Statements.
- › The views of the HRRC on whether the Remuneration Policy achieves its stated objectives and future focus, the use and justification of remuneration benchmarks and public access to the policy are included in the Human Capital Report on pages 164 to 169.



Assurance

The Accounting Authority should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

- › The AC annually reviews and approves an Internal Audit Charter.
- › An independent quality assessment of the PIC's internal audit function, covering 1 April 2017 to 31 March 2022, was performed by the audit firm Mazars in 2022.
- › The PIC has adopted a combined assurance approach to increase the effectiveness of assurance activities by the functionaries within the three lines of assurance.
- › The AC annually approves the risk-based external and internal audit plans.
- › The AC monitors external and internal audit findings.
- › The external and internal audit functions contribute to combined assurance, thereby giving comfort of the PIC's ability to achieve the objectives of the effective control environment and the integrity of its information and reports.
- › The PIC's Combined Assurance Forum and Combined Assurance Framework ensure ongoing review of the approach, model and processes.
- › The AC approves the appointment of a Head of Internal Audit.

STAKEHOLDER RELATIONSHIPS, TRUST, GOOD REPUTATION AND LEGITIMACY



Stakeholders

In the execution of its governance role and responsibilities, the Accounting Authority should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

- ▶ SETCO manages stakeholder relations.
- ▶ Operationally, stakeholder engagement is the responsibility of the CEO, the CIO, the head of corporate affairs, the Stakeholder Management division and Exco.
- ▶ The Board approves the PIC Stakeholder Management Framework, Client Relations Management Policy and Communications Strategy.
- ▶ The AC and SETCO chairpersons and the external auditors attend the AGM.
- ▶ The Board annually meets with the boards of the PIC's major clients, i.e the GEPEF, the UIF and the Compensation Commissioner Fund, while management regularly meets with the management teams of these clients.



Responsibilities of Institutional Investors

The Accounting Authority of an institutional investor should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests.

- ▶ The PIC, as a financial services provider and an asset manager, invests funds on behalf of its clients under FSCA-approved mandates.
- ▶ The Board exercises oversight responsibility through its nominated directors to the boards of companies in which the PIC has invested on behalf of its clients.
- ▶ The Board approved the following policies to set the direction for responsible investing:
 - ESG policies and guidelines on listed and unlisted investments;
 - Nominations Governance Policy;
 - Corporate Social Investment Policy;
 - Investment Philosophy and Strategy; and
 - Politically Exposed Persons Policy.
- ▶ Annual assessments are conducted of PIC compliance with the Code for Responsible Investing in South Africa and the United Nations Global Compact.

EXECUTIVE COMMITTEE

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

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

The Exco is depicted below:



MR ABEL SITHOLE



*MR VUYANI HAKO



MR AUGUST VAN HEERDEN



MS ESTHER LETLAPE



POSITIONS

- | | | | |
|--|--|---|---|
| <ul style="list-style-type: none"> › Chief Executive Officer › Ex-officio Executive Director | <ul style="list-style-type: none"> › Chief Operating Officer › Acting Executive Head: Properties | <ul style="list-style-type: none"> › Chief Risk Officer › Acting Chief Operating Officer from 31 May 2022 to 08 February 2023 | <ul style="list-style-type: none"> › Head: Human Capital › Acting Chief Operating Officer from 08 February 2023 |
|--|--|---|---|



QUALIFICATIONS

- | | | | |
|---|--|---|--|
| <ul style="list-style-type: none"> › Master of Arts (International Relations) › Master of Philosophy (Futures Studies) › Master of Business Administration › Bachelor of Arts | <ul style="list-style-type: none"> › 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 <p>* <i>Precautionary suspension from 31 May 2022.</i></p> | <ul style="list-style-type: none"> › 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 | <ul style="list-style-type: none"> › Bachelor of Arts › Bachelor of Arts Honours (Industrial Psychology) › LLB (Future Studies) |
|---|--|---|--|



MR BRIAN MAVUKA

MS MAKANO MOSIDI

*MR KABELO RIKHOTSO



POSITIONS

- | | | |
|---|--|---|
| <ul style="list-style-type: none"> › Acting Chief Financial Officer from 26 November 2018 › Ex-officio Executive Director › General Manager: Finance | <ul style="list-style-type: none"> › Chief Technology Officer › Ex-officio Executive Director from 01 November 2021 until 15 February 2023 | <ul style="list-style-type: none"> › Chief Investment Officer › Ex-officio Executive Director from 15 February 2023 |
|---|--|---|



QUALIFICATIONS

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> › Chartered Accountant (SA) › Bachelor of Commerce Accounting (Honours) › Bachelor of Commerce Accounting › Accredited South African Institute of Chartered Accountants Assessor | <ul style="list-style-type: none"> › Bachelor of Commerce (Financial Accounting and Computer Science) › University Education Diploma (Accounting and Economics) | <ul style="list-style-type: none"> › 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

The PIC's engagements with key stakeholders are guided by a Stakeholder Management Framework that is approved by the PIC Board.

Successful stakeholder management for the PIC is predicated upon its knowledge of who its stakeholders are, their interests, their level of influence and their trust in the integrity of PIC as a strategic partner.

A dedicated, strategic and coordinated approach to stakeholder management provides the PIC with a uniform way of dealing with a multiplicity of stakeholders.

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

In terms of the PIC's Stakeholder Engagement Plan, the following interactions occurred during the financial year. Other detailed engagements with listed and unlisted investee companies are contained under the Environmental, Social and Governance section on pages 73 to 81 and 103 to 123 respectively.

Stakeholder Category	Engagement Channels	Engagement Issues	Number of Engagements
Financial Sector Conduct Authority	Quarterly meetings and onsite visits	Ongoing compliance with the Financial Advisory and Intermediary Services Act (FAIS) and other legislation.	2
South African Reserve Bank	Quarterly meetings, virtual and in-person	PIC banking investment strategy and other regulatory matters.	3
Directorate for Priority Crimes Investigations (DPCI/ Hawks)	In-person meetings	Various criminal investigations, including past transactions identified by the Mpati Commission of Inquiry.	5
National Treasury	In-person meetings	Meeting the International Monetary Fund and the PIC's investments in infrastructure and state-owned entities.	2

Stakeholder Category	Engagement Channels	Engagement Issues	Number of Engagements
Client site visits to investee companies	Site visits with the GEPF	<ul style="list-style-type: none"> › Alzu Agriculture, Mpumalanga › Ellis Park Student Village (with the UIF) › Roggeveld Wind Farm, Western Cape › Siyanda Resources, Siyanda Bakgatla Platinum mine, Waterberg, Limpopo › Oceans Mall and Hotel, Umhlanga, KwaZulu-Natal › Malvern Park Shopping Centre refurbishment, Queensburgh, KwaZulu-Natal › Kynoch Fertilizer, Durban Harbour. 	7
Clients	In-person and virtual meeting	Client investment portfolios performance, ad-hoc client enquiries, quarterly client meetings.	42
Media*	In-person meetings	Two engagements with Arena Holdings to explore strategic partnerships on multiple media platforms.	2
Parliament	In-person meeting	Standing Committee on Finance oversight meetings with National Treasury entities.	1
Staff	In-person and virtual meetings	Organisational restructure (relationship-by-objectives process), feedback from PIC Board meetings, PIC financial performance.	4

* Excludes media releases issued and responses by the PIC to media queries.

