



CRISA Principles and PIC Compliance



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The PIC Investment thesis is underpinned by an unwavering commitment to ESG considerations. This commitment is demonstrated by the institution signing up to the United Nations Principles of Responsible Investing (PRI), the United Nations Global Compact (UNGC), the Code for Responsible Investing SA (CRISA), and Sustainable Development Goals (SDGs).

The PIC believes it is necessary to link the financial performance and the growth outlook for investor and investee companies to how they manage and implement ESG principles in their business operations. The PIC has embedded ESG in its investment processes as the tool with which to monitor, measure and report on the impact of its ESG activities among investee companies.

The PIC further supports the country's developmental agenda by embracing transformation as an investment driver. As a result, the PIC requires that all investments fulfil the requirements to drive the transformation and empowerment strategy through the Broad-Based Black Economic Amendment Act No. 46 of 2013.

Principle 1

UNPRI 1

An institutional investor should incorporate sustainability considerations, including ESG, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries. The Code requires institutional investors to develop policies on how they incorporate sustainability considerations, including ESG, into investment analysis and activities. Institutional investors should ensure that this policy is implemented and establish processes to monitor compliance with the policy.

The PIC investment process both listed and unlisted duly incorporates ESG in the entire investment value chain. PIC has ESG policies for Listed (Equities, Fixed Income, EMF) and for Unlisted (Isibaya & Properties) duly supplemented by SOPs. Investment policies and SOPs also incorporate sustainability aspects. Adherence is tested via Internal audit and Compliance review audits.

Principle 3

UNPRI 4 & 5

Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors. Institutional investors are encouraged to work with other shareholders, service providers, regulators, investee companies and ultimate beneficiaries to promote CRISA and sound governance.

- All PIC ESG policies both Listed and Unlisted clearly reflect the consideration of CRISA principles along with PRI and others as having been considered in the formulation of such policies and our endorsement of good corporate governance.
- The PIC as a signatory to PRI and in its endorsement of CRISA, through its ESG policies clearly indicates our duty to encourage investee companies to adopt the principles espoused and utilise collaboration as an engagement option to advance the sustainability agenda where and when required. Investment mandates with EMF are also requested to consider adoption and sign up.

Principle 4

An institutional investor should recognise the circumstances and relationships that hold a potential for conflicts of interest and should pro-actively manage these when they occur. Institutional investors are encouraged develop a policy on prevention and management of conflicts of interests and establish processes to monitor compliance with this policy.

The PIC has a Conflict-of-Interest policy and related process have been implemented for adherence by Staff. This process is subject to internal audit and compliance inspection/audits as part of their audit plans.

Principle 2

UNPRI 2 & 3

An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities. The second principle requires institutional investors to demonstrate a responsible approach to shareholding by, among others, implementing a policy detailing mechanisms of intervention and engagement with companies when concerns have been identified, as well as the means of escalation if concerns raised cannot be resolved. The Code requires such a policy to also detail the approach to voting at shareholder meetings, including the criteria to be used in reaching voting decisions and public disclosure of full voting records.

Controls should also be introduced by the institutional investor to prevent insider trading as defined by the Security Services Act.

Principle 5

UNPRI 6

Institutional investors should be transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments. The Code requires institutional investors to fully and publicly disclose to stakeholders at least once a year to what extent the Code has been applied - through the proxy voting reports and further details supplemented in the integrated report. If an institutional investor has not fully applied one of the Principles of the Code, the reasons should be disclosed. Disclosure as well as policies should be made public. Institutional investor and their service providers should also, before agreeing to a proxy or other instruction to keep voting records confidential, carefully consider the reasons put forward to justify confidentiality.

- The PIC ESG Listed policies and the Proxy Voting Guideline clearly relays the PIC's stewardship responsibility that occurs through engagement with investee companies as well as through exercising Shareholder duties through proxy voting on resolutions in line with PIC policy, standards, etc.
- Furthermore, all proxy voting records are published on the PIC website.
- <https://www.pic.gov.za/investment-philosophy-and-approach/environmental-social-governance>
- A summary of engagements for the year is included in the annual integrated statements, also available on the website.

The PIC has an Insider Trading policy and process that is managed by the Regulatory Compliance department. This process is also subject to Internal Audit and Compliance review audits.