PUBLIC INVESTMENT
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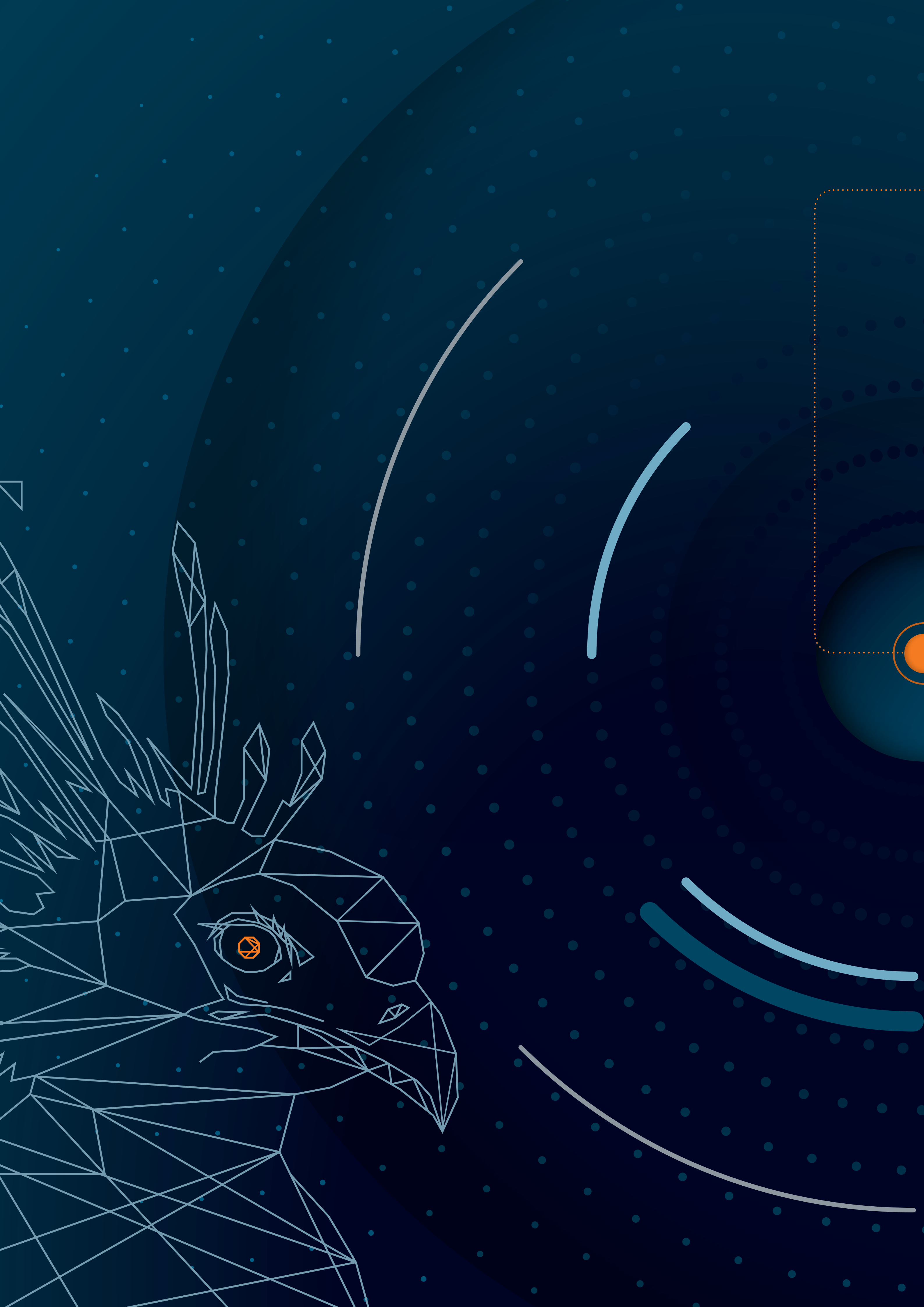
INTEGRATED ANNUAL REPORT TWENTY23

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



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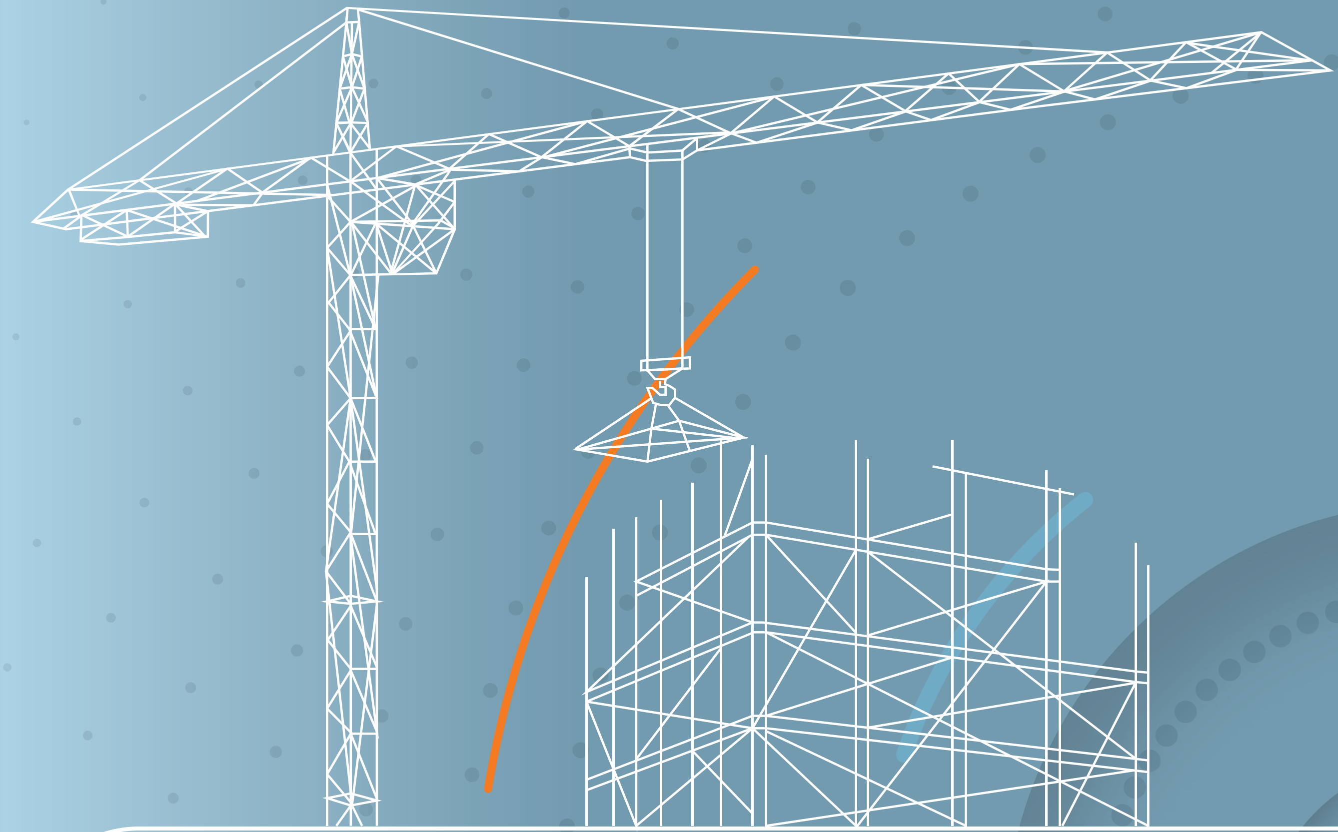
ENABLERS OF SUSTAINABLE RETURNS

**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**

PROUD HISTORY SPANNING
112
YEARS

> *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.*

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).

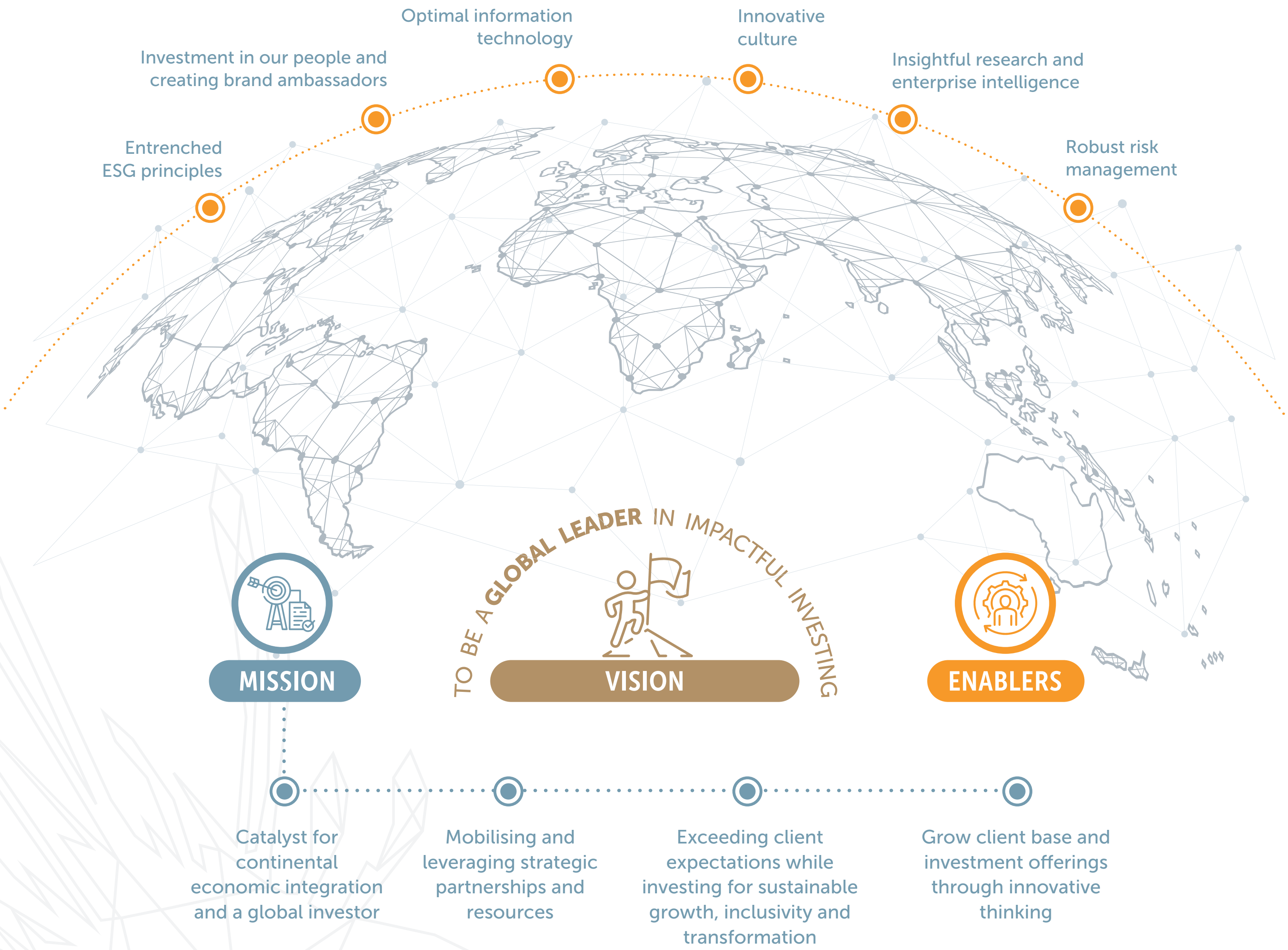
Since its corporatisation, assets under management have grown from R461 billion to R2.599 trillion by 31 March 2023. Underlying its investment activities is a commitment to ethical conduct in dealings with all stakeholders and the foundation of sound corporate governance essential for an organisation 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).

THE PIC IS THE SINGLE BIGGEST INSTITUTIONAL INVESTOR ON THE JSE

FAVOURING INVESTMENTS THAT STIMULATE

- sustainable economic growth
- increase productive employment
- address poverty and inequality
- generate consistently healthy returns

Our Mission and Vision



Entrenched ESG principles

Investment in our people and creating brand ambassadors

Optimal information technology

Innovative culture

Insightful research and enterprise intelligence

Robust risk management

MISSION

VISION

TO BE A GLOBAL LEADER IN IMPACTFUL INVESTING

ENABLERS

- Catalyst for continental economic integration and a global investor
- Mobilising and leveraging strategic partnerships and resources
- Exceeding client expectations while investing for sustainable growth, inclusivity and transformation
- Grow client base and investment offerings through innovative thinking

Our Values

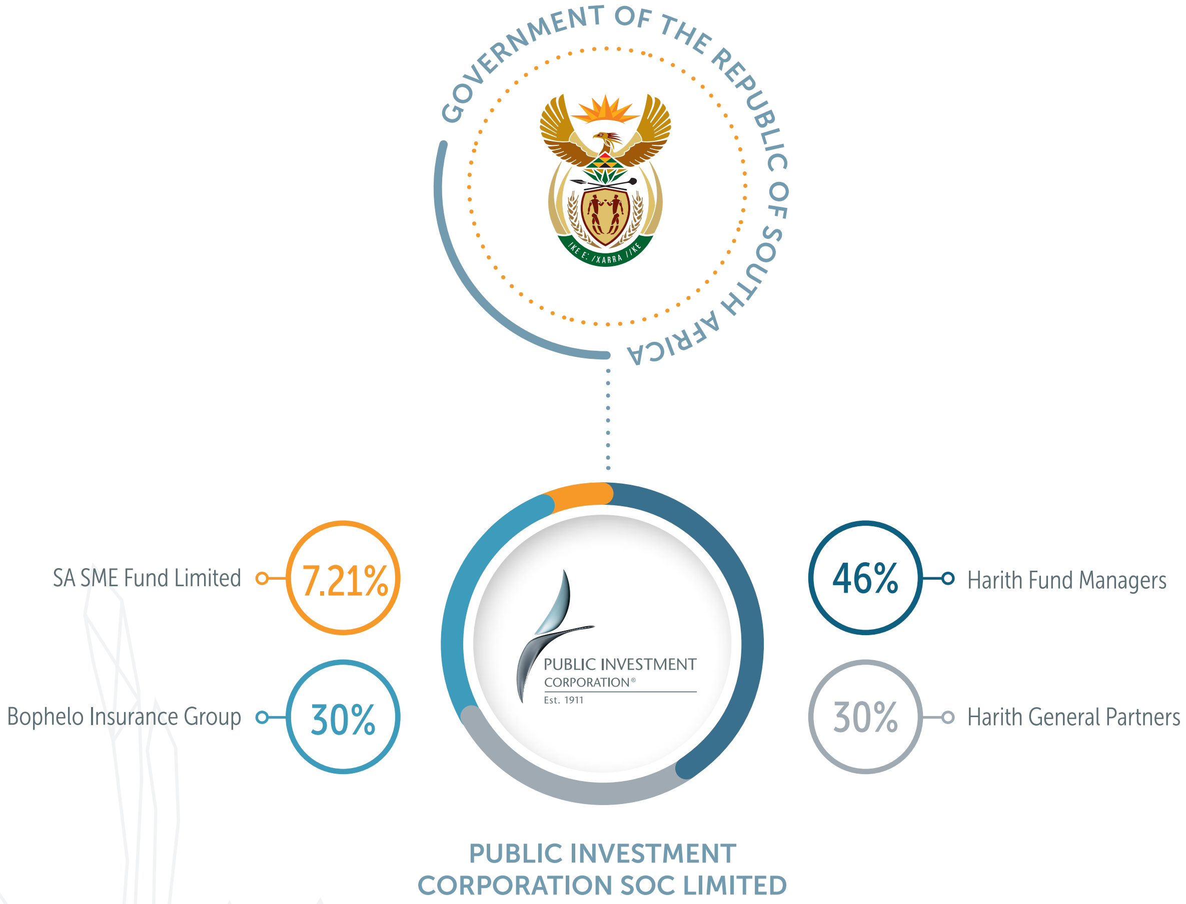
WE CARE

- COMMITTED
- ACCOUNTABLE
- RESPECT
- EMPATHY

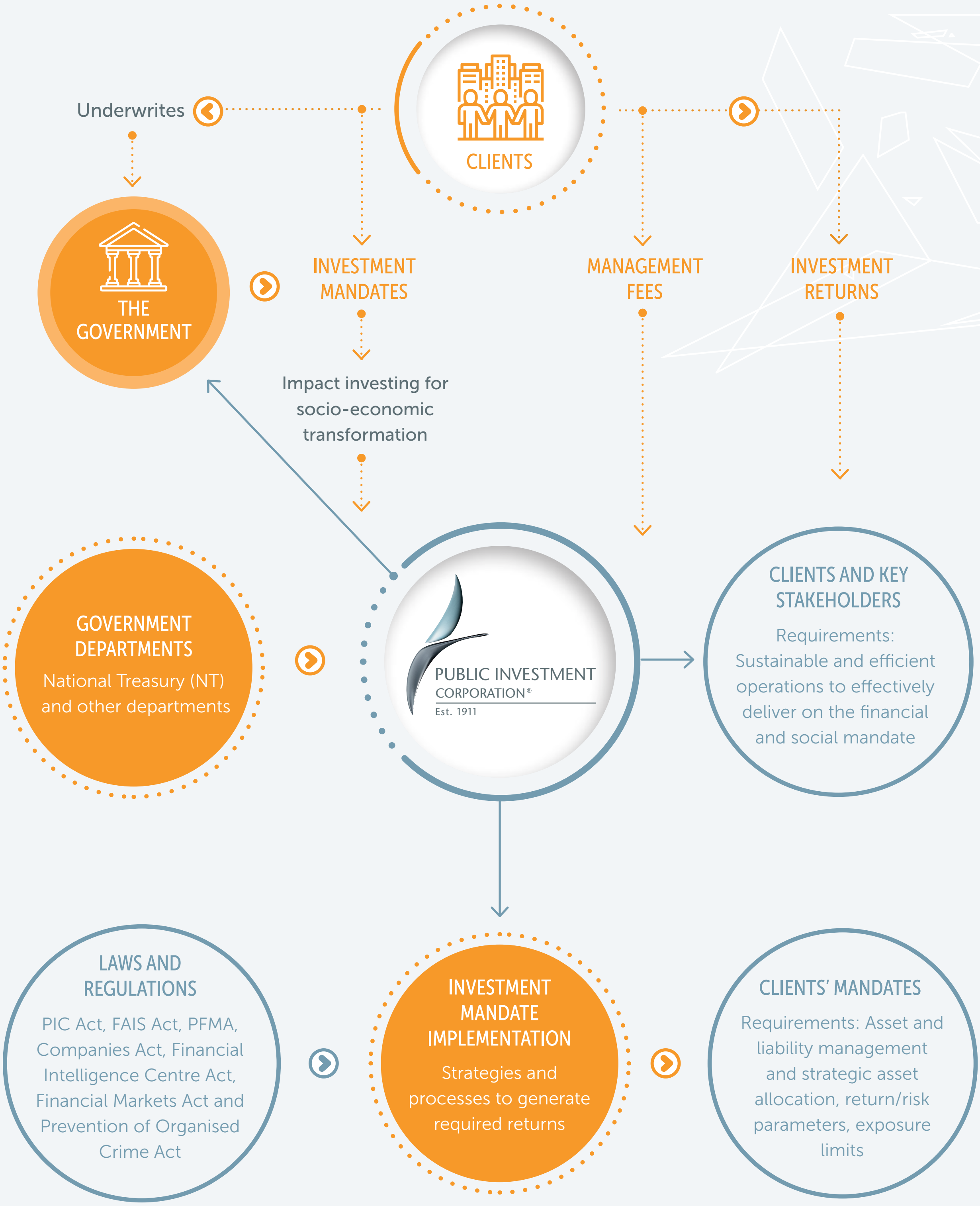
WE DELIVER

- DILIGENCE
- EXCELLENCE
- LEADERSHIP
- INNOVATION/ INTEGRITY
- VALUE
- EFFICIENCY
- RESPONSIBLE INVESTING

Group Structure



Our Business Model



Underwrites

CLIENTS

THE GOVERNMENT

INVESTMENT MANDATES

MANAGEMENT FEES

INVESTMENT RETURNS

Impact investing for socio-economic transformation

GOVERNMENT DEPARTMENTS

National Treasury (NT) and other departments

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CLIENTS AND KEY STAKEHOLDERS

Requirements: Sustainable and efficient operations to effectively deliver on the financial and social mandate

LAWS AND REGULATIONS

PIC Act, FAIS Act, PFMA, Companies Act, Financial Intelligence Centre Act, Financial Markets Act and Prevention of Organised Crime Act

INVESTMENT MANDATE IMPLEMENTATION

Strategies and processes to generate required returns

CLIENTS' MANDATES

Requirements: Asset and liability management and strategic asset allocation, return/risk parameters, exposure limits

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 ≤ 40%		40%	Achieved	Financial controls were implemented to ensure that recruiting was performed within the sustainability targets.
1b		Total costs/management fees.	x ≤ 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 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.		100%	Achieved	One transaction approved in the current year that met this measure.
			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.