HUMAN CAPITAL REPORT



The PIC's quest to become a global leader in impact investing relies on people who dedicate their energies to achieving the organisation's strategic goals and objectives.

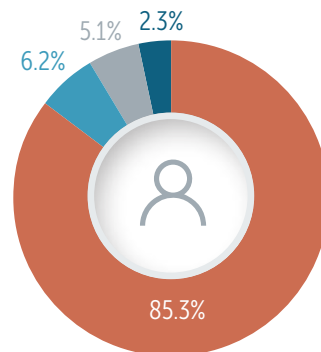
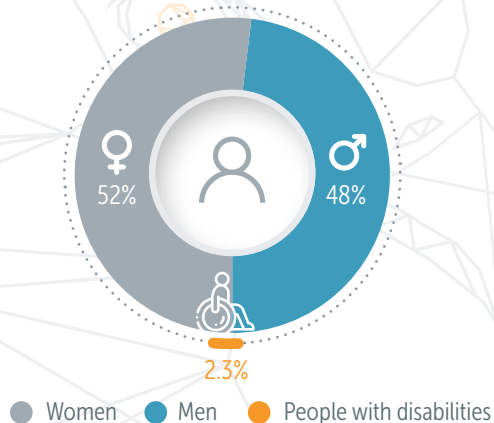
During the year under review, the organisational structure was realigned to enhance the PIC's ability to meet and exceed client mandates and to support its investment strategy more effectively. The realignment was in response to the Mpati Commission of Inquiry's recommendations to update the Mol. The PIC executive management team was reconstituted to reflect the role of chief officers in line with the above.

Extensive consultations were held with employees and organised labour to ensure successful implementation. In line with the PIC's key value 'We care', there were no retrenchments and employees were absorbed into the revised structure. Furthermore, employee salaries, benefits and conditions of employment remained unchanged. The revised structure took effect from 1 April 2023 with the start of the new reporting period.

During 2022/23 financial year, we continued to create an enabling workplace environment and culture in which people feel valued and strive to be the best they can be with the introduction of Relationship-by-Objectives (RBO) engagements. Workshops explored a shared vision for an ideal PIC in line with the spirit of building a high-performing, effective and efficient PIC. The RBO has since evolved into an organisational revitalisation initiative that focuses on organisational culture, effective leadership, high-performance, talent and succession management.

As of 31 March 2023, the PIC had 389 employees, a marginal increase from 381 the previous year. Women account for 52%, with 38% at senior and top management levels. African employees represent 85.3% of the workforce followed by white employees (6.2%), Indian employees (5.1%) and coloured employees (3.3%). People with disabilities constitute 2.3% of the workforce. The PIC remains guided by its employment equity approach to create a workforce that reflects the demographics of South African society.

HUMAN CAPITAL DEMOGRAPHICS



● Women ● Men ● People with disabilities

● African ● White ● Indian ● Coloured

Skills and talent development

The goal to develop a fit-for-purpose workforce is channelled into employee and young talent development through various initiatives.

The commitment to develop talent and contribute to youth development and employment is reflected in the 2022/23 skills development spend of R18.6 million, R6.6 million over the R12 million of 2021/22. The investment benefitted 359 employees and unemployed youth through employee training, bursaries, youth bursaries and graduate development.

Of the total, R7.3 million was spent on employee training and development (2021/22: R5.4 million), with R5 million invested in black employees and R3 million on black women.

Employee development

Bursaries worth R2.3 million (2021/22: R2 million) were awarded to 68 employees, 66 of whom are black employees. Out of the 68 employees funded, 32 black women benefitted (34 women overall).

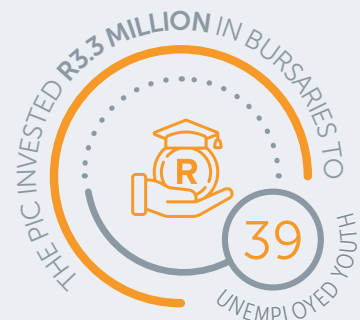
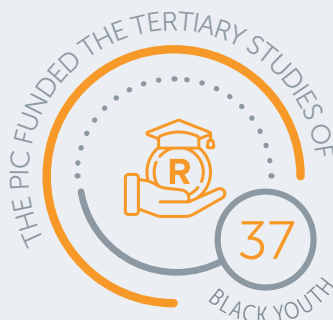
Through the PIC's partnership with leading global business schools, 40 employees successfully completed management and leadership programmes, promoting gender transformation and inclusivity. Thirty-six of the employees who participated in the programmes were black employees, and 25 of whom were black women (27 women overall). Overall, 217 women participated in development training.

Youth development, diversity and inclusion

With Statistics South Africa research indicating that youth unemployment had risen in the year under review to 62.1%, the PIC's youth development efforts have become essential. The graduate development programme and youth training initiatives benefitted 21 graduates, 20 of whom are black (95%). Of these, 12 are black women (60%) and three persons living with disabilities (15%).

This training, which is supported by mentoring prepares, candidates to become future global leaders in impact investing.

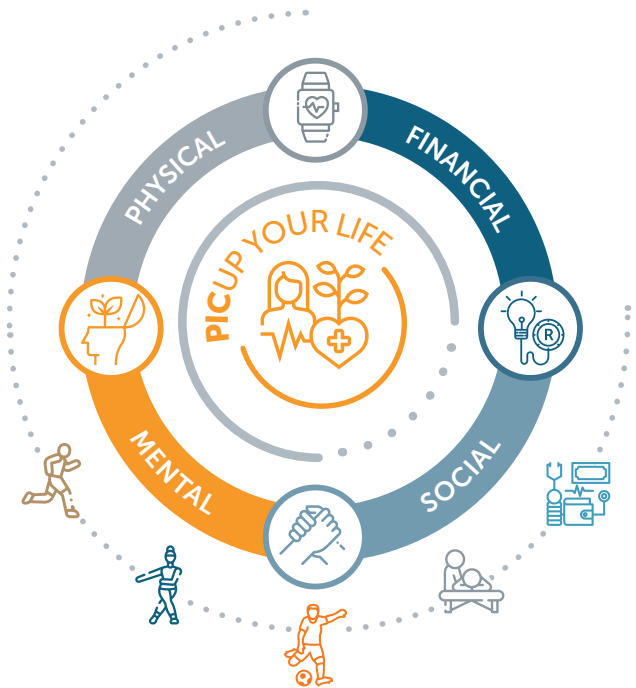
In 2022/23, the PIC also invested R3.3 million in bursaries for 39 unemployed youth, 20 of whom are black women. The PIC funded the tertiary studies of 37 black youth (2021/22: R3 million).



Employee health and wellness

The global business landscape transitioned significantly as organisations shifted their focus from COVID-19 to sustaining good mental health. The PIC, too, countered the impact of the pandemic on wellbeing with a re-evaluation of employee health and wellness priorities, making mental health a vital component of the PIC's strategy.

In December 2022, the PIC hosted an offsite wellness day themed 'PICup your life' that allowed employees to take a break from the pressures of work and interact with each other during morning runs, zumba classes, soccer tournaments, massages and financial health sessions. The event was structured on the PIC pillars of physical, financial, mental and social wellness.



Remuneration philosophy and practices

The PIC remuneration philosophy reinforces and rewards exceptional performance that is aligned with the organisation's values, vision, mission and strategic objectives. The Remuneration Policy is a guiding framework for reward practices that enhance the employee value proposition, a necessity in the highly competitive asset management environment. Attracting and retaining qualified and experienced professionals informs the PIC's remuneration philosophy of a total guaranteed package, short-term and long-term incentives and other benefits.

In October 2022, following salary surveys of the local asset and investment management industry and of similar development institutions, eligible employees received inflationary and performance increases in terms of the PIC's total guaranteed package.

Short-term incentives are performance-based bonuses contingent on corporate, divisional and individual achievements. In 2022/23, 327 staff qualified.

Long-term incentives help to retain valued skills. They are earned in a particular year and vest after three years. Thus, employees must sustain their performance over three years. Ninety-nine employees were rewarded in December 2022.

Other benefits include long-service awards and 56 employees received these awards for service of between five years and 40 years.



Remuneration governance

The Board has delegated to the HRRC its responsibilities and role for the governance of remuneration and setting of principles and parameters of remuneration for the PIC, and for the development and implementation of a human resources strategy adopted by the Board. The HRRC:

- a) Considers and recommends a Remuneration Policy for the PIC to the Board for onward recommendation to the shareholder;
- b) Ensures that a formal and transparent procedure for developing, setting, monitoring, reviewing and approving remuneration policies and practices, in line with the PIC's business strategy, is in place; and
- c) Ensures that the PIC's employees are fairly and responsibly rewarded for their individual contributions to the PIC's overall performance.

The Board acknowledges that it remains responsible for ensuring compliance with remuneration principles. This includes the approval of the financial affordability of the remuneration and incentives pool to ensure the risk exposure within the PIC remains at acceptable levels.

The HRRC is satisfied that:

- a) The PIC remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term;
- b) The Remuneration Report fairly provides the material disclosures of the PIC's Remuneration Policy and implementation thereof; and that
- c) The Remuneration Policy achieves its stated objectives and future focus.

Accelerating impact in 2023/24

- › Advance the culture and leadership project aligned to the values and behaviours identified in the culture survey as driving organisational effectiveness.
- › Review and enhance performance management processes for SMART goal setting and cascading, and encourage real-time performance conversations between line managers and employees to ensure goals are met.
- › Define talent management and leadership competencies, conclude the talent inventory and align employee value proposition practices. Develop integrated talent management policies, processes and templates. Fill priority posts and identify successors for mission-critical roles.

CASE STUDY: > YOUTH DEVELOPMENT – THE PIC BURSARY PROGRAMME



Financing a promising finance career

While still at school, Ingrid Montja knew she wanted to study further even though her father would be retired by the time she completed matric and funds would be scarce. Undaunted, she enrolled for a BCom in Finance at the University of Johannesburg and she found out she qualified for PIC bursary funding.

The second and third years of her degree were fully funded by the PIC and she was part of a group that sought vacation work at the Corporation. "I knew I wanted a career in investments or finance and the virtual programme would give me the grounding," she recalls.

"The presentations from various departments broadened our knowledge of the PIC and expanded our network.

The highlight was preparing a presentation for a fictitious investment committee panel. We had to create a fund that explored artificial technology solutions with environmental, social and governance impact. Being in a virtual environment, connectivity, time management and communication were problematic, but through collaboration, accountability, mentorship and good leadership skills, we performed well."

Ingrid is enjoying her time with the PIC's unlisted investments team as part of the graduate programme. There, she says, she is learning to expand her thinking, manage time and thrive under pressure as she explores investments, assesses transactions, studies the performance of existing PIC investments and conducts due diligence.



Ingrid is enjoying her time with the PIC's unlisted investments team as part of the graduate programme.

CASE STUDY: > YOUTH DEVELOPMENT – THE PIC BURSARY PROGRAMME



Law in order for Xitsundzuxo Mathebula

Having been awarded a PIC bursary in 2017 to study law at the University of Venda, Xitsundzuxo Mathebula was not going to squander the opportunity. His hard work led to early top-student status and he won several academic awards, including a trophy for criminal justice studies.

"The bursary covered all my expenses and keeping it was a priority," says the graduate who was named top student again in his final year.

An additional advantage for Xitsundzuxo was the virtual vacation work experience with the PIC's legal counsel, governance and compliance team in 2021. "Through engagements with the legal advisers, I gained a greater understanding of the legal profession," he recalls. "This included advising on possible solutions to hypothetical

legal scenarios. It was transformative and rewarding and prepared me for the PICeeds graduate development programme and for a future in the legal field."

The graduate programme exposed him to corporate legal work and the PIC's listed investments and properties portfolios. He reviewed and drafted legal agreements, conducted research and was involved in litigation matters by and against the PIC. "I'm currently seconded to a law firm for a year to complete my articles," explains Xitsundzuxo.

"After completing my board exams I will be a qualified attorney, something I could only have dreamt about a few years ago. The PIC bursary certainly changed my life and for that I will be forever grateful."



The PIC bursary certainly changed my life and for that I will be forever grateful.

INFORMATION TECHNOLOGY REPORT

The PIC's journey to digitise and modernise its core business systems is designed to enhance the experiences of both internal and external clients and to facilitate their collaboration from anywhere and at any time.

At the heart of the modernisation journey is the Digital and Information Technology strategy, which aims to transform the PIC so that it engages effectively with market role-players, clients and partners, and provides sufficient speed and capability to innovate and respond effectively to the changing demands of the PIC's business environment. The strategy has gained recognition and relevance among all stakeholders, including the PIC Board.