	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.

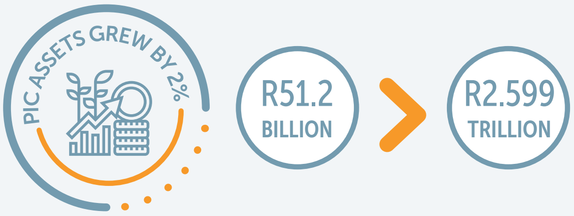
The 2022/23 Integrated Annual Report of the PIC is tabled before Parliament as the current Board enters the mid-point of its three-year cycle, having been appointed by the shareholder from 1 November 2021 to 31 October 2024, in terms of the PIC Amendment Act, 14 of 2019. The current Board was appointed 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.

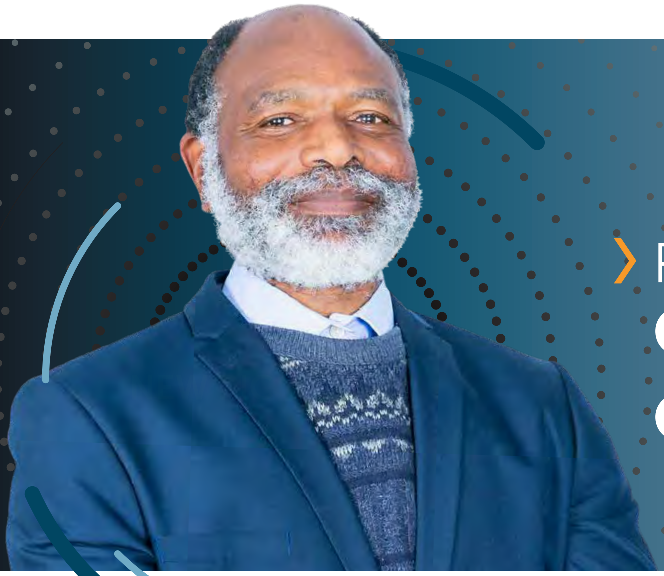
What sets the PIC apart from other asset managers is the requirements in the PIC Act, as amended, and client mandates that investments must generate socio-economic returns alongside financial returns. The PIC's investment focus must stimulate GDP growth, create jobs, advance transformation, promote infrastructure 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:

DOMESTIC

LISTED INVESTMENTS

36.71%	Listed Equities *(Managed In-house)*
9.75%	Listed Equities *(Externally Managed)*
32.65%	Bonds
4.85%	Cash and Money Markets
1.57%	Listed Properties

UNLISTED INVESTMENTS

0.56%	Private Equity
1.70%	Impact Investing
2.12%	Unlisted Properties

OFFSHORE AND REST OF AFRICA INVESTMENTS

6.54%	Global Listed Equities
1.46%	Global Listed Bonds
1.50%	Africa – Listed Investments
0.59%	Africa – Unlisted Investments

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 REIPPP, 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.

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.*

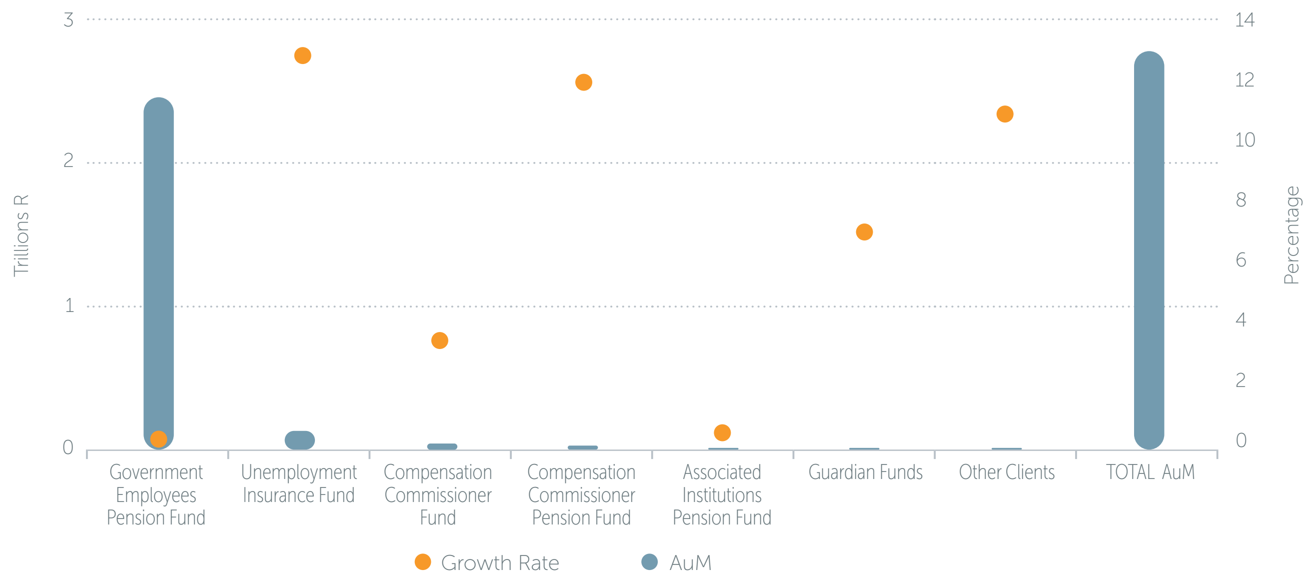
Investment performance

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.

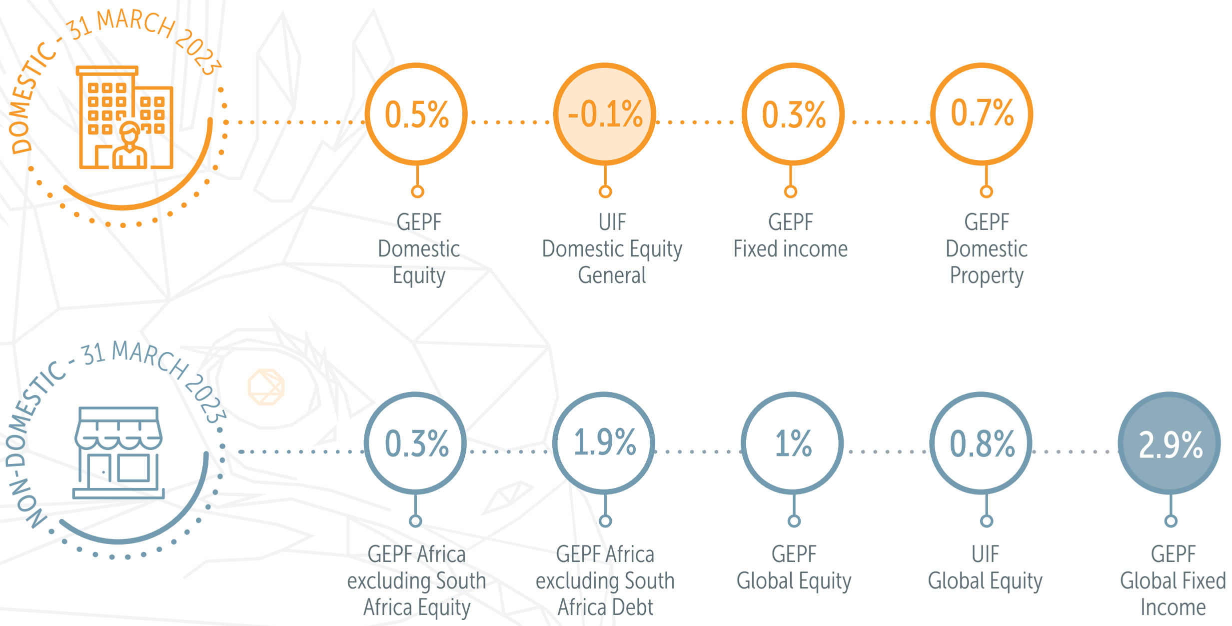
Our Listed Investments team outperformed the market in the 2022/23 financial year, while the Listed Equities Portfolio outperformed its benchmark (JSE All Share Index) by 1%. Inflation-linked bonds and conventional bonds portfolios outperformed their respective benchmarks by 0.7% and 0.3%. The cash component 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 GEPF 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 Rikhotso
Chief Investment Officer

THE PIC INVESTMENT TEAM

THE INVESTMENT TEAM HAS 168 PROFESSIONALS

AVERAGE YEARS AT THE PIC
7.7
YEARS

48% Of the Investment team are women

14.6 years
The average combined industry experience of the team

The Investment team is highly qualified

73% Hold postgraduate degrees

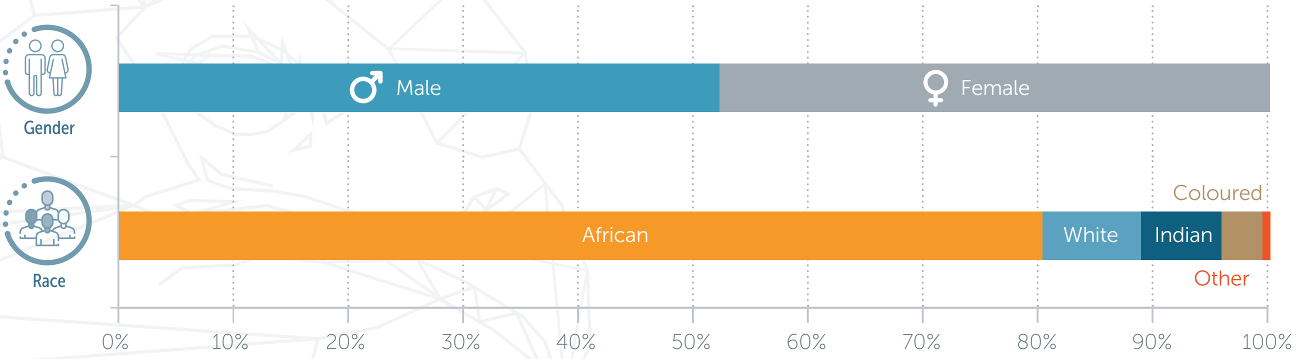
52% Masters degrees
(finance, engineering, mathematics, astrophysics, energy, MBA, law)

Candidates 5 MASTERS

QUALIFIED
ESG PhD 1
CFA 7
CA 32

CANDIDATES
PhD 5
CFA 10

DEMOGRAPHICS



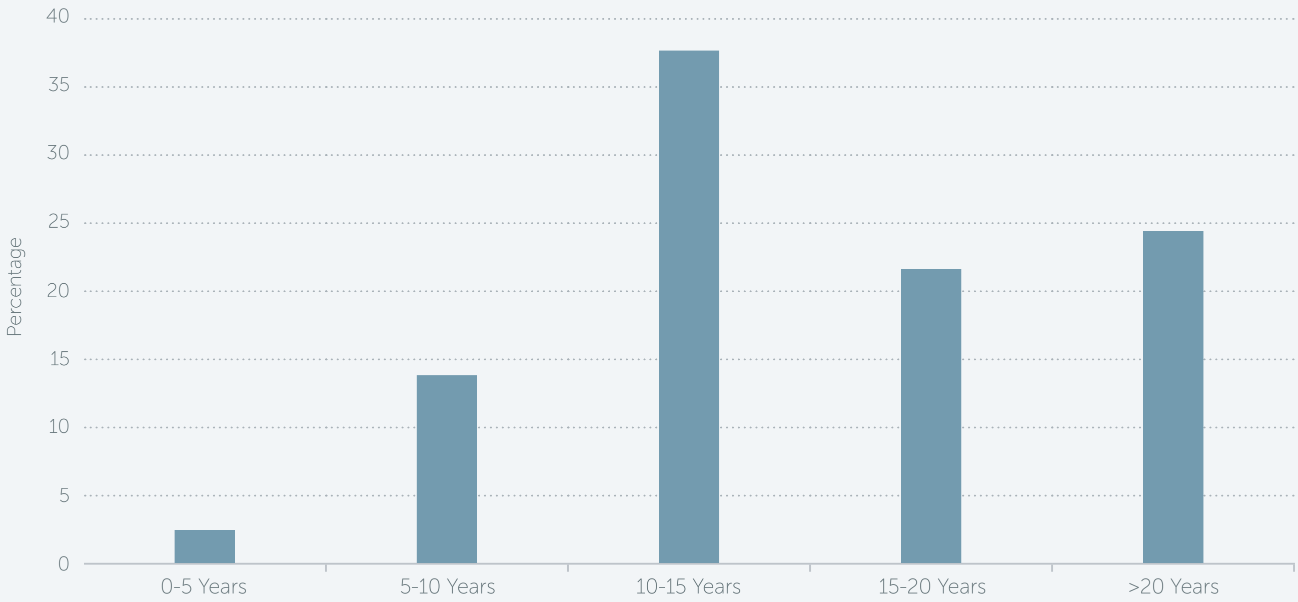
Investment team's qualifications and experience

HIGHEST QUALIFICATION*

	Qualifications						
Division	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.

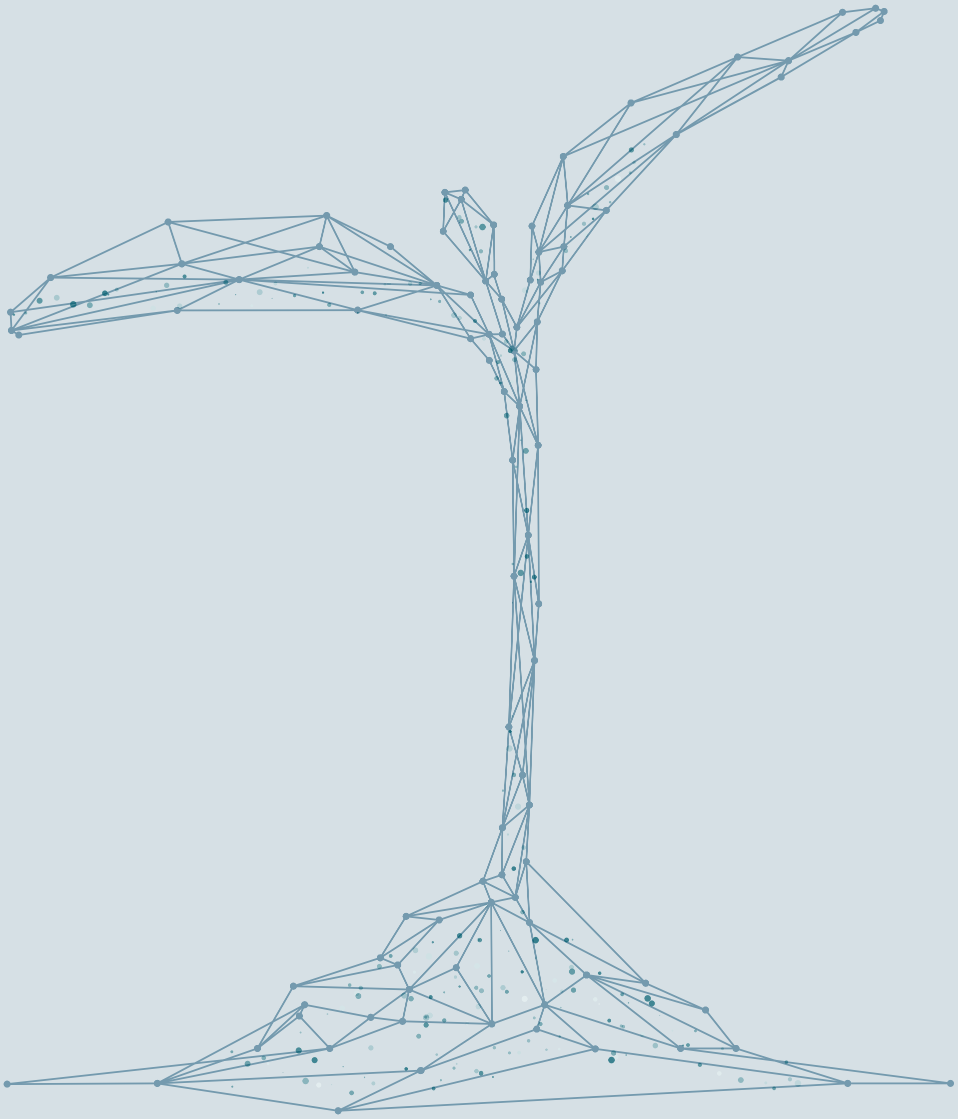
Irregular expenditure

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

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

FINANCIAL RETURNS

ALPHA GENERATION	DIRECT INVESTMENT APPROACH	SOCIO-ECONOMIC TRANSFORMATION
Provide sustainable longer-term financial returns to clients in line with the set benchmarks.	Impact Investing for real socio-economic transformation, across all PIC investment activities in Listed and Unlisted Investments.	Transforming and contributing to the economy to improve sustainability through Impact Investing.

SUSTAINABLE INVESTING (ESG)

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

ENVIRONMENT	SOCIAL	GOVERNANCE
Protecting the environment to sustain the creation of wealth.	Sharing the wealth is an insurance for sustained wealth creation.	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.

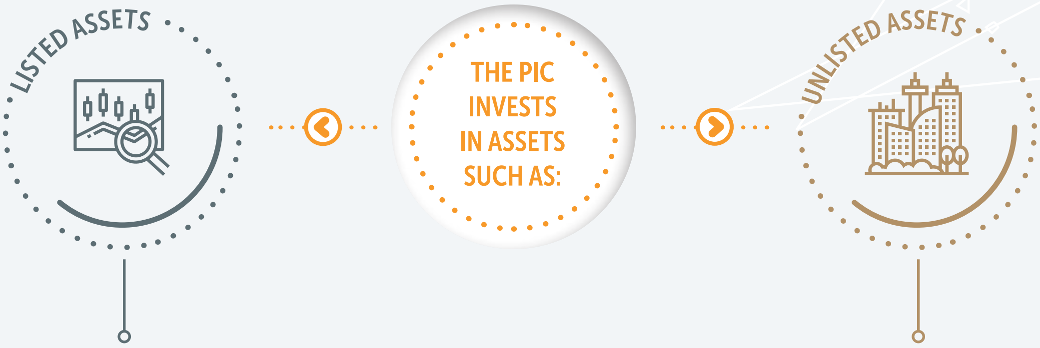
COST

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.

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

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 ORIGINATION

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

SCREENING AND INITIAL DEAL STRUCTURING

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

DUE DILIGENCE

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

DEAL STRUCTURING AND DECISION

- Credit risk analysis
- Pricing and structuring
- Stress testing 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**

INVESTMENT SUB-COMMITTEES

Comprise Management/Executive Members

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

PMC – Request approval or recommendation for approval*

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

BOARD COMMITTEES

Comprise Independent, Non-Executive and Executive Members

IC/ SETCO^ – Request approval from the relevant governance committee in accordance with the PIC-approved DoA**

BOARD – Request approval in accordance with the PIC-approved DoA

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* *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

THIS FUNCTION INVOLVES:

- Identifying and managing risks within the organisation's risk appetite and risk tolerance parameters, which are aligned with the Board's strategy, objectives and client mandates.
- Integrating risk concerns into daily decision-making processes and implementation.
- Improving prevention, detection, correction, escalation and responses to crucial risks, by implementing risk management plans and recommendations and monitoring these effectively.
- Compliance with risk management standards and best practices, including corporate governance guidelines and the King IV™ principles.
- Creating risk awareness to ensure that a risk-based approach is embedded in strategic and operational decision-making.

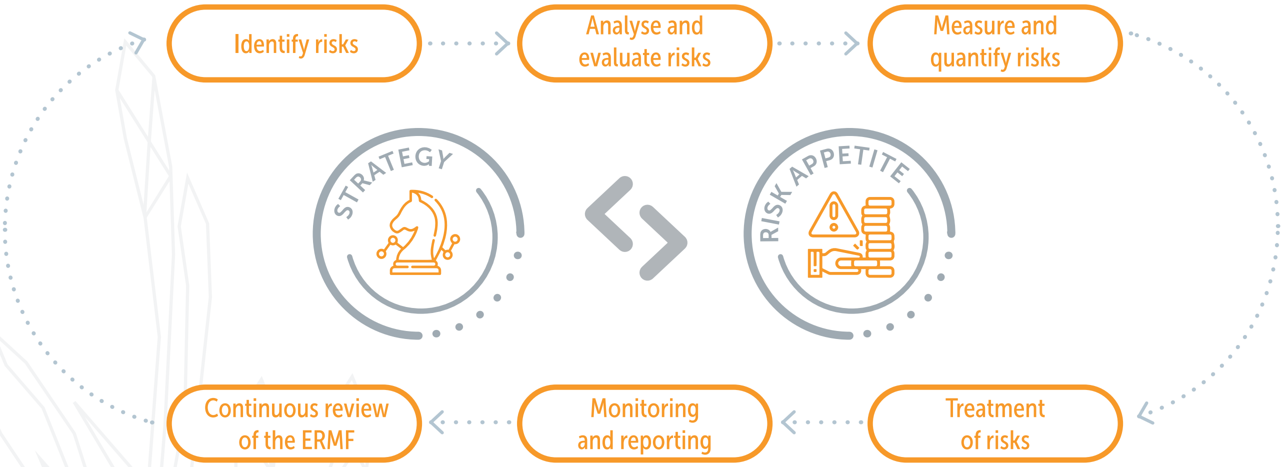
Enterprise-wide risk management

In a complex financial services environment, risk management processes and strategies evolve and are regularly reviewed and modified. The PIC subscribes to an enterprise-wide approach to 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:

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.

*

** 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.*

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: › 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)	› 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	› 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.

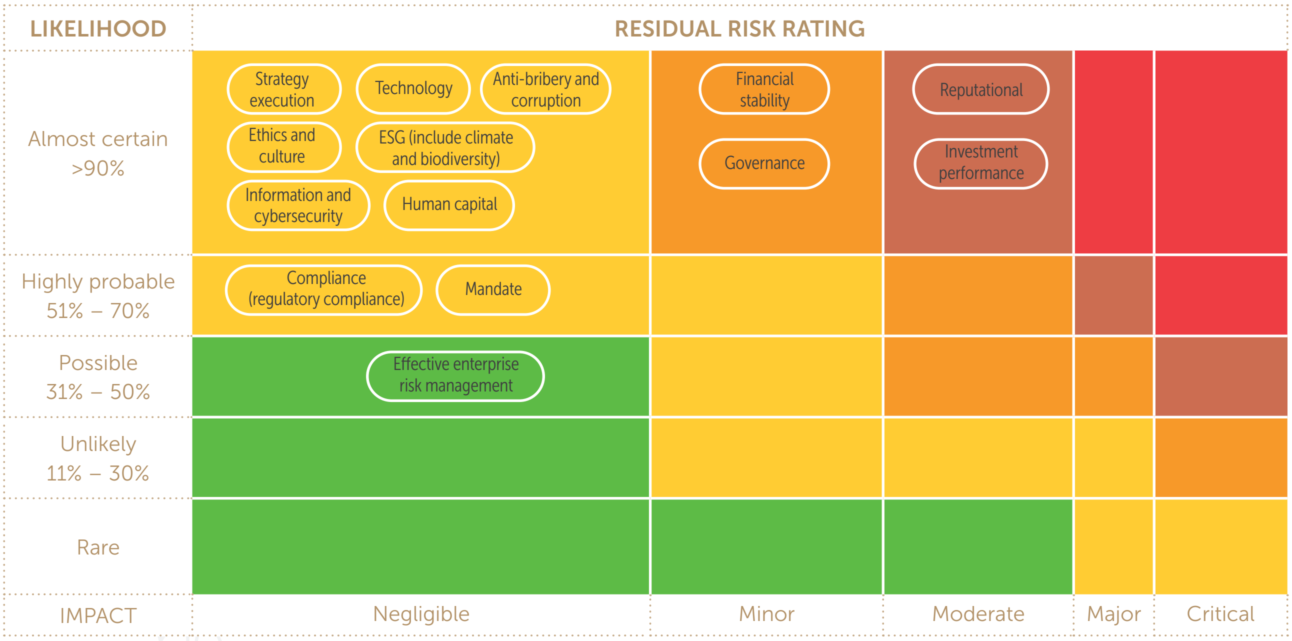
RISK	DEFINITION	MANAGEMENT AND MITIGATION
Reputational risk	Damage to the PIC brand/image (negative stakeholder perceptions)	› Timeous and high-quality information is provided to stakeholders to improve transparency. › A Stakeholder Management Framework has been approved and is implemented. › Reputational 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	› 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	› 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	DEFINITION	MANAGEMENT AND MITIGATION
Technology	PIC systems not functioning properly to support the achievement of business objectives	› 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	› 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	› 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	› 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	› 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	› 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	› 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	› 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	› 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: › 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 for ESG risk taking beyond what client mandates state. The PIC has a low-risk appetite and tolerance for the following: › 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 *ex-ante* 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: › 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	There is zero tolerance for: › 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	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.
Governance Risk	The PIC has a low tolerance for: › Weak declaration of interest processes; and › Delayed communication of decisions after meetings. It has zero tolerance for: › Non-compliance with statutory requirements; and › Failure to sign non-disclosure forms/confidentiality forms.
Anti-bribery and Corruption	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.
People Risk	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: › 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). There is zero appetite for unethical conduct by employees, third parties and stakeholders.
Information technology (IT) Risk	The PIC has a low appetite for the following: › 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. The PIC has a high appetite for: › 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
Strategy Risk	The PIC has a low risk appetite and tolerance for: › 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.
Reputational Risk	Reputational risk and client satisfaction are treated very seriously, hence zero tolerance for: › 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. Tolerance is low for reporting to clients outside of the approved service level agreement.

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:

STRIVES TO:

- Achieve the strategic objectives of the PIC;
- Provide reliable financial reporting to internal and external stakeholders;
- Operate the business efficiently and effectively; and
- Comply with laws and regulations.

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

CONTENTS

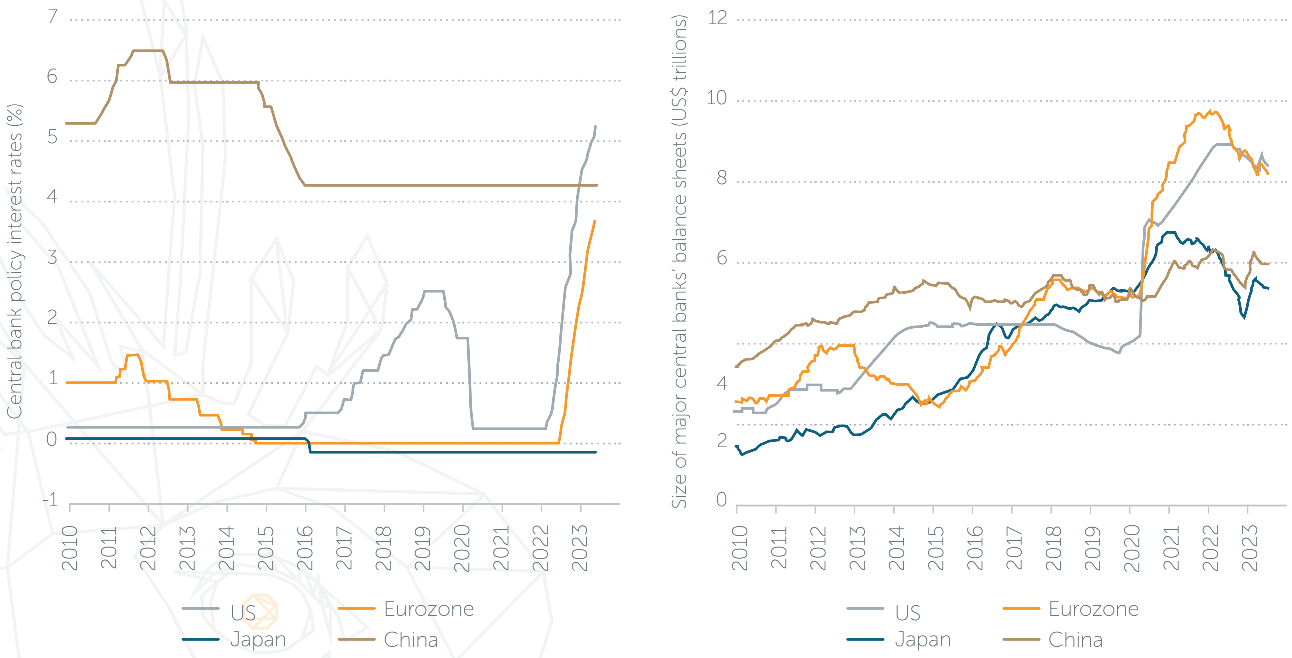
ECONOMIC **REVIEW**

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



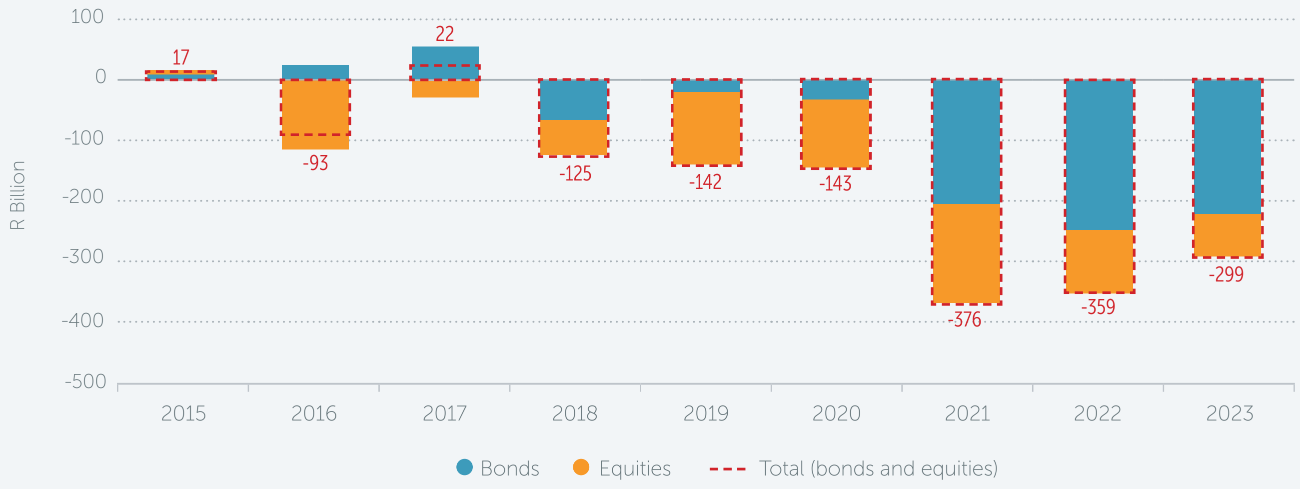
Source: PIC Research, Bloomberg

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.

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.

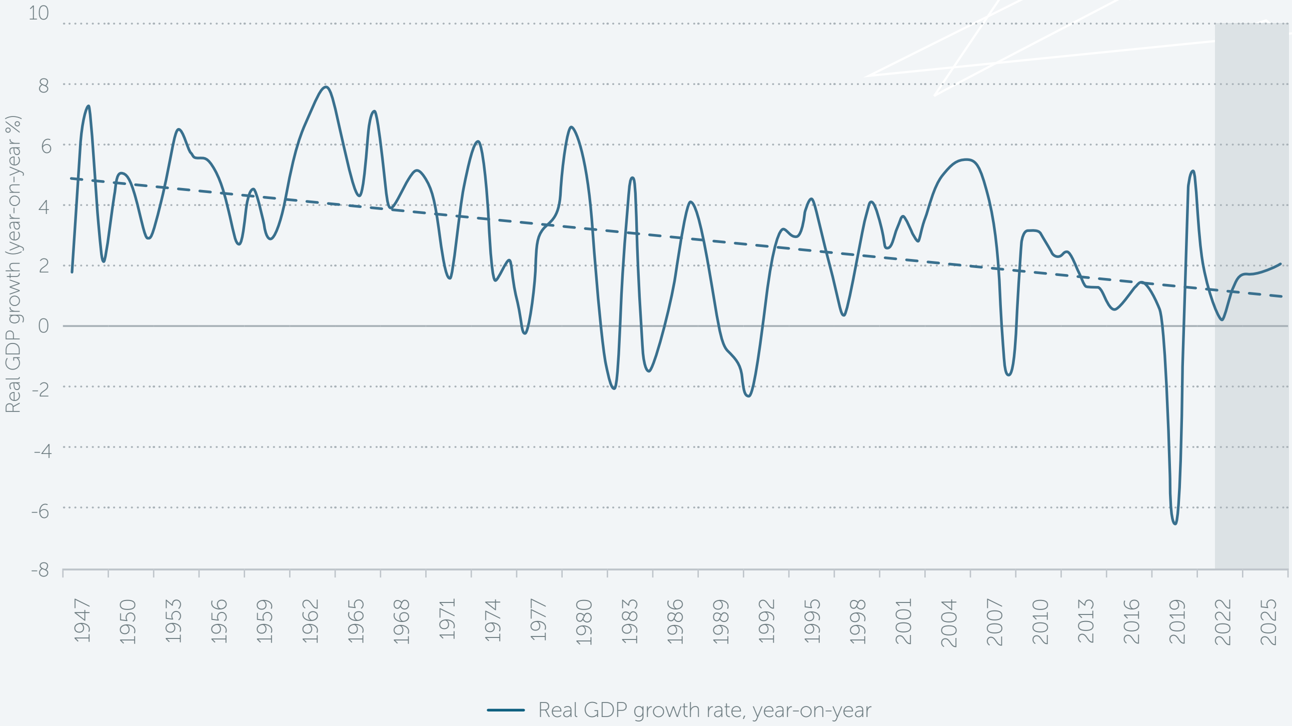
While the operating environment remains uncertain, we are probably close to the peak of global interest rates and inflation. As the global economy turns, investment opportunities for capital allocators will increase. This should also bring relief to the domestic economy and to the oversold and battered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

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

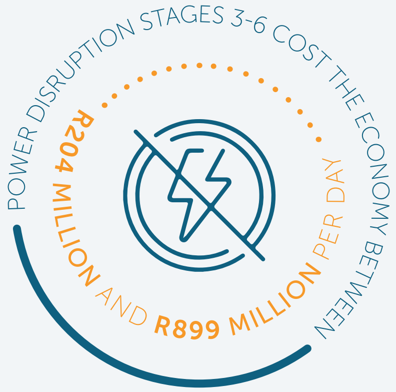
Domestic outlook

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 ll – an estimated 0.3% year-on-year in 2023.

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

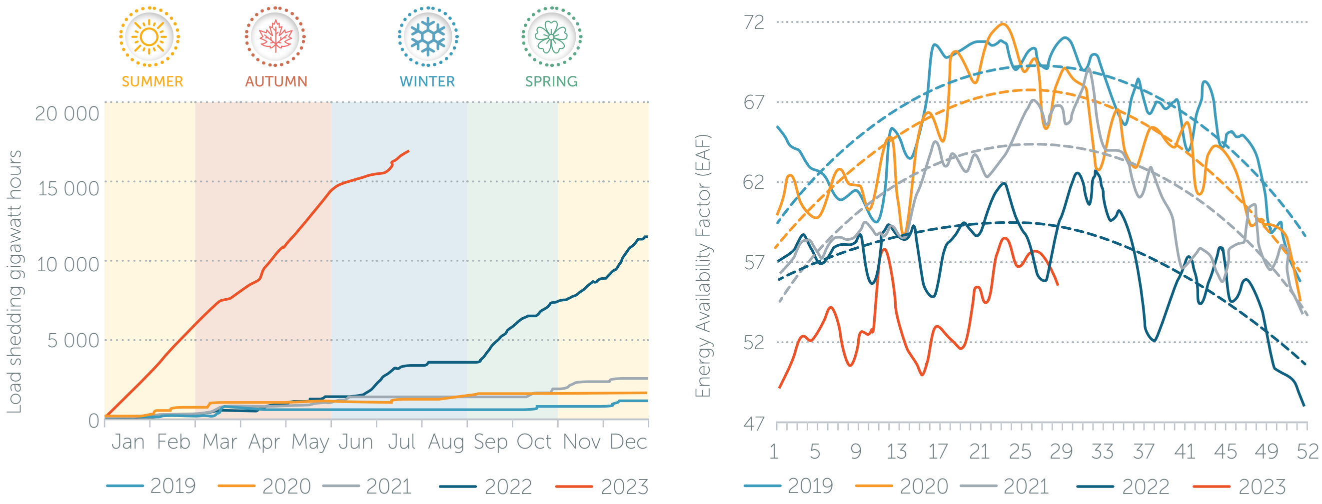


Source: PIC Research, South African Reserve Bank
Note: Shaded area indicates PIC forecast period



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.

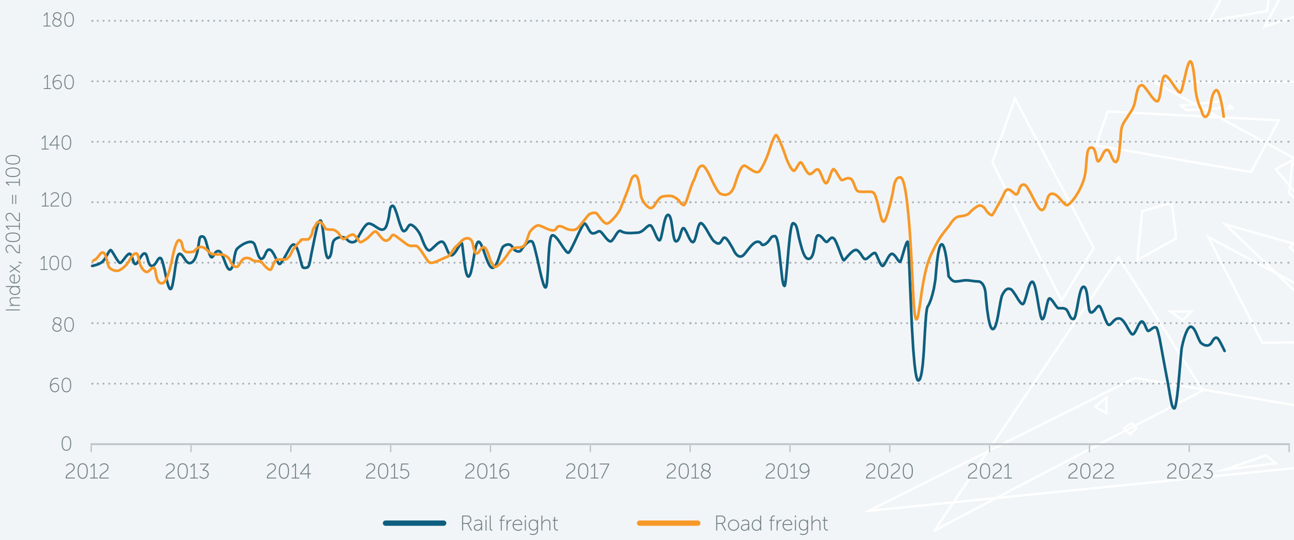
A collapse of the national grid would be significant and far-reaching. It would cause economic disruption as businesses and households would be unable to access power, which would lead to further job losses, production losses and disrupted economic activity. Citizens' frustration with the lack of power 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.