The year under review yielded significant achievements, which include:

AUTOMATED END-TO-END UNLISTED INVESTMENT PROCESSES:

The quest to automate private equity investment processes is being realised mainly through the implementation of an eFront system. In addition to providing new functionality, we are on course to migrate client historical data from 2005, when the PIC was corporatised. This will create one source of recordkeeping for private equity portfolios. Storing private equity data in one repository is crucial for a future focus on data-driven innovations.

With the implementation of eFront, potential investee companies can now apply for funding from anywhere through the new online portal on the PIC's website. Improved private equity process automation enhances the transparency of the deal pipeline to accelerate track and trace turnaround times for processing investment applications.

SIMPLIFY, STREAMLINE AND AUTOMATE PIC PROCESSES:

The programme aims to simplify and automate internal processes for improved efficiency. Ethics and operational risk management processes have been automated to improve corporate governance. Additionally, all employee declarations of interest have been centralised, automated and streamlined to ease the burden of regulatory compliance.

Enhanced data visibility and accessibility: provides better access and improved transparency into investment decisions.

The PIC honed its data management approach for better insight by introducing a data and analytics strategy and a new pillar on the organogram for data-driven innovations, both of which were approved by the Board. This work becomes crucial as we focus attention to systems of engagement.

UPGRADE OF TECHNOLOGY PLATFORMS AND SYSTEMS FOR PIC CORPORATE FUNCTIONS:

The IT team continues to prioritise timely system upgrades. We have upgraded the finance, human resource management and client reporting systems to the latest supported and secure versions to reduce the risk of cyber attacks.

PERFECTING THE BASICS:

The focus on perfecting the basics and ensuring that IT processes and capabilities are improved through automation and optimisation continues. Important milestones that were achieved include:



- › Enhanced procedure manuals for crucial IT systems to align with the new architecture for optimal disaster recovery capability.
- › Reviewed IT policies, standards and procedures to align with new legislation and environmental changes.
- › Improved automation of business processes for crucial business applications.
- › Continued investment in employee professional development and certification with the latest technologies being implemented by the PIC.



SERVICE AVAILABILITY:

We ensured that business processes continued to operate efficiently by maintaining different technologies. There were no significant IT service outages nor security breaches during the reporting period.



INFORMATION SECURITY:

The PIC started to implement the Information Security Management Standard to improve its information security posture (ISO27001: 2013). IT processes matured to 3.9 out of 5, exceeding our annual target of 3.7 and indicating that information security management controls are well-defined and documented.

Information security awareness continues to be top of mind, especially with human error potentially being the weakest link in the evolving cybersecurity landscape.

The information security incident response preparedness process was improved to incorporate automated time to detect and remediate threats around the clock with minimal human dependence. While cybercrime remains a moving target, the PIC has significantly improved its ability to detect and respond to cyber threats.

We have further strengthened our partnership with third parties by engaging an external service provider to conduct independent testing of our systems for any vulnerabilities.



DISASTER RECOVERY:

We continued to improve the disaster recovery architecture and migrated the on-premise legacy system to an optimally managed environment. The PIC can now remotely recover 98% of systems during routine disaster recovery tests.

The competition for specialised IT skills persists, both within the PIC and globally. To cultivate our own talent, the PIC will launch an exclusive IT graduate programme. Existing IT staff continue to train for new technologies to be aligned with PIC work requirements. We continue to devise new ways of attracting and retaining our human assets while leveraging strategic partnerships with vendors.

The fundamentals to transform the PIC into a fully competent digital organisation are now in place and provide a firm basis to accelerate our modernisation journey in the coming years.

Accelerating impact in 2023/24

- ▶ Achieve much-needed efficiencies through automation, optimisation and transformation of internal and external engagement processes, with the primary focus on month-end investment processes, the deal pipeline, disbursements and properties.
- ▶ Start proof of concepts for PIC's digital ambition.
- ▶ Enhance automation on data leakage prevention, roll out the information security management system (ISO 27001:13) to other departments and continue security simulation exercises across PIC stakeholders.
- ▶ Continue to modernise and upgrade applications in the PIC technical environment, replacing the legacy application.

CORPORATE SOCIAL INVESTMENT REPORT

The PIC's responsible corporate citizenship is reflected in a corporate social investment (CSI) programme that addresses social challenges in identified communities, for the benefit primarily of disadvantaged individuals.

The CSI initiatives also mirror the PIC's institutional values. Acknowledging that our business decisions have far-reaching implications for clients, the South African economy and for diverse communities, the interests of each stakeholder are factored into our social investment planning.

Key guiding CSI principles are collaboration and partnerships. This enables initiatives to harness resources and optimise the socio-economic impact for disadvantaged individuals and communities. The strategy aligns closely with the company's overall strategic framework and contributes actively to its mission, vision and values.



The PIC's CSI policy concentrates on three key areas:

EDUCATION AND TRAINING:



Empowering individuals with knowledge and skills to improve their prospects for a better future.

SOCIO-ECONOMIC DEVELOPMENT:



Actively supporting initiatives that promote sustainable growth and upliftment in underserved communities.

AGRICULTURE, CONSERVATION AND THE ENVIRONMENT:



Emphasises agriculture, conservation and environmental stewardship initiatives, contributing to a greener and more sustainable South Africa.

The PIC aligned its CSI interventions to the Sustainable Development Goals and National Development Plan to enhance beneficiaries' skills, health and self-sufficiency. The graphics below outline our 2022/23 activities:



Education and training



Socio-economic development



KwaZulu-Natal



Combating South Africa's silent pandemic

Partnered with Hillcrest Aids Centre Trust to support the 16 Days of Activism for No Violence Against Women and Children.

The trust provides healthcare, counselling and testing services for those living with HIV/Aids and runs the IMpower self-defence programme, which has helped to reduce rape cases by up to 50% in some communities.



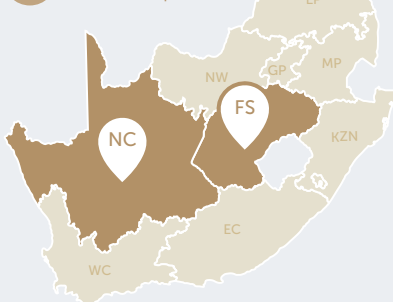
Quality healthcare for all.



Education and training



Free State and Northern Cape



Empowering matriculants in maths and science

Assisted Repholositswe Secondary School and Khathu Secondary School in Northern Cape province to implement matric maths and science, in partnership with Primestars, by ensuring that learners can access textbooks containing practice exercises and the latest past papers, enabling them to strengthen their knowledge and test their understanding.

We also hired dedicated facilitators to deliver immersive and interactive sessions.



A skilled and capable workforce to support an inclusive growth path.



Improving the quality of education, training and innovation.