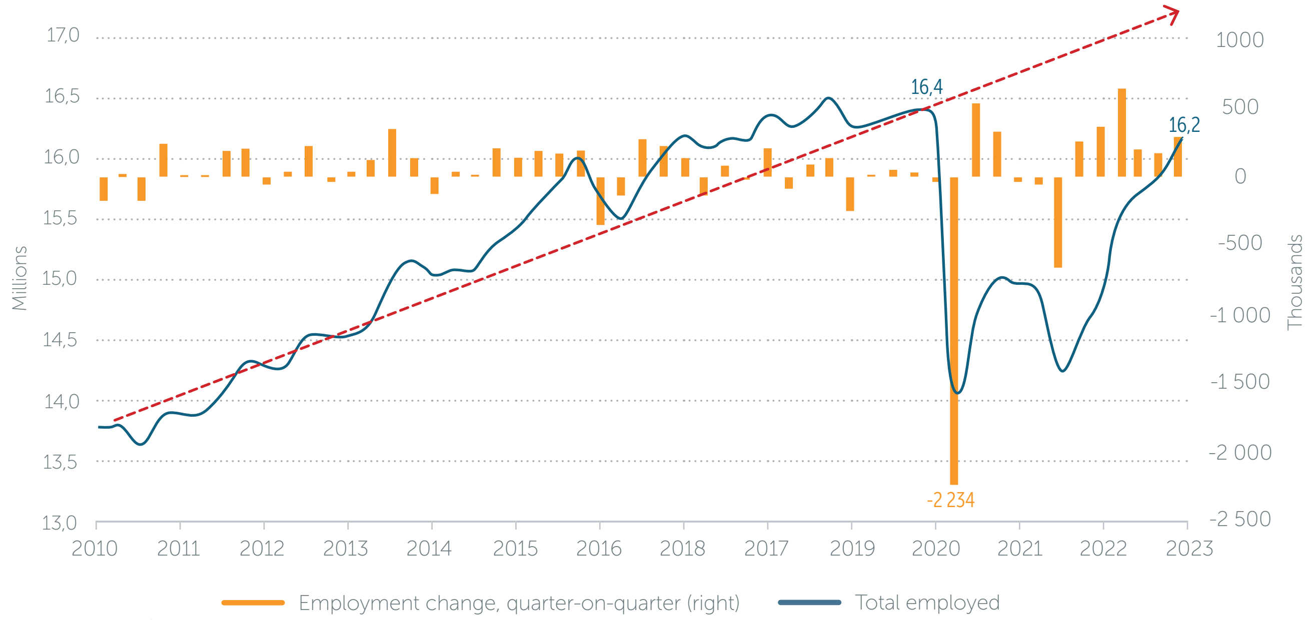
The lack of infrastructure investment and maintenance is also widening inequality. The government must address financial mismanagement and corruption. Expedited reforms are anticipated, including modernising of existing infrastructure and investing more in new roads, railways, airports and power plants. 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%.

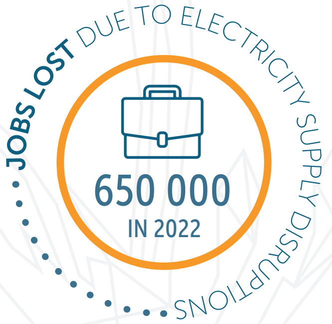
In total, 16.2 million people were employed in the first quarter of 2023. However, this figure remains below the 16.4 million employed in the first quarter of 2020. Without pandemic-related lockdowns, the country should have approximately 17 million jobs. South Africa is among the few major economies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

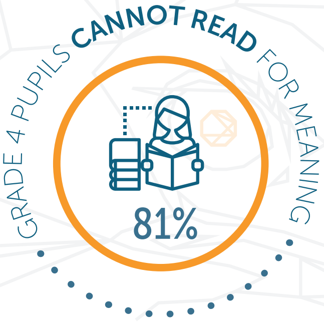
Expedited reforms are anticipated, including **modernising of existing infrastructure** and investing more in new

NUMBER OF PEOPLE EMPLOYED IN SOUTH AFRICA



Source: PIC Research, Statistics South Africa





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.**

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

Divisional highlights FOR 2022/23

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.

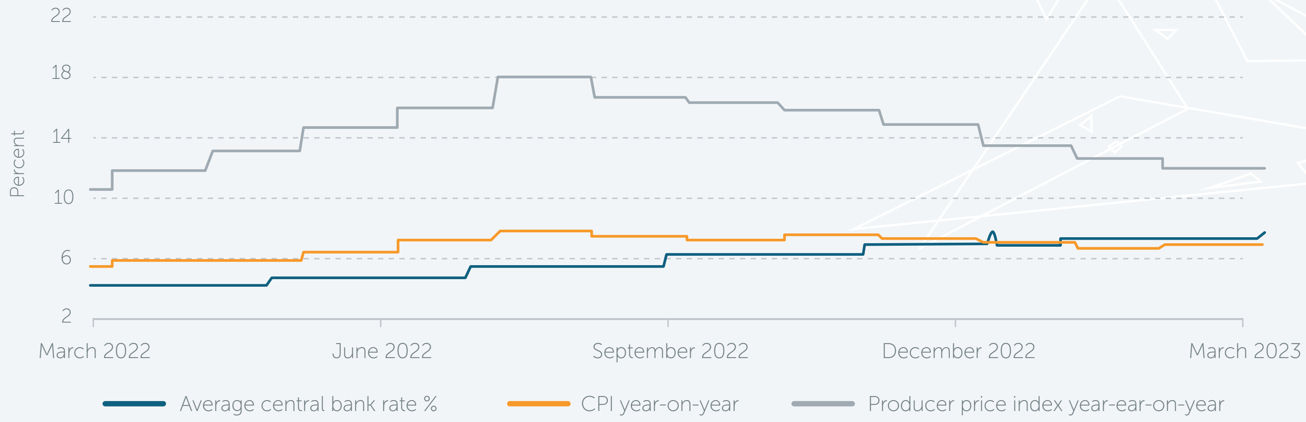
Accelerating impact in 2023/24

- 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

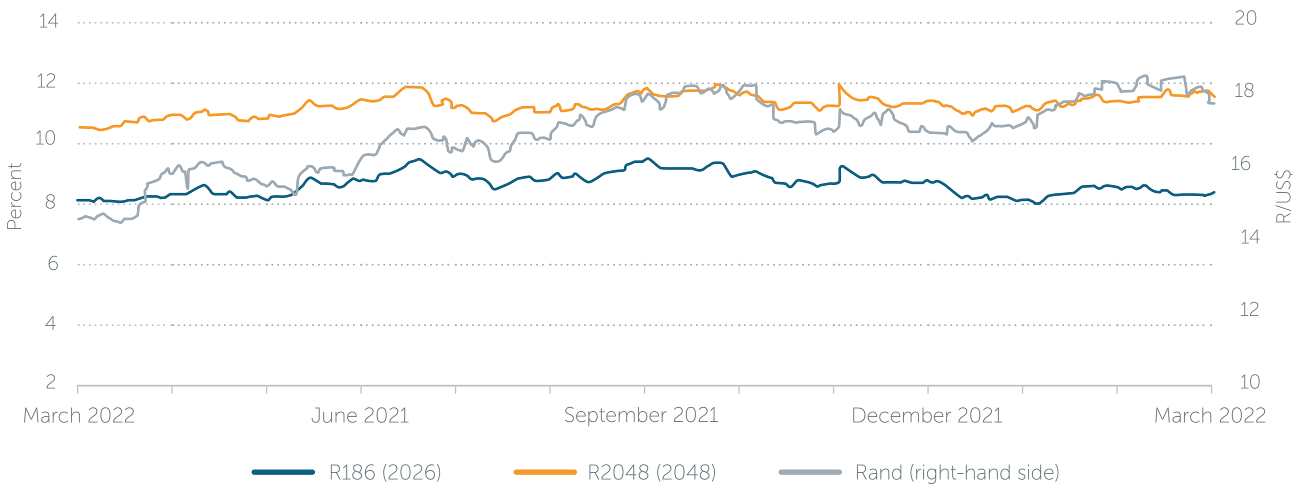
Short-term interest rates repriced on the back of monetary policy outcomes and Johannesburg Interbank Average Rate (JIBAR) rates across the curve traded higher during the period under review. The three-month JIBAR rate repriced higher by 359 basis points, opening at 4.37% and closing at 7.96% in 2022/23. 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.

JIBAR rates 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.

NOMINAL BOND YIELDS VS ZAR

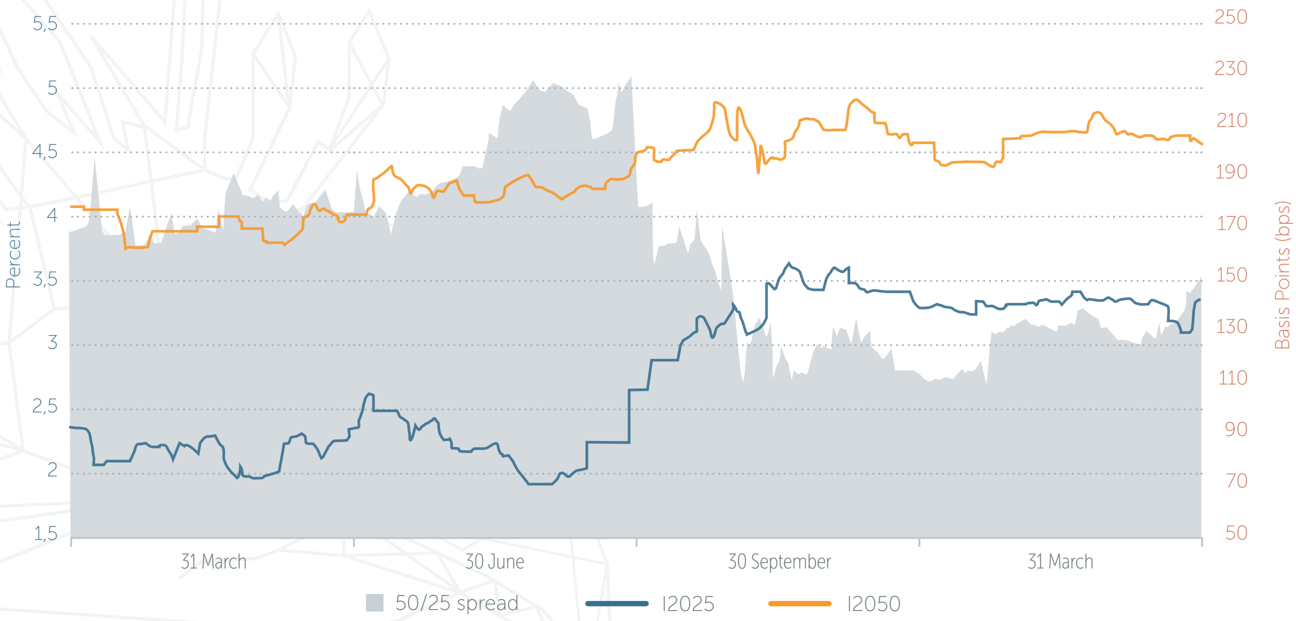


Source: Bloomberg, PIC Research

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%.

FIXED INTEREST ASSETS PERFORMANCE

5.96%
Cash

5.83%
Conventional bonds

4.92%
Inflation-linked bonds

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.

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.

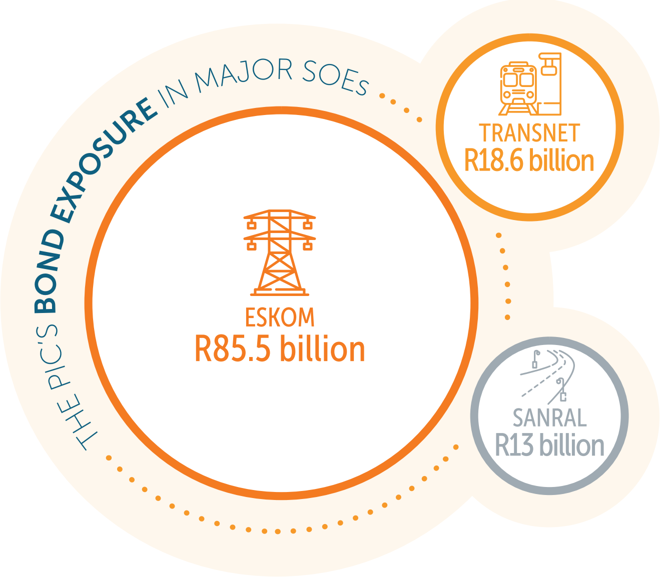
Underspending on capital projects may undermine broader economic performance. Major SOEs continue to rely on fiscal support from the National Treasury and between 2012/13 and 2021/22, SOEs received about R266.6 billion in bailouts from government, according to the *Budget Review*.

> 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 EXTERNALLY MANAGED FUNDS PROGRAMME HAS ALLOCATED CAPITAL TO

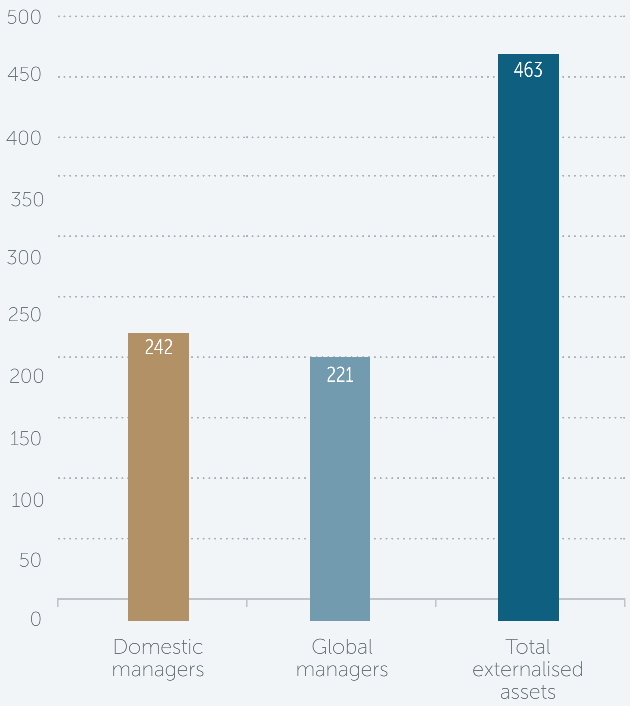
11 GLOBAL MANAGERS
ASSET SPLIT OF R221 BILLION

22 DOMESTIC FIRMS
ASSET SPLIT OF R242 BILLION

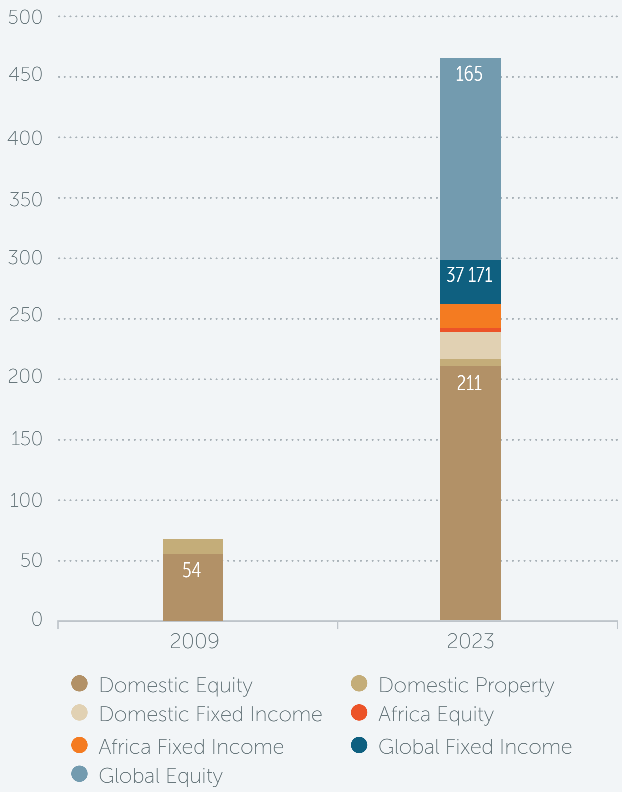
The PIC is one of the largest asset allocators of funds in the country. Assets managed by the PIC's Multi-management team (public markets) totalled R463 billion by the end of the financial year across domestic and non-domestic listed asset classes. The PIC has allocated capital to 11 global managers 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



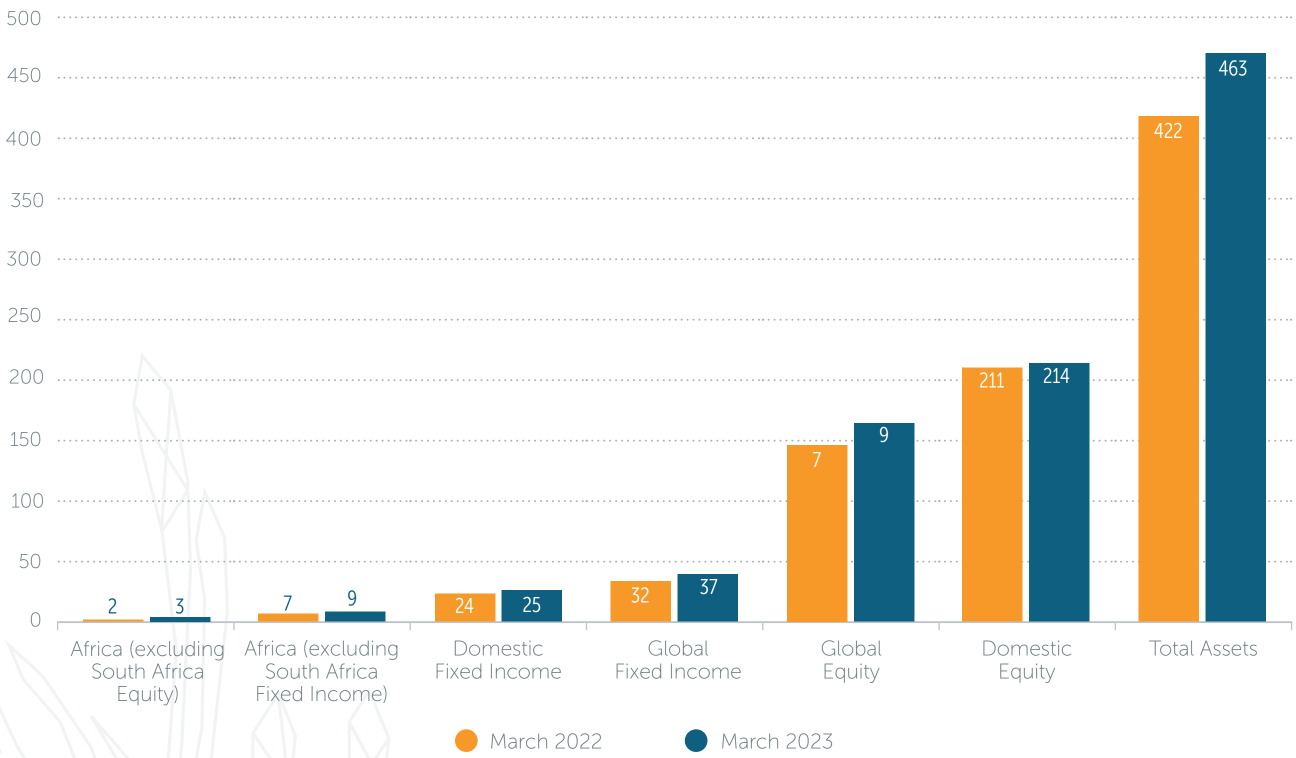
EXTERNALISED ASSETS PER ASSET CLASS 2009 VS 2023



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.