Focus



Province



Activities



Sustainable Development Goals supported



National Development Plan outcomes supported



Education and training



Mpumalanga



Bridging the gap in education

In Tintswalo Village, Acornhoek, a groundbreaking project by the PIC has brought newfound hope and opportunities to disabled learners at Tsakane Special School. The PIC constructed a state-of-the-art sensory library, disability toilet facilities and kitchen, revolutionising the educational and daily experiences of disabled students.

The school provides education and care for over 202 disabled learners aged five to 18. The prefabricated sensory library is equipped with specialised resources. The library fosters cognitive growth, motor skills development, memory retention and problem-solving abilities. The book collection includes diverse multilingual reading materials, suitable shelving and a comfortable floor area for informal reading activities.

The sensory library enhances the support provided by occupational, physio, and speech/language therapists. It is accessible to all students, featuring disability toilet facilities and a wheelchair ramp for their safety and convenience.



Improving the quality of education, training and innovation.



A skilled and capable workforce to support an inclusive growth path.



Education and training



Socio-economic development



Eastern Cape



MINA - a girl's best friend!

Joined the Mina Foundation to provide menstrual cups to four schools. The initiative benefitted more than 700 Grade 8 schoolgirls – 268 at Cala Village, 261 at Carel du Toit, 94 at Willowmore and 85 at Batandwa Ndondo senior secondary schools.



Quality healthcare for all.



Focus



Province



Activities



Sustainable Development Goals supported



National Development Plan outcomes supported



Socio-economic development



North West



Restoring dignity to learners at Poelano Secondary School

In collaboration with Imbatha Solutions, handed over 15 newly constructed ablution facilities to Poelano Secondary School in Goedgevonden Village in Ventersdorp, North West, which had previously been unable to provide dignified ablution facilities to its learners.

Sanitary bins for female toilets and 200 hygiene care packs were also donated.

In addition, local jobs were created both directly and indirectly through labour and the procurement of materials needed to build the facility.



Quality healthcare for all.



Gauteng



The PIC disability career fair

To mark National Disability Rights Awareness Month between 3 November and 3 December 2022, the PIC hosted a disability careers fair with Blind SA. Our business divisions and Microsoft SA hosted participants at the PIC offices on 30 November and 1 December, where they were introduced to our core functions, investment operations and career opportunities.



> A skilled and capable workforce to support an inclusive growth path.

> Improving the quality of education, training and innovation.



KwaZulu-Natal



Commemorating World Aids Day 2022

In keeping with World Aids Day 2022's 'Equalise' theme calling for action to deal with inequalities of the pandemic, the PIC sponsored the Hillcrest Aids Centre Trust to empower communities through healthcare and HIV testing, care for the elderly, counselling, employment, life and job skills training and psychosocial support. The trust's work benefits 10 000 people annually.

The PIC supplied the trust's 24-bed Othandweni hospice and respite unit with medicines and supplies, HIV/Aids testing kits, nursing supervisors and caregivers, nutritious meals, patient transport and fatigue workshops.



Quality healthcare for all.



Focus



Province



Activities



Sustainable Development Goals supported



National Development Plan outcomes supported



Agriculture, conservation and the environment



Gauteng



Greening Mamelodi

In the interests of sustainable development and conservation, the PIC joined with the JNF Walter Sisulu Environmental Centre to donate 3 000 trees to 'green' the Mamelodi community. Households received one fruit tree and one indigenous tree, thus bolstering the centre's efforts to encourage schoolgoers and the community to use environmental resources sustainably.

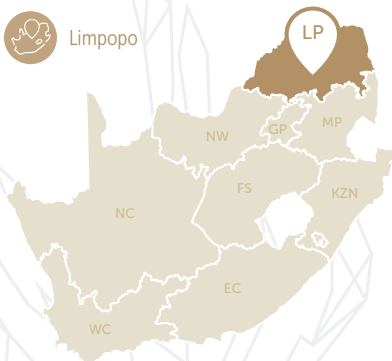
The initiative also assisted 20 elderly Mamelodi community members to grow vegetables sustainably to feed their families and generate an income from the surplus. This included the installation of effective irrigation systems, the provision of seeds, compost, netting for bird protection, vegetable bags and other gardening resources.



Vibrant, equitable and sustainable rural communities contributing to food security for all.



Limpopo



PIC champions environmental sustainability and food security

The PIC supported the community market gardens programme in Makweng Village, a transformative, income-generating vegetable production initiative that provides education on administration skills, infrastructure, tools, equipment, planting materials and educational materials. Included in this were 14 facilitated theory and practical training sessions onsite over 12 months and the implementation of agroecology methods that create awareness of sustainable agricultural practices and promote ecological consciousness.



Vibrant, equitable and sustainable rural communities contributing to food security for all.



Focus



Province



Activities



Sustainable Development Goals supported



National Development Plan outcomes supported

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE (SETCO) REPORT

Introduction

The Social, Ethics and Transformation Committee (SETCO) is pleased to present its report for the financial year ended 31 March 2023.

The committee's remit is to assist the Board in setting the tone for an ethical organisational culture, being a responsible corporate citizen, driving transformation, protecting the PIC's reputation and making an impact on the environment and society.

Composition and attendance

Leading by example to set an ethical tone, the Board drives the promotion of good corporate governance by ensuring that SETCO's composition remains appropriately balanced and that it possesses the necessary attributes to support the PIC's strategic priorities. SETCO, as a committee of the Board, was established in terms of Section 72 of the Companies Act and, as a statutory committee, is subject to Regulation 43 of the Companies Act and the recommendations of the King IV™ Code on Corporate Governance for South Africa 2016 (King IV™).

The skill sets of members are varied and appropriate, ensuring that deliberations are comprehensive and robust. Members' qualifications and experiences are detailed on page 132 of the corporate governance report.

Standing invitees of the committee include representatives from the ESG, Ethics Office, Risk Management, Human Resources, Corporate Affairs, the Chief Executive Officer (CEO) and the Chairperson of the Board. There were six SETCO meetings during the year under review - four scheduled and two special meetings.

Functions of SETCO

The terms of reference approved annually by the Board outline the functions of the SETCO. The committee provides oversight and reports on organisational ethics, ethical culture, transformation, responsible corporate citizenship, sustainable development, stakeholder relationships, and safety, security, health, environmental, social, labour and employment practices. Additionally, it oversees ethics and reputational risks referred by Board committees.

KEY FOCUS AREAS FOR THE YEAR ENDED 31 MARCH 2023

Governance

In the period under review, SETCO reviewed its terms of reference in line with the PIC's Delegation of Authority Framework and approved the revised workplan. SETCO members attended training on ethical leadership and compliance.

The committee conducted a self-assessment to ensure compliance with King IV™. The PIC continues to effectively adopt the four governance outcomes, namely ethical culture, good governance, effective control and legitimacy.