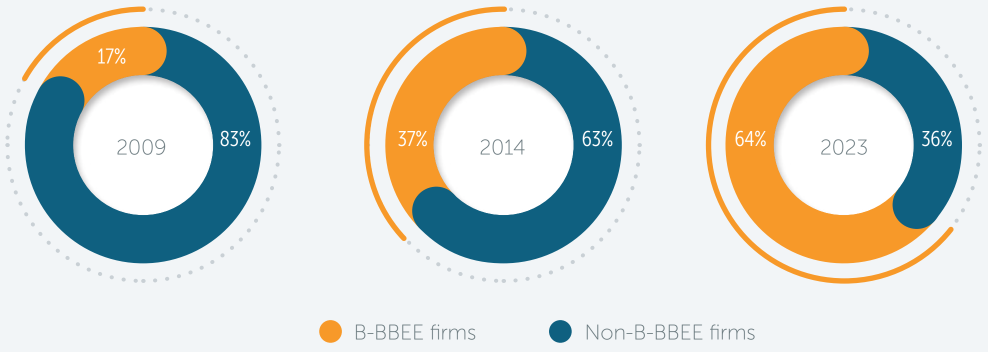
We note that within B-BBEE firms to which the PIC has allocated capital, the median of black-women ownership is only 17%, while the median of black women ownership at non-B-BBEE firms to which assets were allocated is only 12%. Black representation at management level is satisfactory, but the representation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

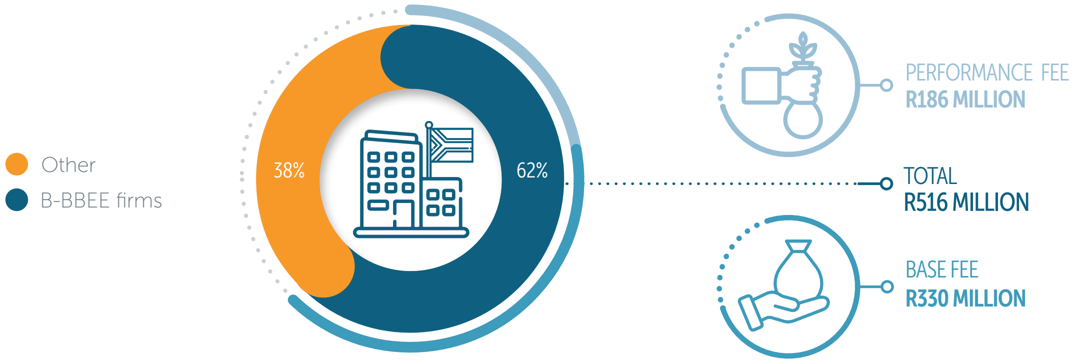
CAPITAL ALLOCATION OF DOMESTIC FIRMS



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.

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

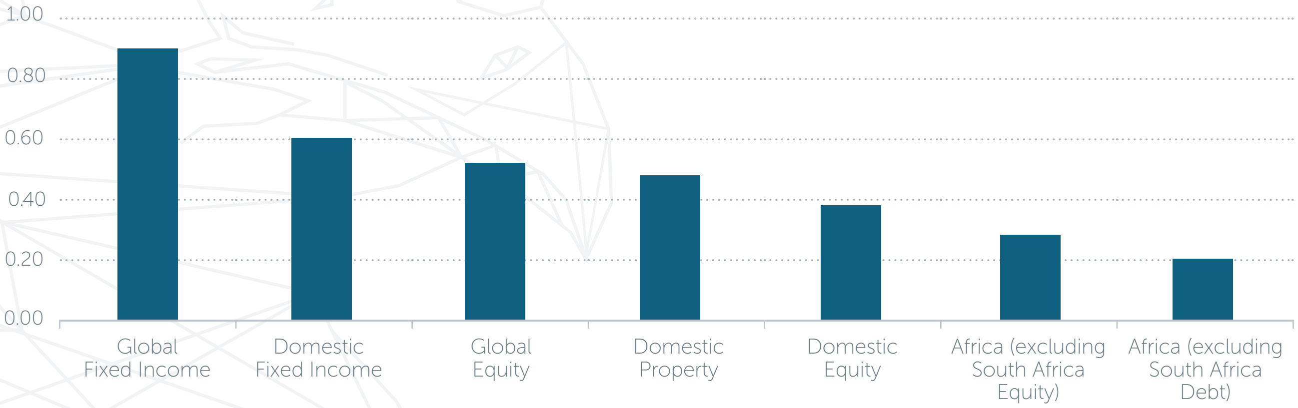
The result of a disciplined investment process is the delivery of positive risk-adjusted returns for clients within the desired time. Three-year information ratios on underlying external composites of our largest clients show that all our composites delivered positive ratios, indicating higher returns 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



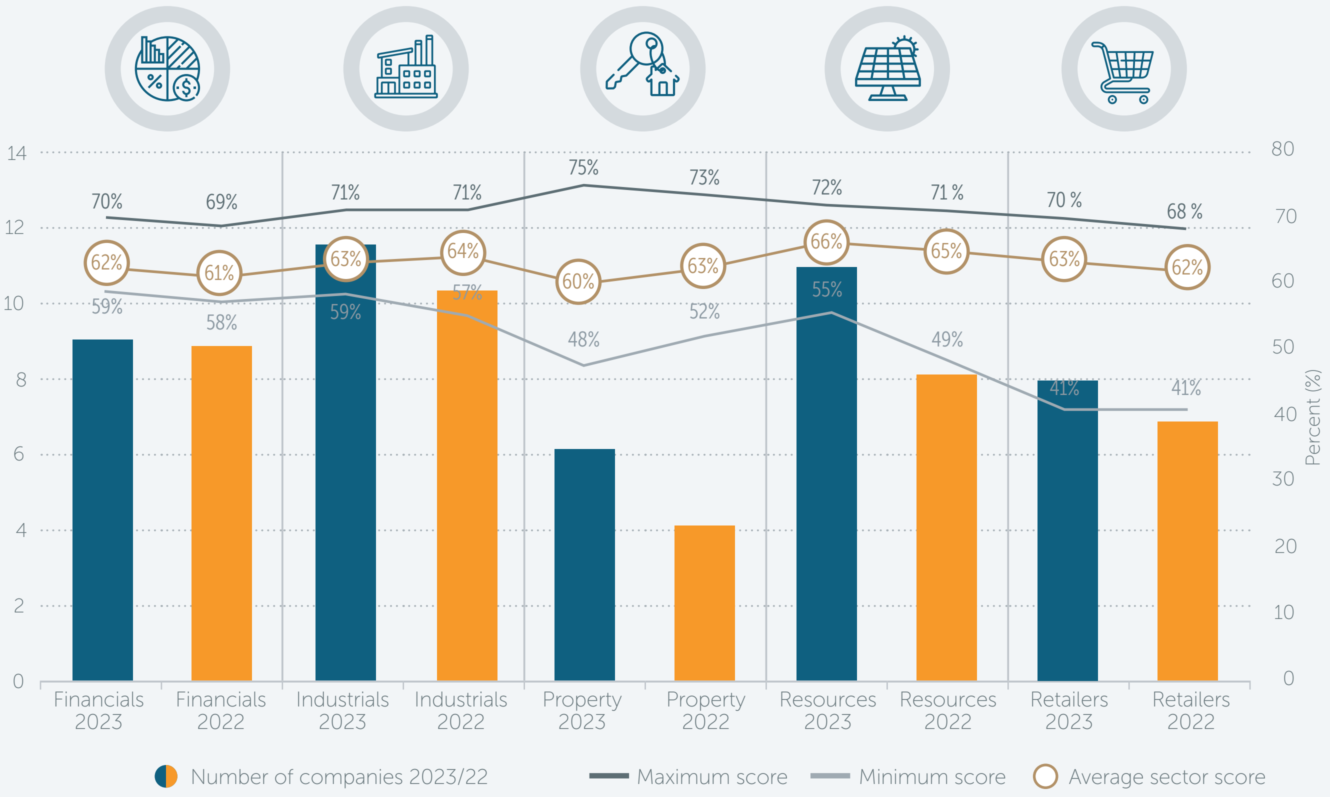
ENVIRONMENTAL, SOCIAL AND GOVERNANCE – LISTED PORTFOLIO

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

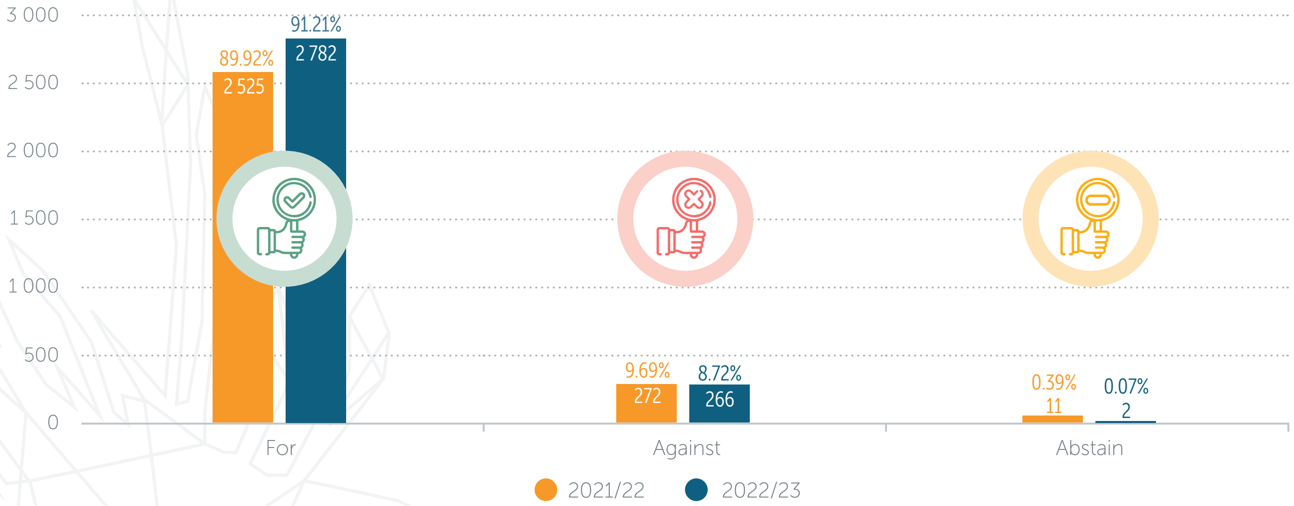


The PIC analysed 112 JSE-listed stocks and confirmed other research findings that these companies continue to perform inadequately against women and racial diversity targets. Protracted transformation reflected by the composition of investee boards and executive committees remains a PIC concern.

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.

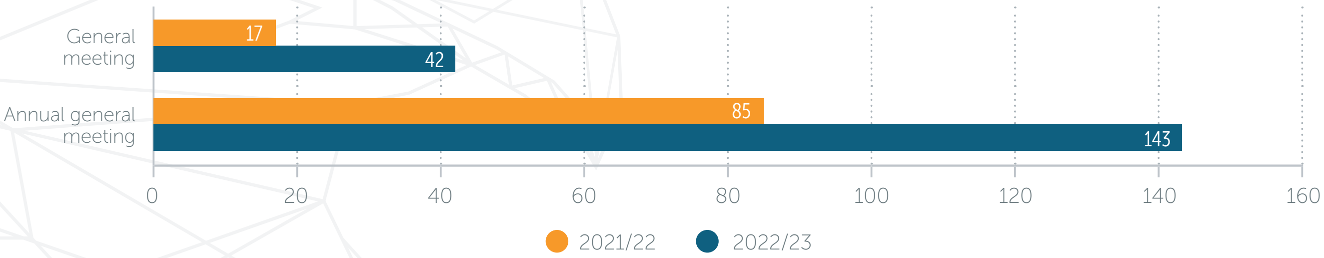
STEWARDSHIP PROGRESS ACHIEVED

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

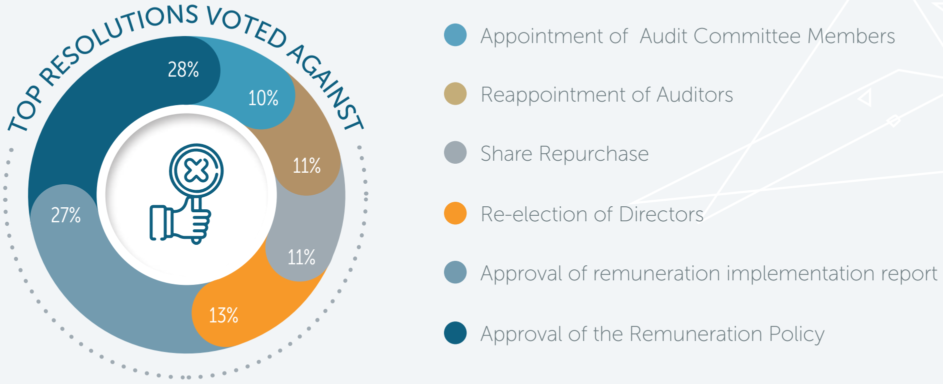


To give effect to the commitment of disclosure and transparency, voting records are published on the PIC website. For the period under review, the PIC voted on 3 050 resolutions at 185 meetings. Key ESG themes voted against included the election of directors and audit committee members, reappointment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

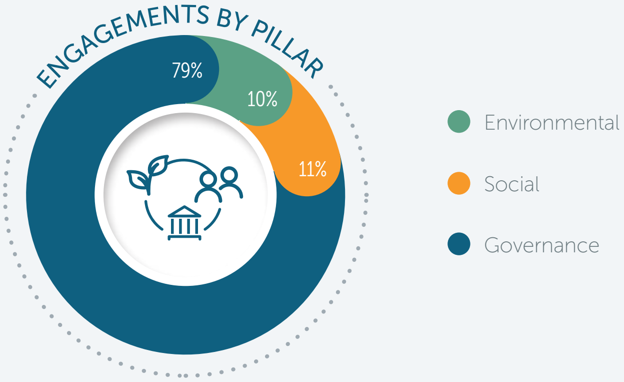


Most resolutions voted against relate to the approval of remuneration and implementation policies. The common requisites used to vote against a remuneration policy for this year were:

- 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.

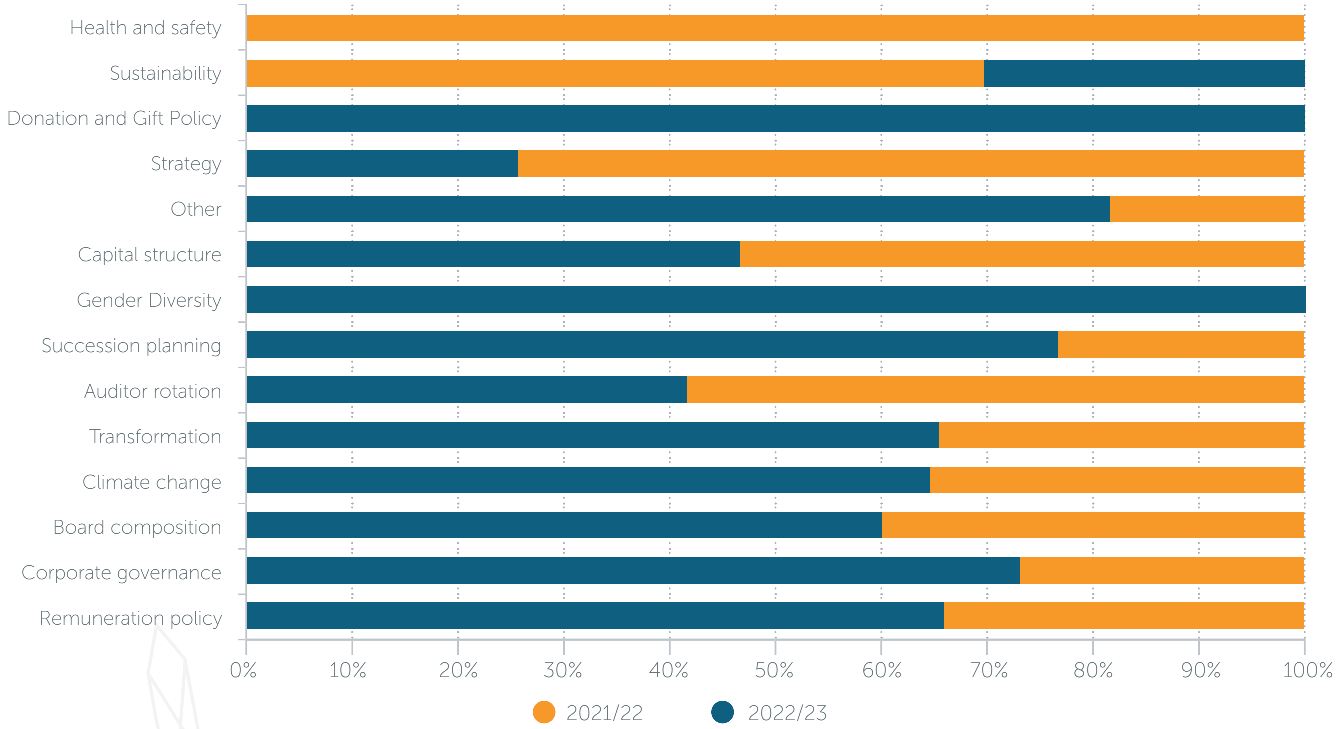
PIC in-house company engagements in 2022/23

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.

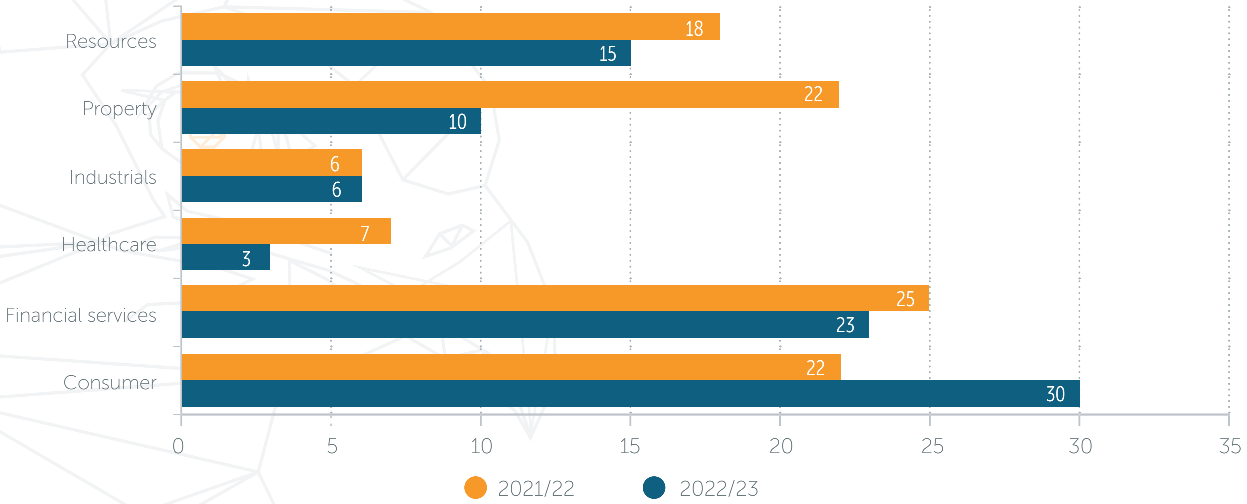
ENGAGEMENTS BY PILLAR



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.

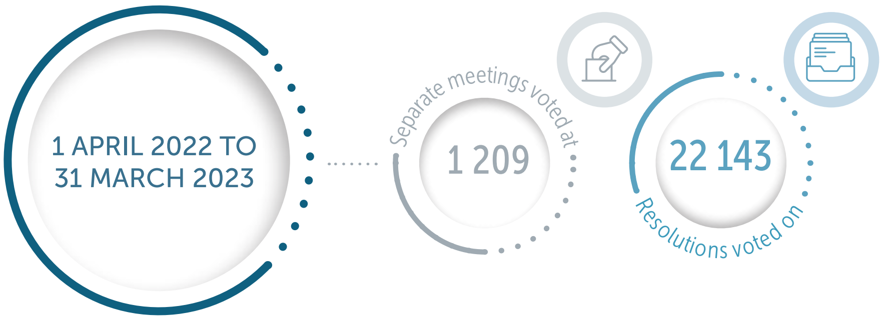
Succession planning and transformation were other major concerns. The departure of the former chief executive officer caused Mike Bosman, the board chairperson, to become executive chair. This was a clear indication that there was no functional succession plan.