SETCO further assessed its alignment with the social and ethics committee trends survey of the Institute of Directors South Africa and the Ethics Institute, revealing a general alignment between industry trends and those of the PIC.

(IoDSA, 2022 edition of the Social and Ethics Committee Trends Survey Report was published in October 2022)

Policy review

The Board has adopted a suite of policies to articulate and embed ethical practices across the organisation. It has delegated to SETCO the responsibility for monitoring and reviewing the PIC's governance documents on ethics, social development, good corporate citizenship, sustainable development, stakeholder relationships and transformation.

During the year under review, SETCO considered and recommended the following policies to the Board for approval: the PIC Code of Ethics, Conflict of Interest Management Policy, Stakeholder Engagement Strategy, Client Relations Management Policy, News and Social Media Policy, Stakeholder Management Framework, Anti-bribery and Anti-corruption Policy, Whistleblower Policy, and the transformation position paper, charter and strategy.

Entrenching an ethical culture

In 2019, the interim Board resolved to establish an ethics management structure and mandated to the SETCO the

governance of ethics by setting the direction on how it should be entrenched at the PIC. The Ethics Office was established in 2020 by the Board and SETCO to support governance and management of ethics.

This Ethics Office supports SETCO in delivery of its mandate and reports functionally to SETCO and administratively to the CEO.

The PIC Code of Ethics continues to guide the Board, management and employees in maintaining the highest standards of ethical behaviour, upholding ethical standards in all activities and complying with all laws applicable to the business and environment.

To institutionalise ethics, the following interventions are implemented:

INTERVENTIONS IMPLEMENTED:



ETHICS TRAINING

Ethics training is included in the onboarding of new employees and includes the principles of the PIC Code of Ethics, related policies and PIC values. Ethics-related e-learning modules on the code and the policies on anti-bribery and anti-corruption, conflicts of interest, gifts and whistleblower are rolled out annually to all employees. The modules are compulsory for all and their completion is closely monitored by the Ethics Office and reported to SETCO. At 31 March 2023, 85% of PIC employees had completed their annual online ethics training;



MESSAGES ON KEY ETHICS RISKS

As part of the annual awareness plan, messages on key ethics risks such as bribery and corruption, conflicts of interest, fraud, gifts, and whistleblowing were shared with all employees; and



ETHICS RISK REGISTER

The ethics risk register is assessed quarterly to evaluate the effectiveness of ethics control measures. The rating had improved from moderate to balanced residual risk by 31 March 2023.

SETCO continues to monitor the remaining ethics-related actions from the Mpati Commission. All actions have been closed except independent validation of declared interests, for which the Ethics Office is conducting validations. Ninety-nine percent of employees submitted declaration-of-interest forms.

The Ethics Strategy and Management Plan was approved by the Board in May 2021. At 31 March 2023, 13 (76%) of 17 ethics management plan interventions had been completed. The appointment of ethics ambassadors has been completed and the re-evaluation and change of PIC values are in progress. The Ethics Office is coordinating the launch of the new values.

In assisting the Board to fulfil its stewardship and oversight of the PIC's reputation, SETCO reviewed ethics and reputational risk in three transactions referred by the Investment Committee. Two other ethics and reputational risk matters were referred by the Board for review. PIC investee companies are required to share the PIC's commitment to integrity by doing business fairly, ethically and in compliance with laws and regulations.

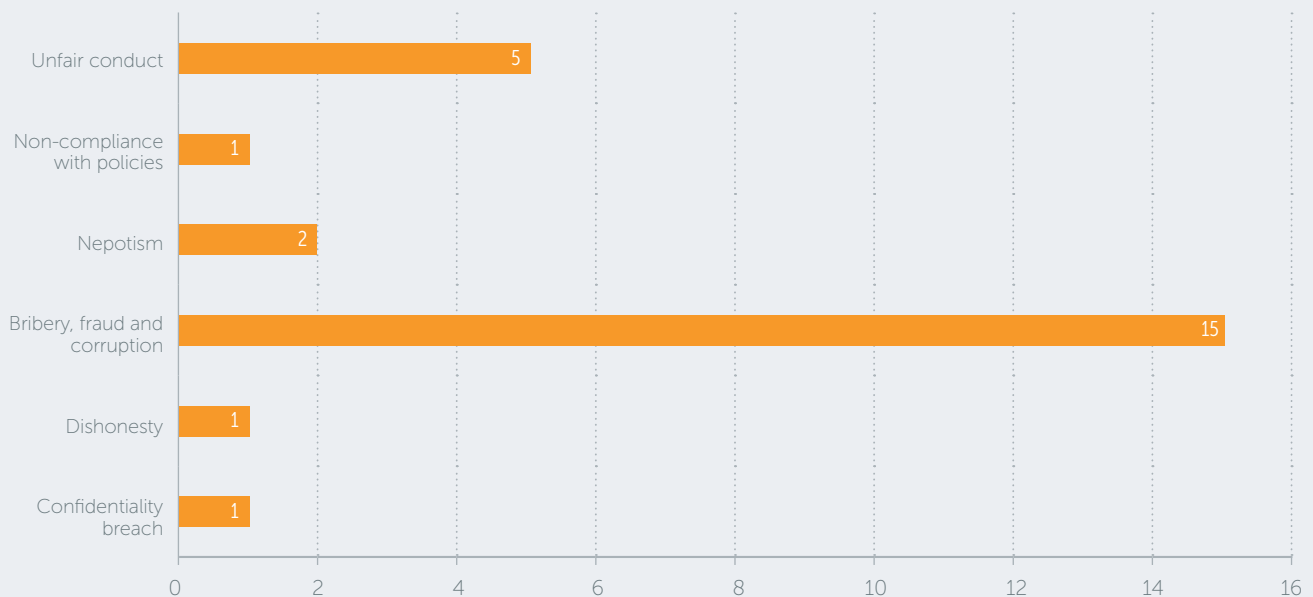


A quarterly risk register is monitored by SETCO, with the risk profile having moved from balanced to low residual at 31 March 2023. The Ethics Office conducted a PIC self-assessment on its standing and progress against Principle 10 of the United Nations Global Compact. The Board adopted the Organisation for Economic Cooperation and Development recommendations on anti-corruption.



The hotline and AskEthics channels recorded 25 cases of unethical conduct. Thirteen cases were closed with recommendations implemented, one was completed, with recommendations being implemented, and 11 are in progress.

SUMMARY OF INCIDENTS



Human capital

In line with its terms of reference, the SETCO monitors through quarterly reports labour and employment practices employment relationships and the PIC's contribution to the educational development of its employees. Learning and development interventions continued to focus on employee and young talent development and showed improvement in the involvement of women in training.