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

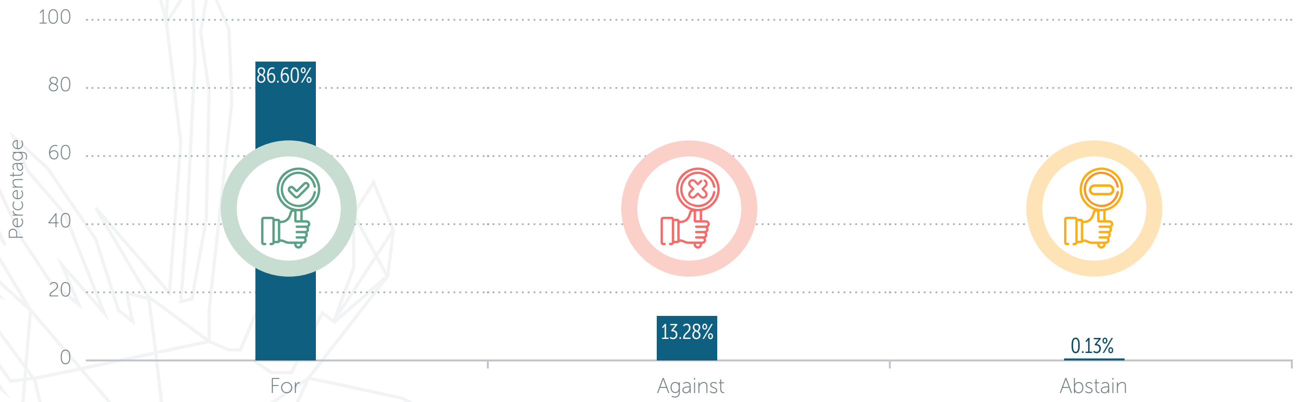


During the financial year, the PIC's external managers voted at 1 209 shareholder meetings on 22 143 resolutions.

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%.

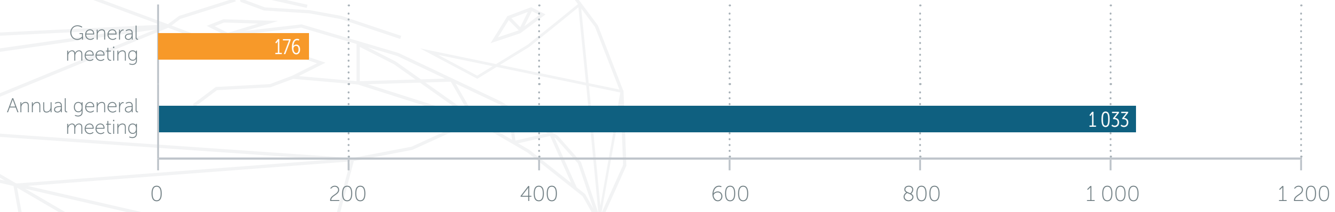
Analysis of 2022/23 votes

RESOLUTIONS



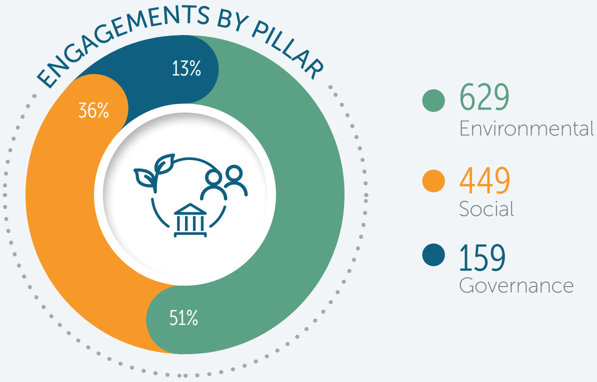
Analysis of meetings per type

MEETINGS

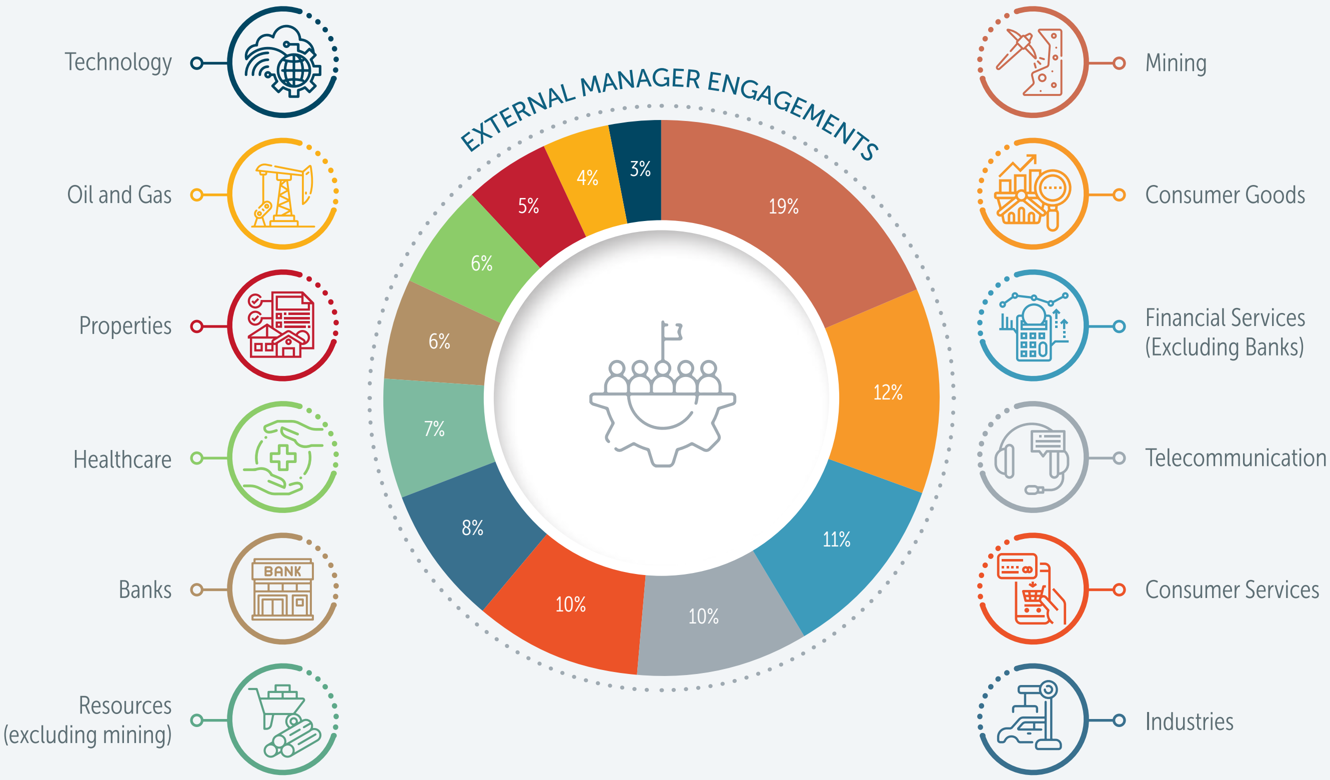


Engagements by pillars

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).



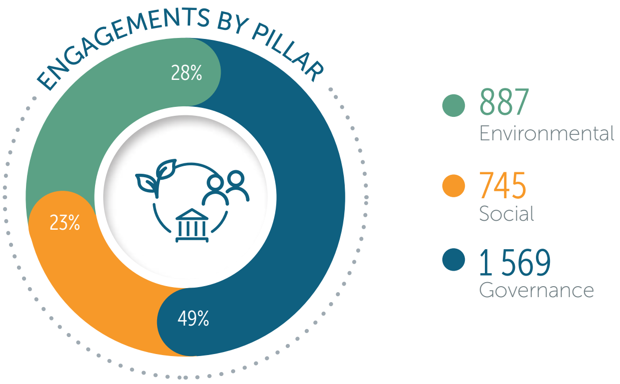
External Manager Engagements - Global Portfolio

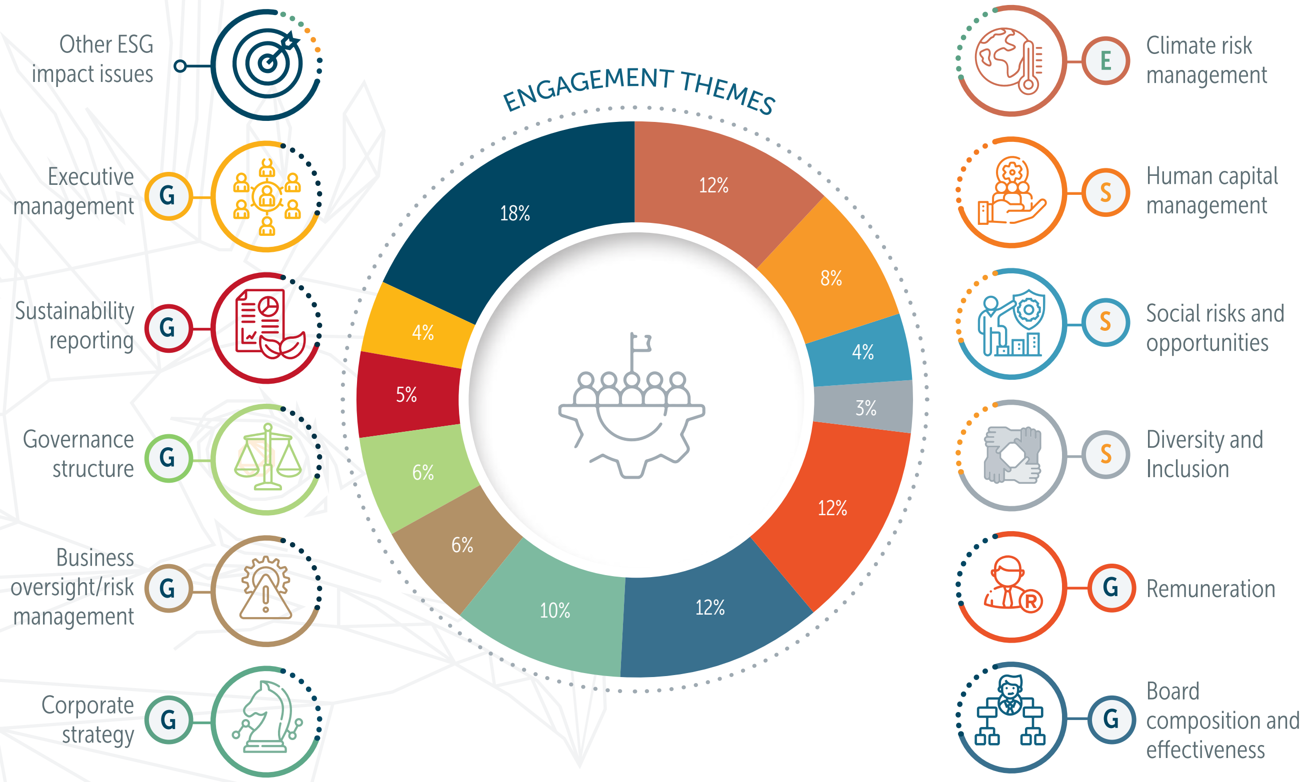
BLACKROCK

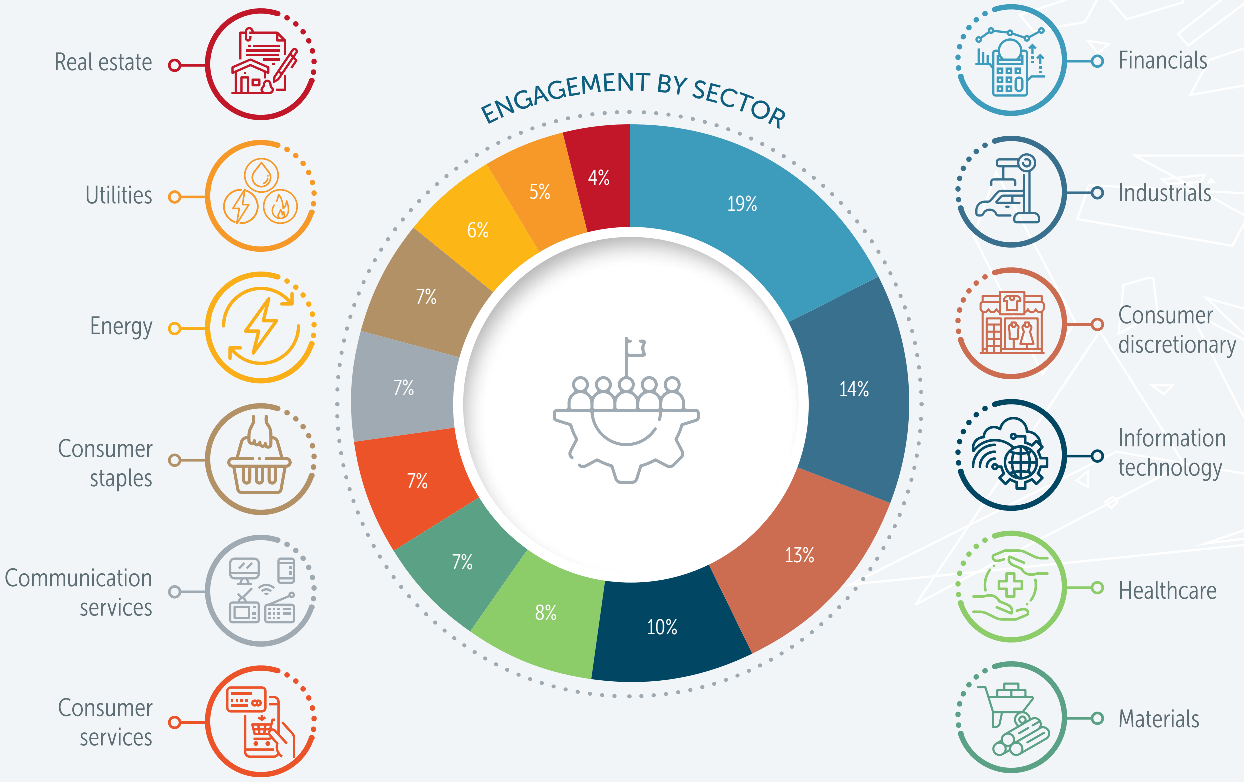
The PIC reports annually on active ownership practices of its offshore external managers to assess progress and undertake due diligence to ensure ESG standards are improved and upheld.

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.

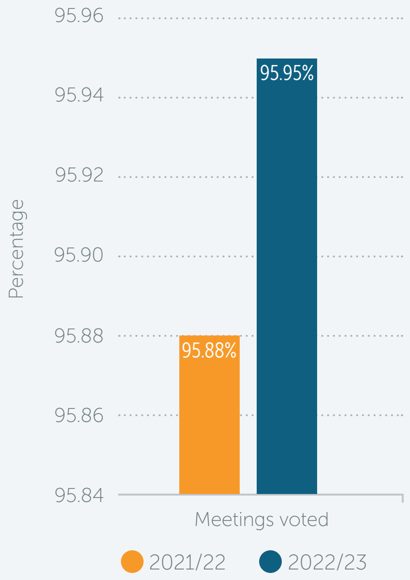




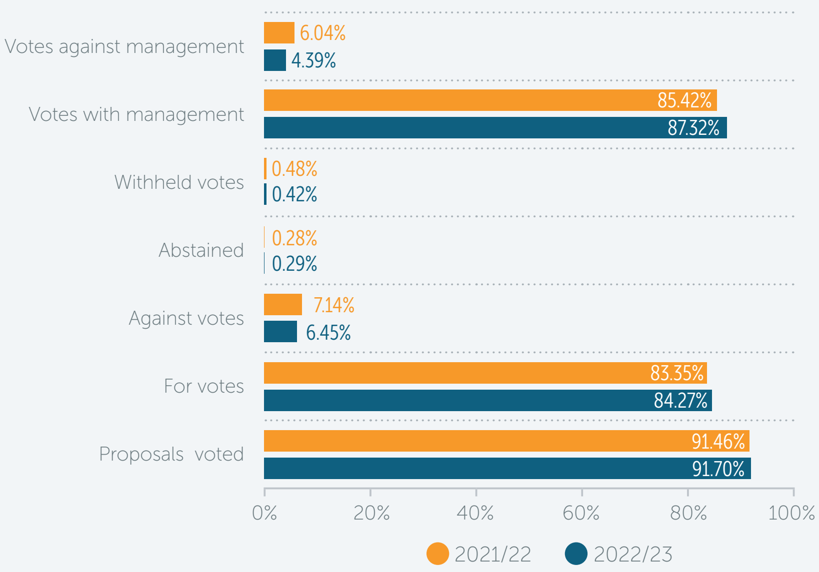


There were 1 555 votable meetings compared to 1 654 in the previous year. Although BlackRock participated in all meetings in 2021/22 and in 1 492 during the year under review, the percentage is largely aligned, indicating consistency in voting participation.

VOTING PARTICIPATION RATE



VOTING STATISTICS

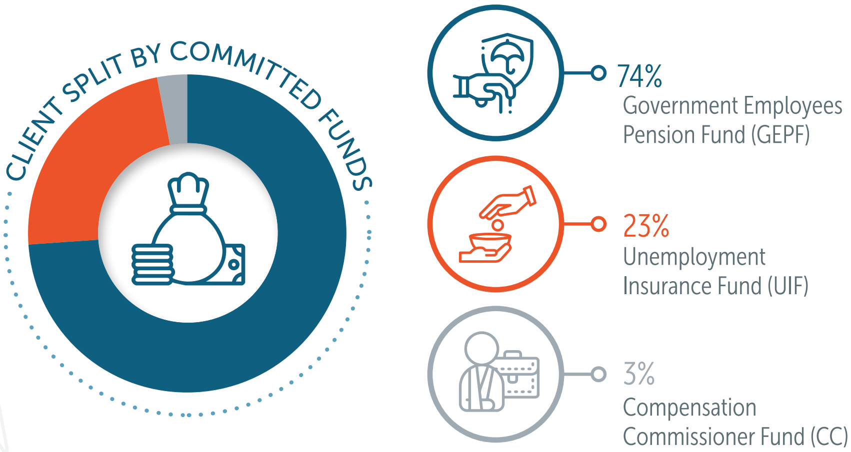


BlackRock voted on 19 507 resolutions in 2022/23, which is 91.70% of the total 21 272 votable resolutions (2021/22: 91.46%).

UNLISTED INVESTMENTS PORTFOLIO – **ISIBAYA**

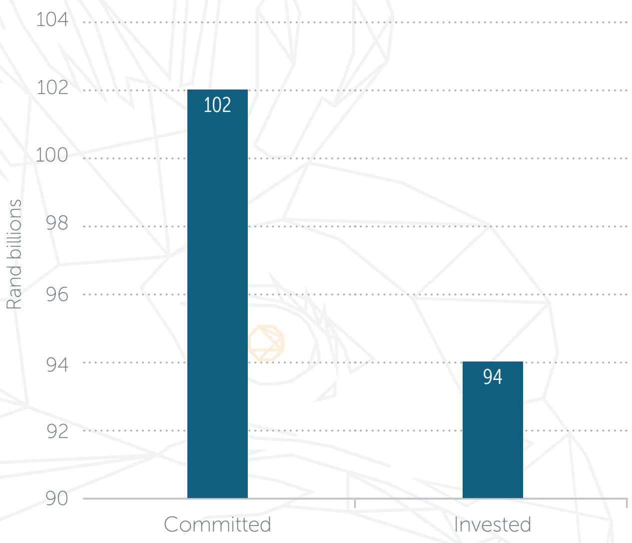
The unlisted investment mandates from clients allow the PIC to invest capital in the domestic market and in projects in the rest of Africa. The portfolio currently comprises 25 active funds with more than 140 underlying portfolio companies spread across all client funds – i.e. the GEPF, the UIF and the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

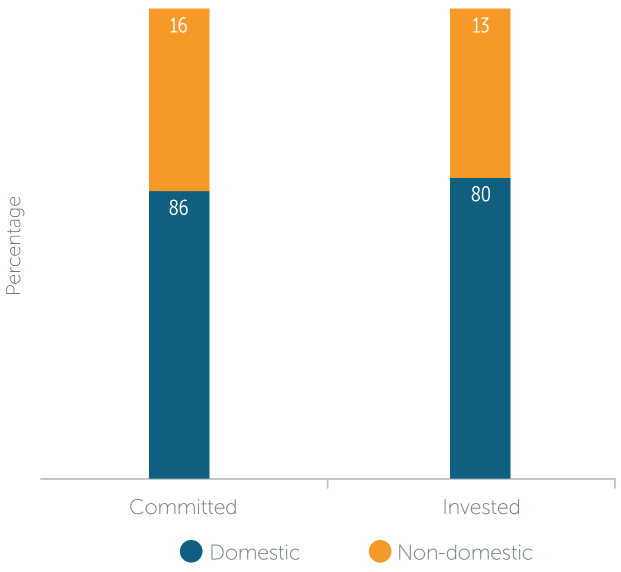


At 31 March 2023, the total capital committed to investments grew to R102 billion, with 85% in the domestic market and the remainder for investments in the rest of the African continent.