The skills development spend reported for 2022/23 was R18.6 million compared to R12 million the previous year, the increase due to the development of talent for the organisation and the contribution to youth development and employment. Initiatives benefitted 359 employees and unemployed youth. Employee development accounted for R7.3 million, with R5 million going to black employees and R3 million to black women. Bursaries worth R2.3 million were disbursed to 68 employees, 66 of whom are black. Among these are 34 women, 32 of whom are black. Through partnerships with leading global business schools,

40 employees successfully completed management and leadership programmes. Thirty-six participants are black employees and 25 of whom are black women (27 women overall). These programmes are in line with gender transformation and leadership inclusivity approaches.

Safety, health and environmental update

SETCO received quarterly reports from the Safety Health and Environmental Office. The office identifies, manages, monitors and reports risks to SETCO.

The office ensured that all fire equipment was regularly serviced as per the annual service plan and conducted training for existing and new staff to reinforce the importance of a safe working environment.

Stakeholder management

On behalf of the Board, SETCO regularly calls for and considers submissions from management on how the PIC is implementing its stakeholder engagement and communications strategies.

The PIC's diverse stakeholders need to be actively managed and engaged. SETCO receives quarterly reports on stakeholder engagement with key stakeholders, including clients such as GEPF, UIF and CF, their members and beneficiaries, regulators, the government as the shareholder, the Board, investee companies, the public, Parliament and the media.

The Corporate Affairs division manages this function and during the reporting period, it presented its stakeholder engagement plans to SETCO and other Board committees. SETCO also received quarterly media monitoring reports that provided detailed analysis of the level, frequency and reputational risk associated with the PIC's exposure in the news and social media. These reports provide the basis for robust, regular engagements between SETCO and management on the PIC's public profile, particularly with contentious news coverage that poses potential reputational risk for the Corporation. Submissions received, considered and, in some cases, referred for Board approval, included:

- Management's stakeholder engagement and communication plan to give effect to the Stakeholder Management Framework previously approved; and
- An update on the alignment between communication strategies approved by the interim Board (2019/20) and the current Board (2022/23).

SETCO will continue to ensure that the PIC is accountable and transparent in its business dealings, while demonstrating to stakeholders that it is a high-performing, well-managed institution with integrity. The full scope of management's engagements with stakeholders is provided on pages 162 of this annual report.

Corporate social investment

Promoting good corporate citizenship

The CSI strategy aligns with the company's mission and vision of ensuring that its initiatives contribute to the goals of the organisation.

Education and training, socio-economic development, agriculture and conservation of the environment are the strategy's focus areas. They aim to address pressing societal challenges and uplift disadvantaged groups and communities, with particular emphasis on women, people with disabilities and the youth. A comprehensive discussion on the PIC's CSI initiatives is presented on pages 172 to 176 of this report.

Making a positive difference in society

These initiatives are aimed not only at making a difference in the lives of beneficiaries but at advancing the objectives of the National Development Plan and the United Nations Sustainable Development Goals. The PIC recognises the importance of aligning its programmes with national and global development frameworks to maximise impact and contribute to the larger vision of a sustainable future.

The Corporation takes pride in upholding its allocation of 1% of net profit after tax to CSI, as it facilitates the implementation of meaningful projects and collaboration with stakeholders that share the PIC's commitment to social progress and sustainable development.

Transformation commitment

In 2019/20, the interim Board mandated SETCO to develop a Transformation Charter to drive and guide the PIC transformation commitment. The PIC's Transformation Charter was considered by SETCO and approved by the Board following an internal process that included clients such as the GEPF, UIF and CF. The committee subsequently approved the Transformation Implementation Plan, which details business units' activities and alignment to charter principles. Progress on the plan is reported quarterly to SETCO by business units and these reports are subsequently shared with the Board.

As the largest institutional investor, the PIC looks to its Transformation Charter for guidance on how it will actively advance transformation through its investment activities when executing its operational plans, investment strategies and policies. The PIC's investments on behalf, its clients focus strongly on promoting socio-economic development by stimulating sustainable economic growth, increasing productive employment, reducing poverty and inequality while generating sustainable financial returns for clients. Investments must also advance economic transformation and contribute to building an inclusive economy that provides meaningful participation and opportunities for all citizens. The companies in which the PIC invests are, therefore, required to understand the PIC's investment approach to transformation and its determination to promote diversity in race gender, age and disability at the highest levels of its leadership. The business operations of investee companies in procurement spend and employment statistics, among other factors, should also demonstrate a commitment to creating entrepreneurial opportunities for businesses led by women, the youth and people living with disabilities.

The charter, therefore, provides the overarching principles for effecting transformation in the work that the PIC does among investee companies and other stakeholders, youth, people living with disabilities and women's empowerment in line with the Employment Equity Act, the application of the B-BBEE Act and the codes of good practice (as amended).

In line with the Transformation Charter, the PIC encourages boards to comprise at least 50% women. It also encourages investees' top management to be 50% gender diverse, with at least 30% of women being historically disadvantaged Individuals.

To promote board diversity among investees, the PIC further encourages the inclusion of people living with disability and youth. Untransformed and poorly transformed investees will be required to set and report on targets and definitive timelines to allow for active monitoring and engagement with the PIC.

The committee noted the report on the broad-based black economic empowerment score for 2020/21, in which the PIC was rated a level 4 contributor, a level lower than in the previous year. New strategies for continuous

improvement were presented. The committee continues to track implementation progress against the strategy and the impact delivered through B-BBEE initiatives.

SETCO also monitored transformation in investee companies through the quarterly listed and unlisted ESG reports.

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.

FOCUSES FOR THE YEAR AHEAD

The committee identified the need to improve the organisation's reporting on stakeholder engagement. This matter will receive increased attention to ensure that all stakeholders are well-served.

Following the 2020 ethics risk assessment and implementation of interventions to address the risks identified, the PIC will conduct a follow-up assessment and culture survey to measure whether the interventions implemented have improved adherence to ethical standards, including corporate behaviour and practices towards clients, employees and suppliers. Following the survey, a new ethics strategy and management plan will be developed and implemented. Awareness of and training interventions on ethics and implementation of the new PIC values are ongoing. Continued focus will be applied to meaningful transformation initiatives.

Conclusion

SETCO has ensured through its oversight and monitoring that policies and interventions are in place to advance social development, entrench an ethical culture, promote fair labour practices, embed responsible ESG practices and advance transformation. It is satisfied that it has discharged the duties set out in its terms of reference.

I thank SETCO members, the Ethics Office and Company Secretariat for their dedication and continuous contribution to the work of the committee. My appreciation also goes to other Board committees and the Board for their support.



Barbara Watson

Chairperson: SETCO

In line with the Transformation Charter, the PIC encourages boards to comprise at least 50% women.