ISIBAYA FUNDS COMMITTED AND INVESTED

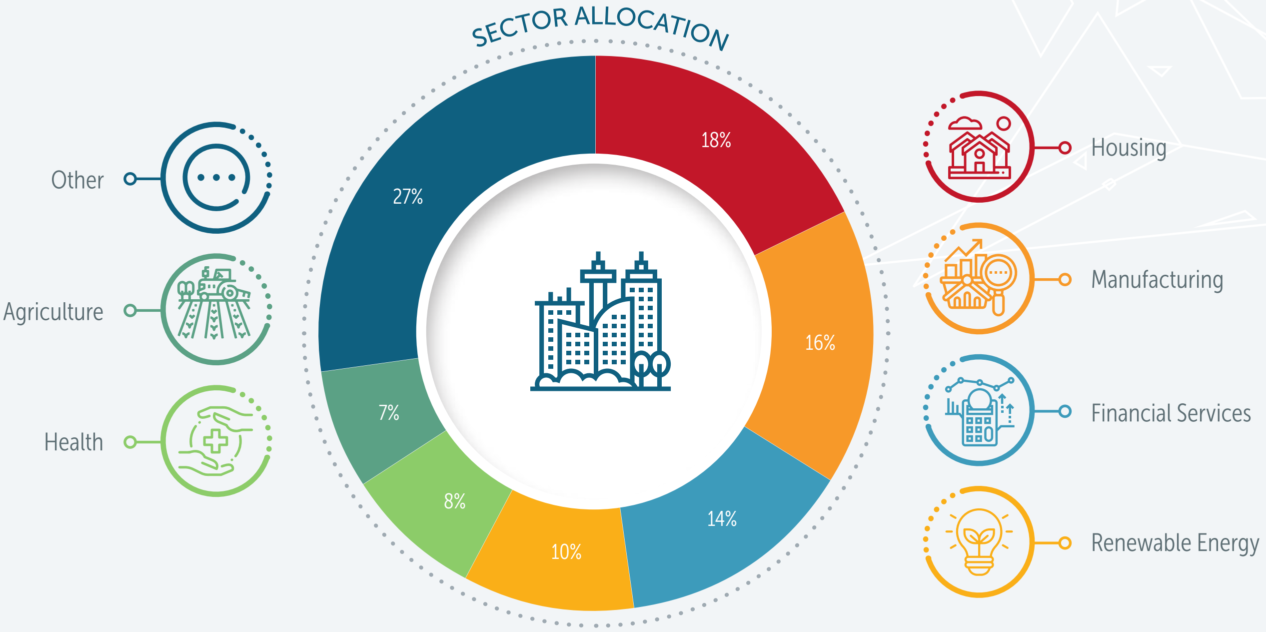


ISIBAYA FUNDS GEOGRAPHICAL SPLIT



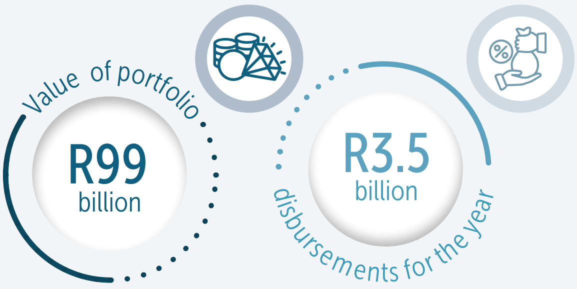
The Unlisted Investments division provides capital directly to private entities and indirectly via external fund managers and intermediaries in order to capture a broad spectrum of investment opportunities. The direct approach entails taking equity and debt positions in private entities to ensure active 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%

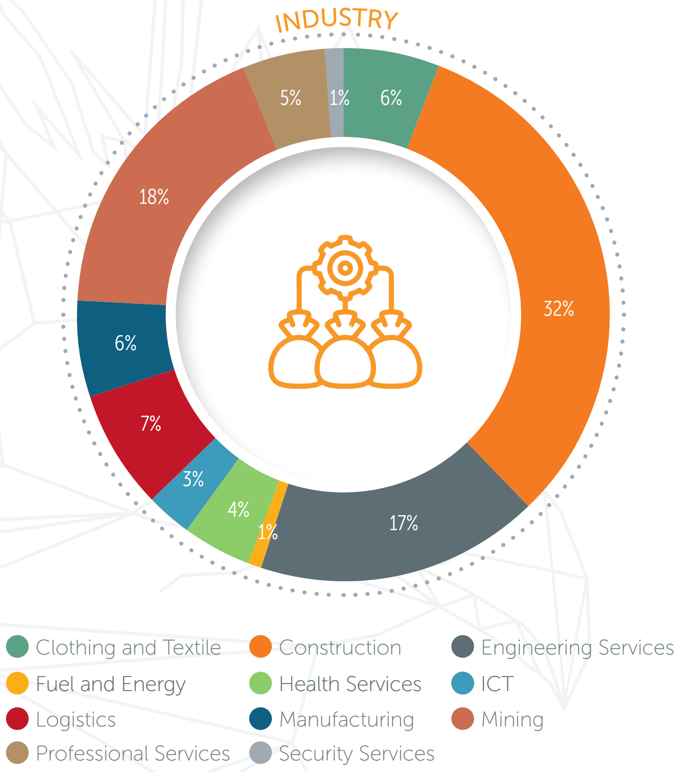
Technical support provided

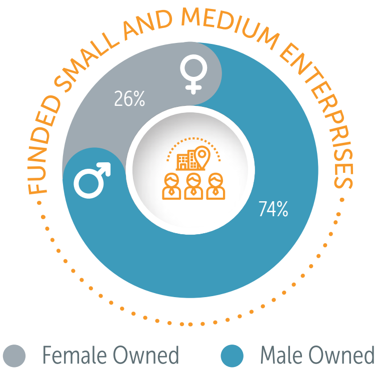
33%

Disbursements in mining sector

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

FUNDED DEMOGRAPHICS





220+
Thousand
Jobs created or sustained

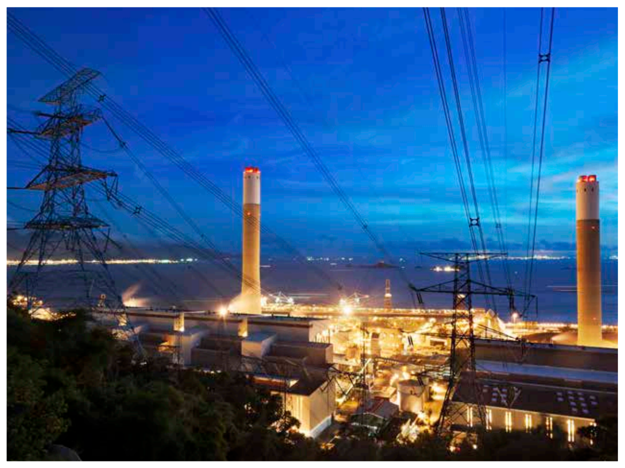
CASE STUDY: 〉 ADDRESSING AFRICA'S INFRASTRUCTURE SHORTFALL

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.

Thermal power project
300MW

Wind-farm project
60MW

Energy from renewables
100%

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.

THE PIC'S CONTRIBUTION TO THE REIPPPP

R2.3 billion
In socio-economic development

R699 million
In enterprise development

69 554
Jobs have been created through the REIPPPP

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 GEPF 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 GEPF 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 GEPF'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.

ENERGY ADDED TO THE GRID

43MW
Solar photovoltaic projects

2MW
Biogas[2]

THE GEPF'S INVESTMENT WILL CREATE

60
Jobs during construction

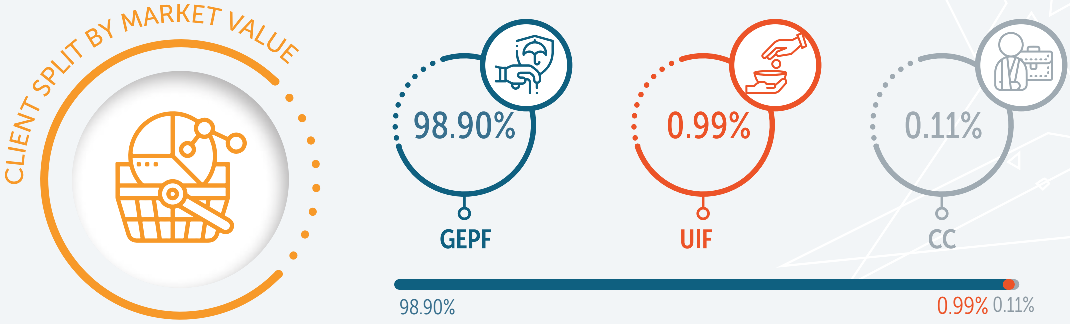
15
Jobs during operations

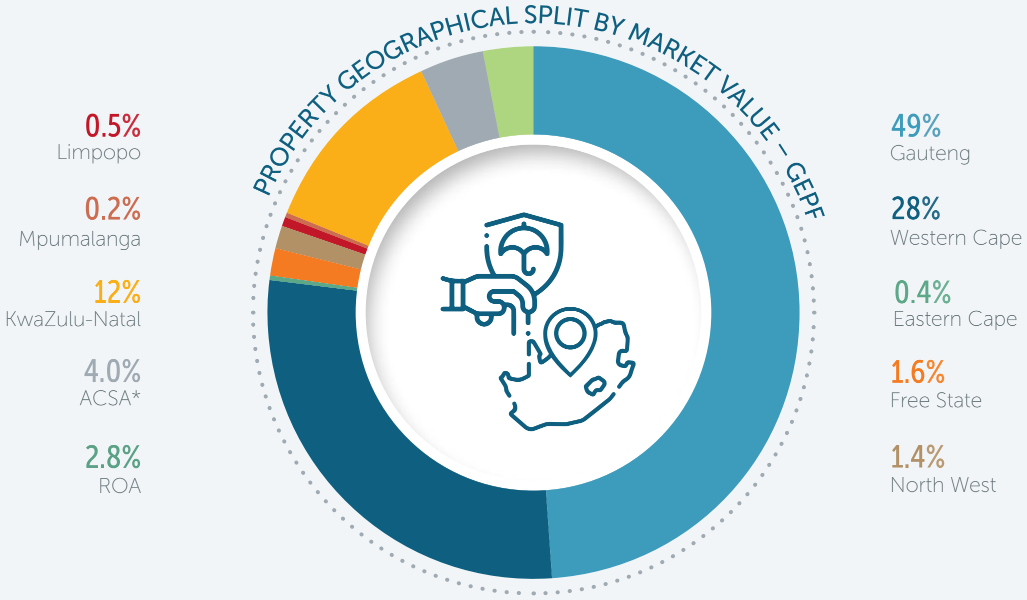
---

[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.





** 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.*

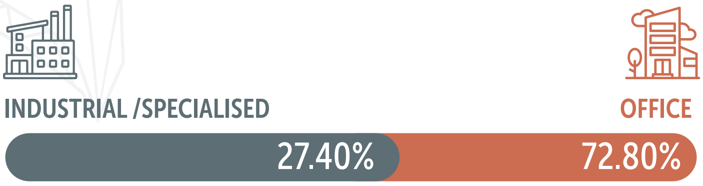
PROPERTY SECTOR SPLIT BY MARKET VALUE – GEPF

PROPERTY GEOGRAPHICAL SPLIT BY MARKET VALUE – UIF

PROPERTY SECTOR SPLIT BY MARKET VALUE – UIF

PROPERTY GEOGRAPHICAL SPLIT BY MARKET VALUE – CC

PROPERTY SECTOR SPLIT BY MARKET VALUE – CC



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.

Property returns

5.25%
March 2022

9.1%[3]
March 2023

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%.

Industrial multiparks returns

8%
March 2022

14.5%
March 2023

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.

OFFICE AND RETAIL PROPERTIES FACED INCREASED COSTS

GENERATOR COSTS

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.

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[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.

Oceans Mall development co-owned

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.

Adowa student accommodation project co-owned

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.

Joint venture between PIC and For Generations

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 unserviced 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.

ESTABLISHED A PORTFOLIO OF **13 PROPERTIES**

ACROSS **NINE** AFRICAN COUNTRIES

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.

LOCAL PROCUREMENT OF 64%

±1 000 JOBS CREATED

DEVELOP WOMEN IN CONSTRUCTION

BEST HIGH-END RESIDENTIAL DEVELOPMENT

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

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

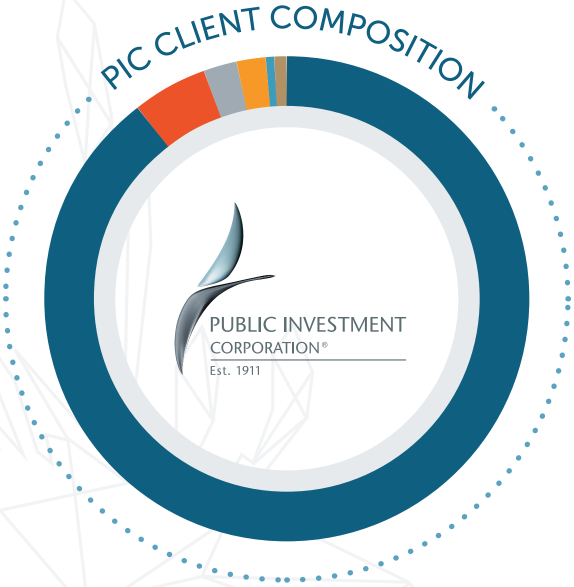
The Precinct was nominated for the Africa Green Building of the Year title in 2022.

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)

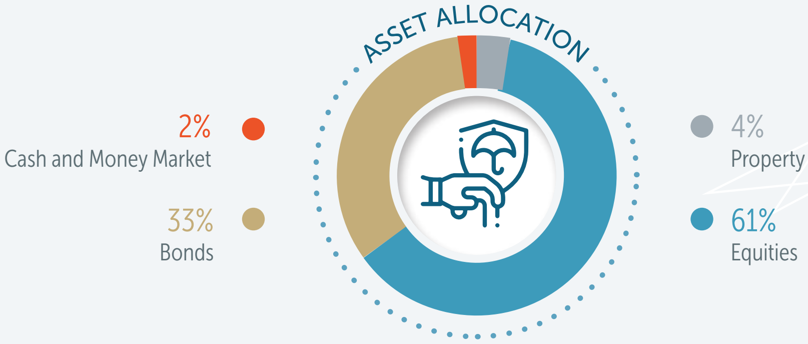
0.67%
*Other

** Various clients with smaller portfolios.*

Government Employees Pension Fund

The GEPF portfolio constitutes 88.61% of the total PIC AuM. The GEPF'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

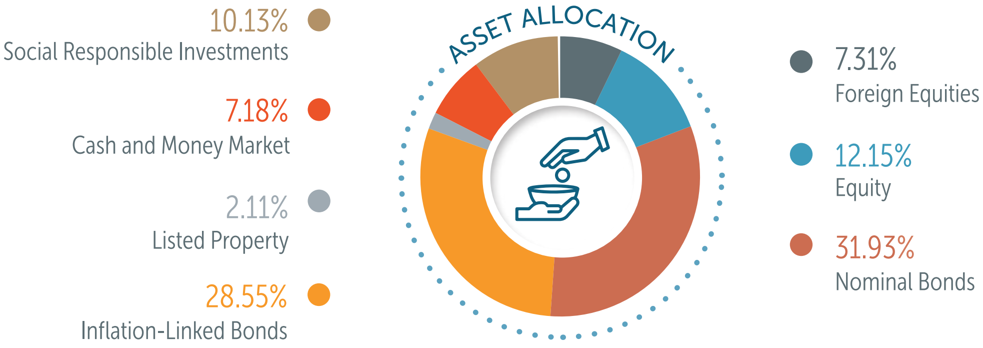
The GEPF's local listed fund experienced a year-over-year underperformance of 0.21% during the review period, attributed mainly to asset allocation decisions that resulted in an underweight position in money market and inflation-linked bonds.

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.

	12 months			24 months			36 months		
Asset class	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 GEPF 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.

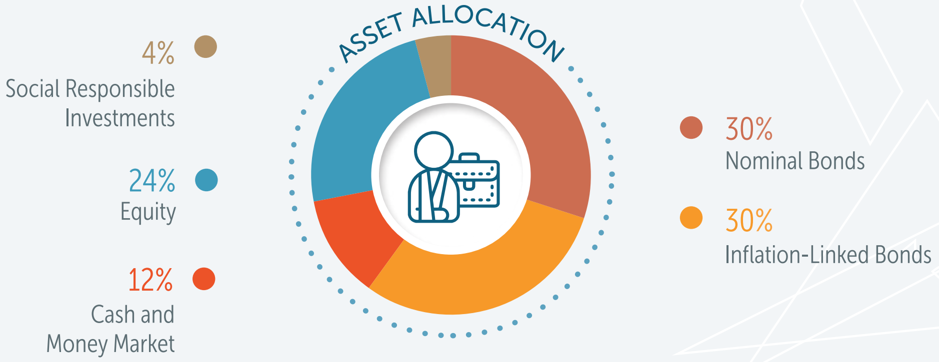
In the 24 months to March 2023, the fund underperformed its benchmark by 0.31% as a result of under-exposure to nominal bonds and over-exposure to stocks driven largely by the selloff in nominal bonds to fund the UIF COVID-19 Temporary Employment Relief Scheme (TERS).

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.

	12 months			24 months			36 months		
Asset class	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.

	12 months			24 months			36 months		
Asset class	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.

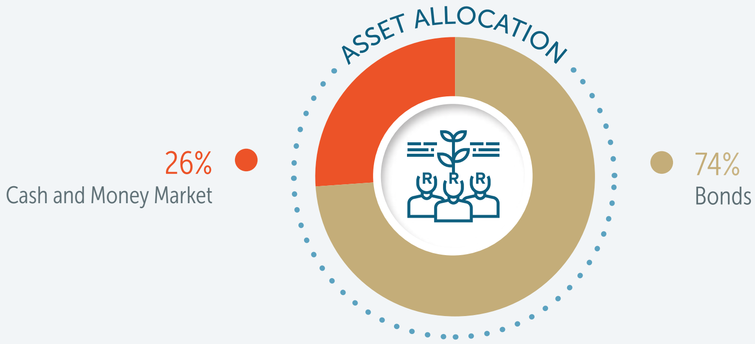
Performance

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.

	12 months			24 months			36 months		
Asset class	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.

	12 months			24 months			36 months		
Asset class	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.

	12 months			24 months			36 months		
Asset class	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.

RAAI RECOGNISED THE PIC AS ONE OF THE MOST RESPONSIBLE ASSET ALLOCATORS IN THE WORLD FOR 2022

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.