GENERAL INFORMATION

Country of incorporation and domicile

South Africa

Nature of business and principal activities

Asset Management

Directors

Dr David Masondo (Chairperson) (Non-Executive Director)
 Ms Futhi 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)
 Mr Kabelo Rikhotso (Chief Investment 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 Maserumule

Company registration number

2005/009094/30

Company Annual Financial Statements

The Company's Annual Financial Statements were prepared under the supervision of the Company 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 (www.fsca.co.za) to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act No 37 of 2002).

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

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.

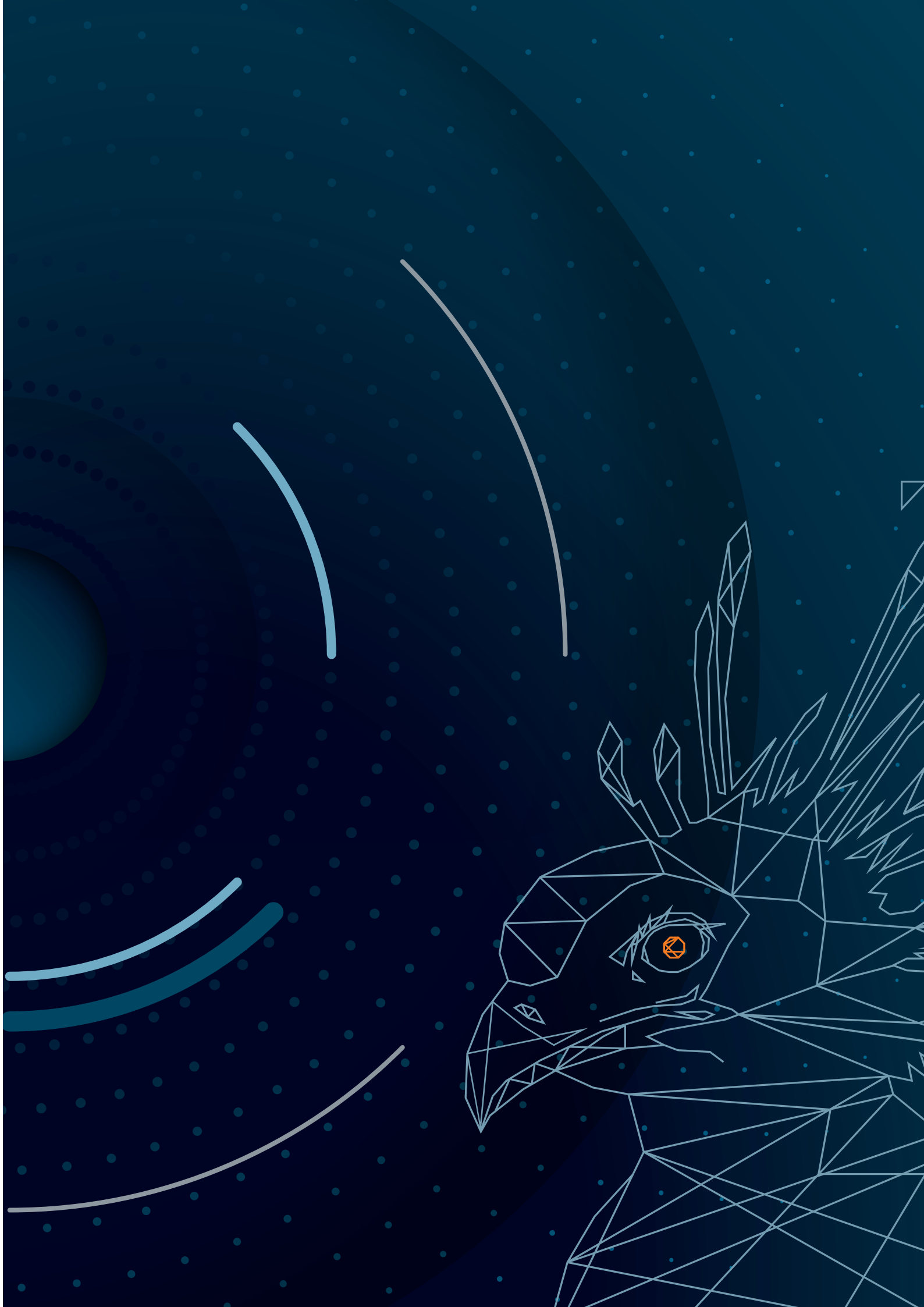
Personal trading by staff is regulated to ensure that there is no conflict of interest. All directors and employees who are likely to have access to price-sensitive and unpublished information in relation to the PIC are further regulated in their dealings. All employees are remunerated with salaries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

Directors: Dr David Masondo (Chairperson), Ms Futhi Mtoba (Deputy Chairperson) | Mr Frans Baleni, Ms Beverley Boucher, Prof Bonke Dumisa, Mr Walter Hlase, 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), Mr Kabelo Rikhotso (Chief Investment Officer) | Company Secretary: Ms Bongani Maserumule.

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	ICTGC	Information, Communication and Technology Governance Committee
ACSA	Airports Company South Africa	IC-UI	Investment Committee - Unlisted Investments
AIPF	Associated Institutions Pension Fund	IMF	International Monetary Fund
AuM	Assets under Management	IoDSA	Institute of Directors of Southern Africa
B-BBEE	Broad-Based Black Economic Empowerment	IT	Information technology
BEE	Black Economic Empowerment	JIBAR	Johannesburg Interbank Average Rate
CC	Compensation Commissioner Fund	JSE	Johannesburg Stock Exchange
CEO	Chief Executive Officer	MOI	Memorandum of Incorporation
CP	Compensation Commissioner Pension Fund	NDP	National Development Plan
DAC	Directors' Affairs Committee	PFMA	Public Finance Management Act, 1999
DoA	Delegation of Authority	PIC	Public Investment Corporation SOC Limited
ERMF	Enterprise Risk Management Framework	PIC Act	Public Investment Corporation Act, 2004
ESG	Environmental, social and governance	PMC	Portfolio Management Committee
Exco	Executive Committee	RC	Risk Committee
FAIS Act	Financial Advisory and Intermediary Services Act, 2002	REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
Fed	Federal Reserve	SAICA	South African Institute of Chartered Accountants
FICA	Financial Intelligence Centre Act	SDGs	Sustainable Development Goals
FSCA	Financial Sector Conduct Authority	SETCO	Social, Ethics and Transformation Committee
GEPF	Government Employees Pension Fund	UIF	Unemployment Insurance Fund
GDP	Gross domestic product	UNGC	United Nations Global Compact
HDI	Historically disadvantaged individuals	UNPRI	United Nations Principles for Responsible Investing
HRRC	Human Resources and Remuneration Committee	US	United States
IC	Investment Committee		
IC-LI	Investment Committee - Listed Investments		





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