CURRENT INVESTMENTS 12

28 Farms

6 Processing plants

4 Food production plants

2 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:

IN 2022/23, 21 588 JOBS WERE CREATED ACROSS THE 12 INVESTMENTS

11 072 Held by black persons

6 376 Held by women

3 654 Held by youth

147 Held by people living with disabilities

11 184 Permanent positions

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:

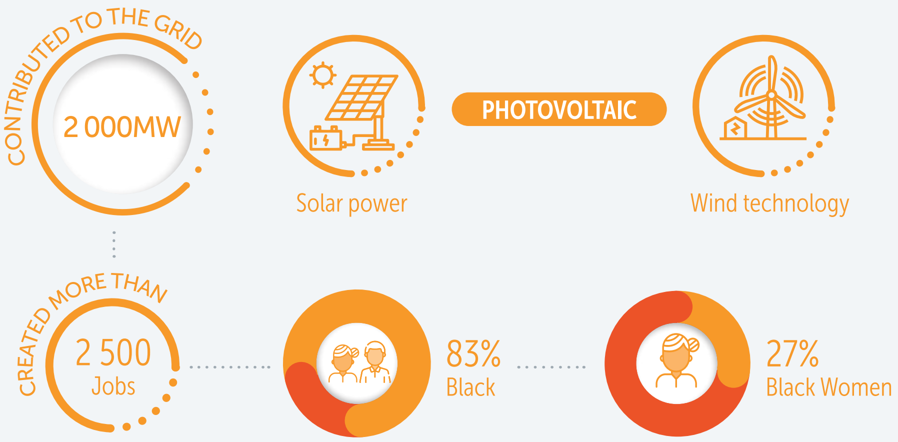
Investee	Fundi	Schools and Education Investment Impact Fund of South Africa *	TOTAL
Total	178	1 558	1 736
Permanent	158	Not disclosed	158
Temporary	20	Not disclosed	20
Men	51	423	474
Women	127	1 135	1 262
Black men	47	259	306
White men	-	54	54
Foreign men	4	110	114
Black women	116	748	864
White women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

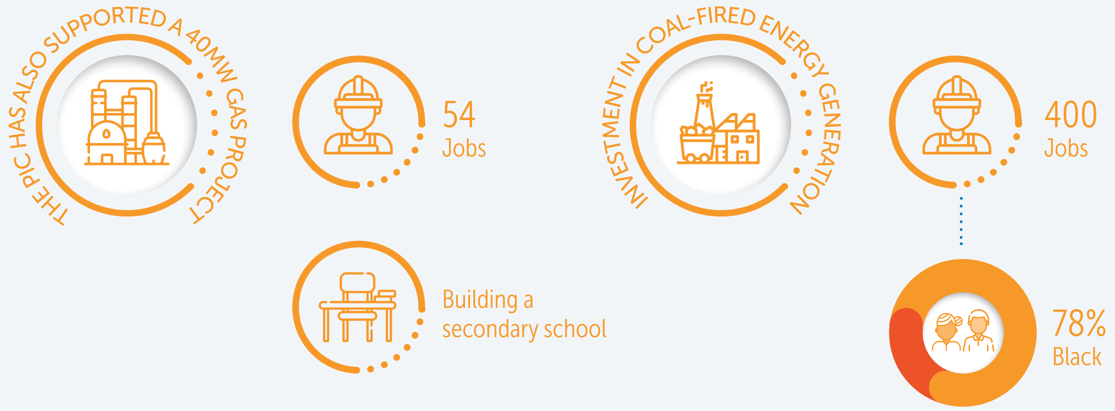
Energy

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 Manjangue, 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.



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[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 CO_2 capture and storage.

PIC INVESTMENTS IN OIL AND GAS

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.

FACILITATED THROUGH SUNRISE ENERGY

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:

1 764 people employed accross the housing sector

1 415 Permanent positions

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:

INVESTEE 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

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[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

INVESTEE 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			
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 things[6] 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:

1 261 PEOPLE HAVE BEEN EMPLOYED THROUGHOUT AFRICA

AT A COST OF OVER **US$53 MILLION**

47 000km+
Fibre has been installed in Africa

1 million
Homes connected

800
Schools were equipped technologically

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[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.

DECLINE IN OUTPUT DUE TO ELECTRICITY SUPPLY DISRUPTIONS

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	-	1129	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.

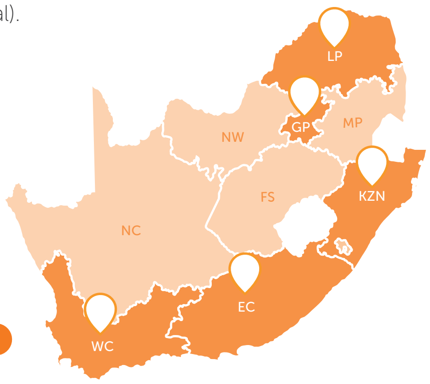
The PIC has, through three investments, funded student accommodation initiatives that delivered more than 22 000 beds. The investment covers Gauteng, Western Cape, KwaZulu-Natal, Limpopo and Eastern Cape.

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.

9 507
Jobs created

91%

8 652
Black people

1 675
Women employed

80%

1 335
Black women

THE PIC'S INVESTMENTS IN TRANSPORT INFRASTRUCTURE

3
Toll concessions

1 370km
Roads between toll concessions

Lanseria International Airport

Multichannel distribution logistic partner

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

THE PIC APPROVED TRANSACTION CONDITIONS FOR THE
MPUDULLE EYE CENTRE

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]

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

Manufacturing

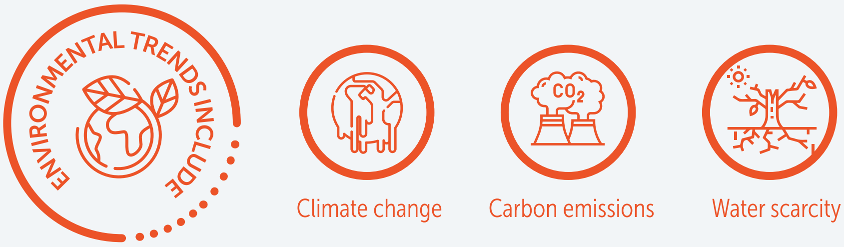
8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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.

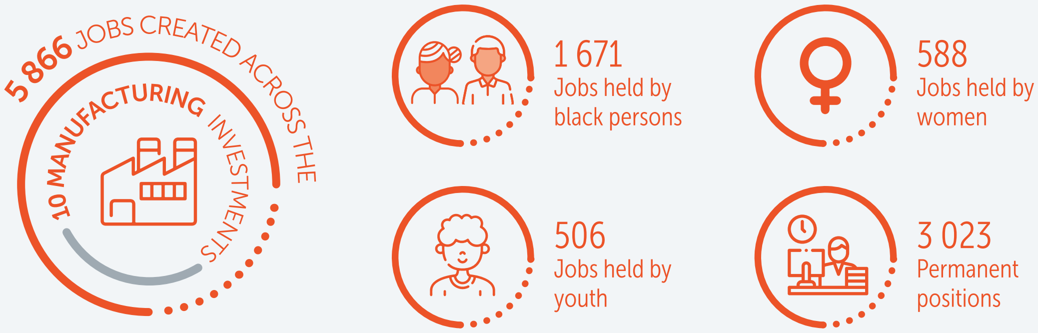
Environmental sustainability is increasingly important given rising consumer awareness about the need to reduce the carbon footprint of goods and services.[9] Environmental trends key to the evolution of manufacturing business practices include climate change, carbon emissions and water scarcity.



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:



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[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

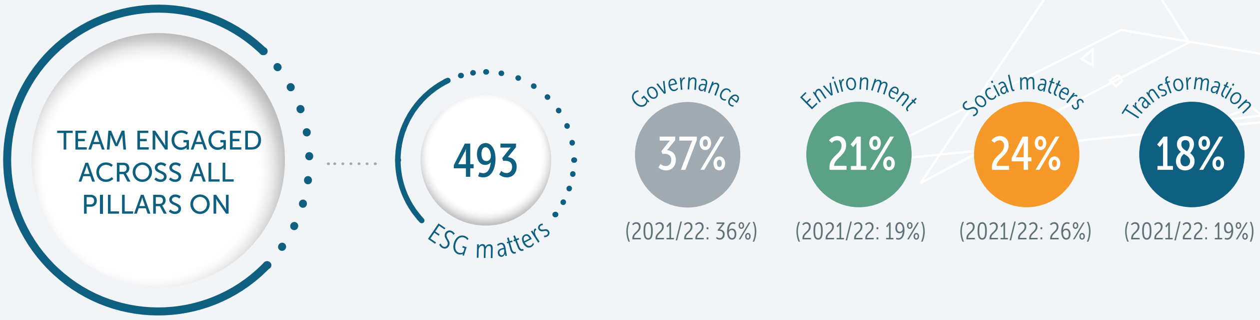
82 572
Jobs facilitated

29%
Jobs to women

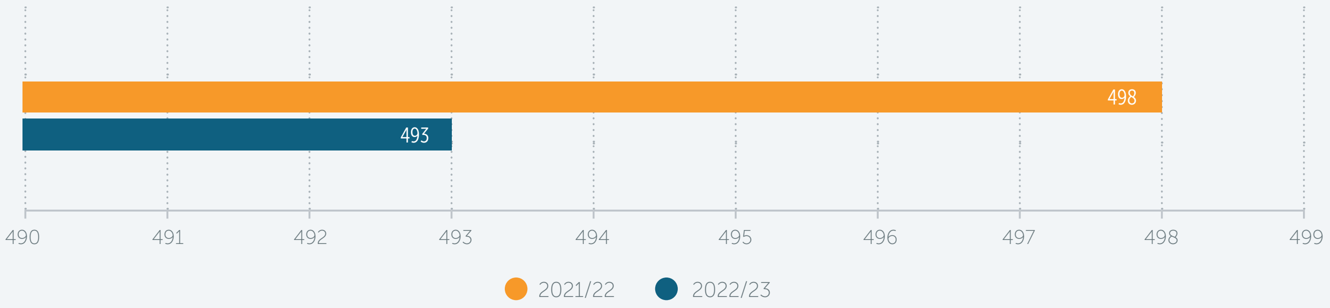
UNLISTED INVESTMENTS ENGAGEMENTS AND PROXY VOTING

Engagements by pillar 2022/23

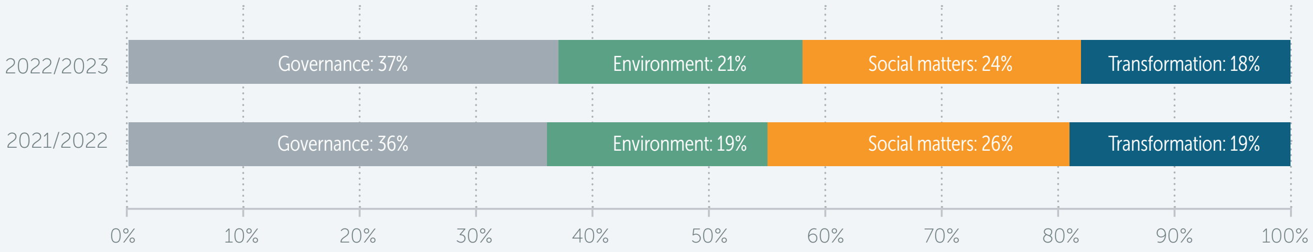
For the year under review, the team engaged across all pillars on 493 ESG matters, with data collected from 84 investee companies. Companies in business rescue, liquidation or litigation were excluded. Voting on governance accounted for 37% (2021/22: 36%), environment 21% (2021/22: 19%), social matters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



ENGAGEMENTS



ENGAGEMENT COMPOSITION TREND



Voting record period: 1 April 2022 to 31 March 2023

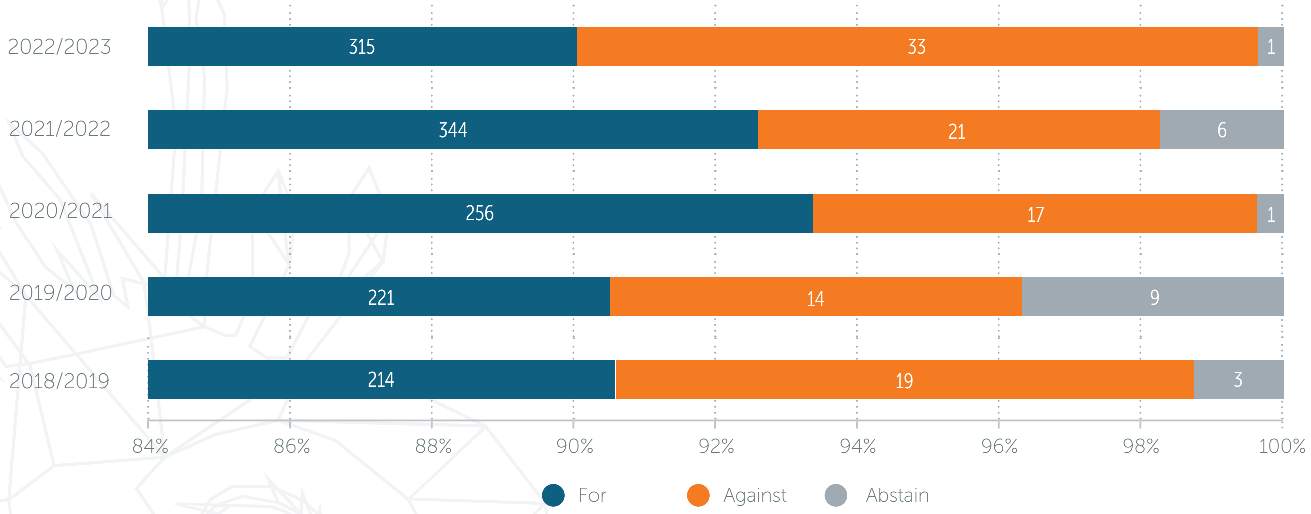
The PIC has a well-established approach to responsible investing, which includes:

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

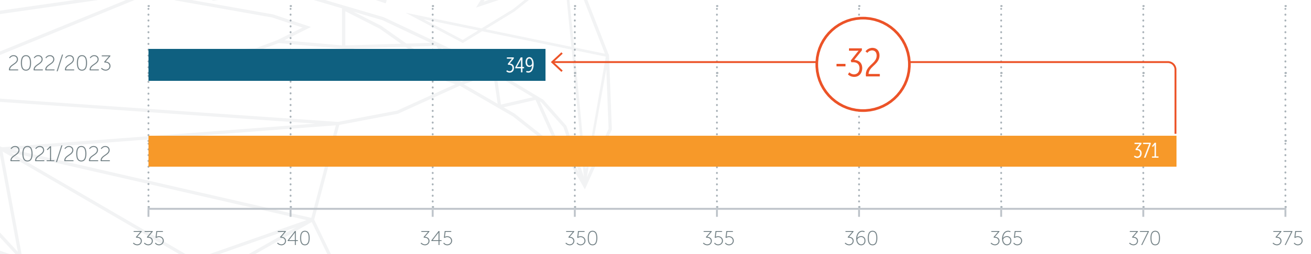
The PIC votes at all company meetings. During the year under review, we voted on 349 resolutions at 42 companies compared to 371 at 69 companies in the previous year.

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.

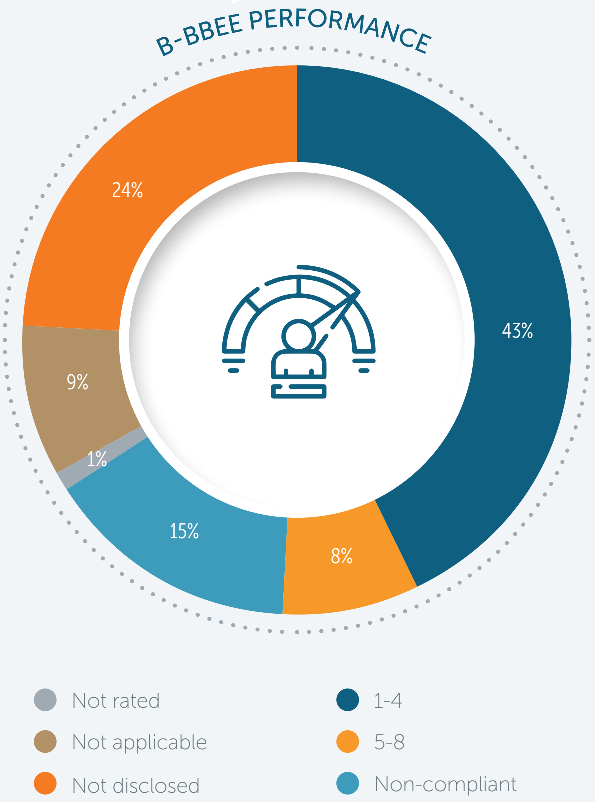
The PIC is placing greater emphasis on encouraging boards of investee companies to drive transformation and inclusivity as a strategic priority. Transformation extends further than mere representation to fostering an inclusive environment that prioritises the employment and advancement of individuals 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.

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

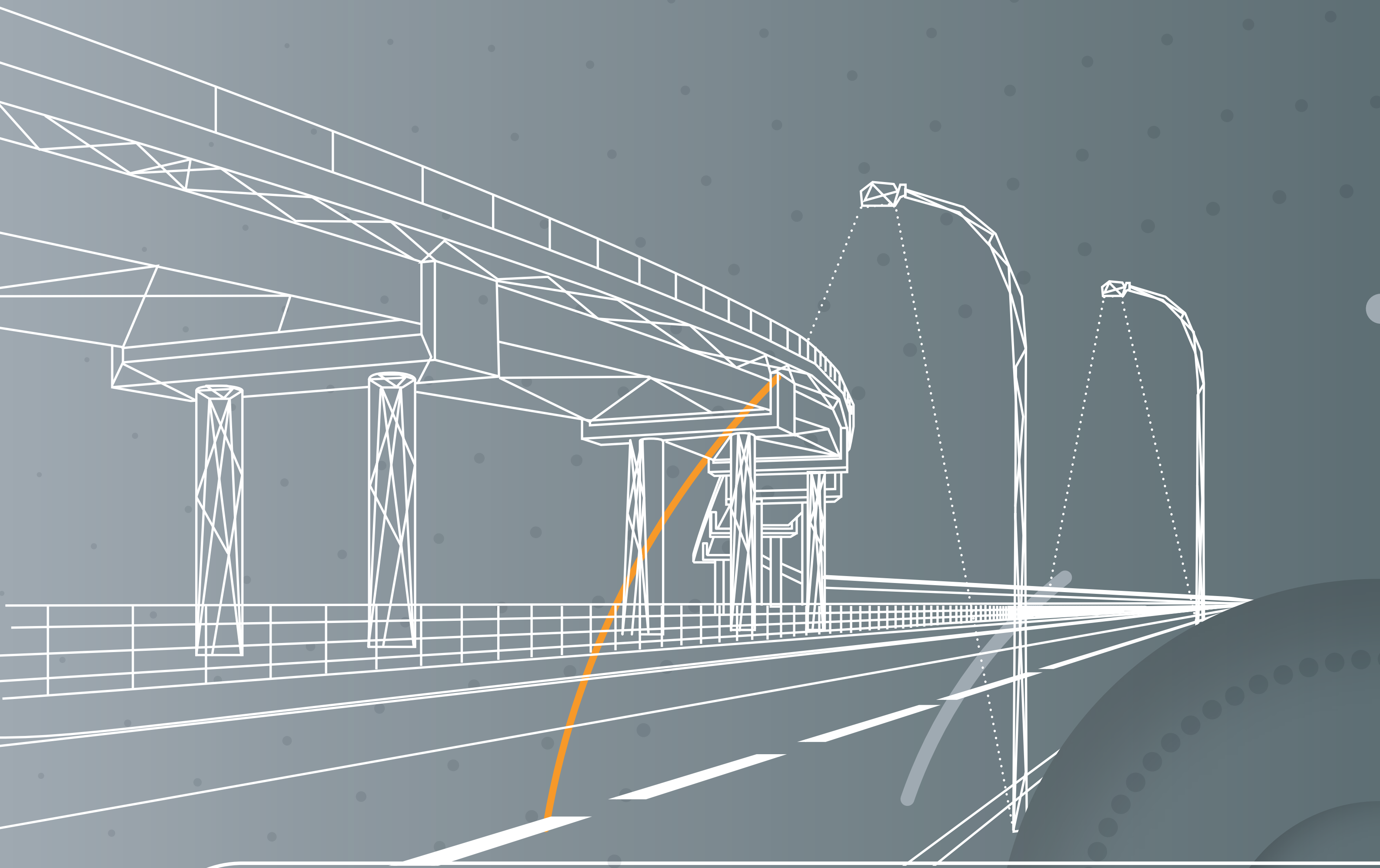
43% of unlisted investments for 2022/23* and 2023/24* are rated between **levels 1 and 4**. 9% are not applicable = foreign investments

The companies' B-BBEE performance is as follows:



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

CONTENTS

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 (MoI), 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 MoI 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 MoI by special resolution to provide that the CEO, CFO and Chief Investment Officer (CIO) shall be appointed ex-officio Executive Directors. The revised MoI 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 MoI, 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.

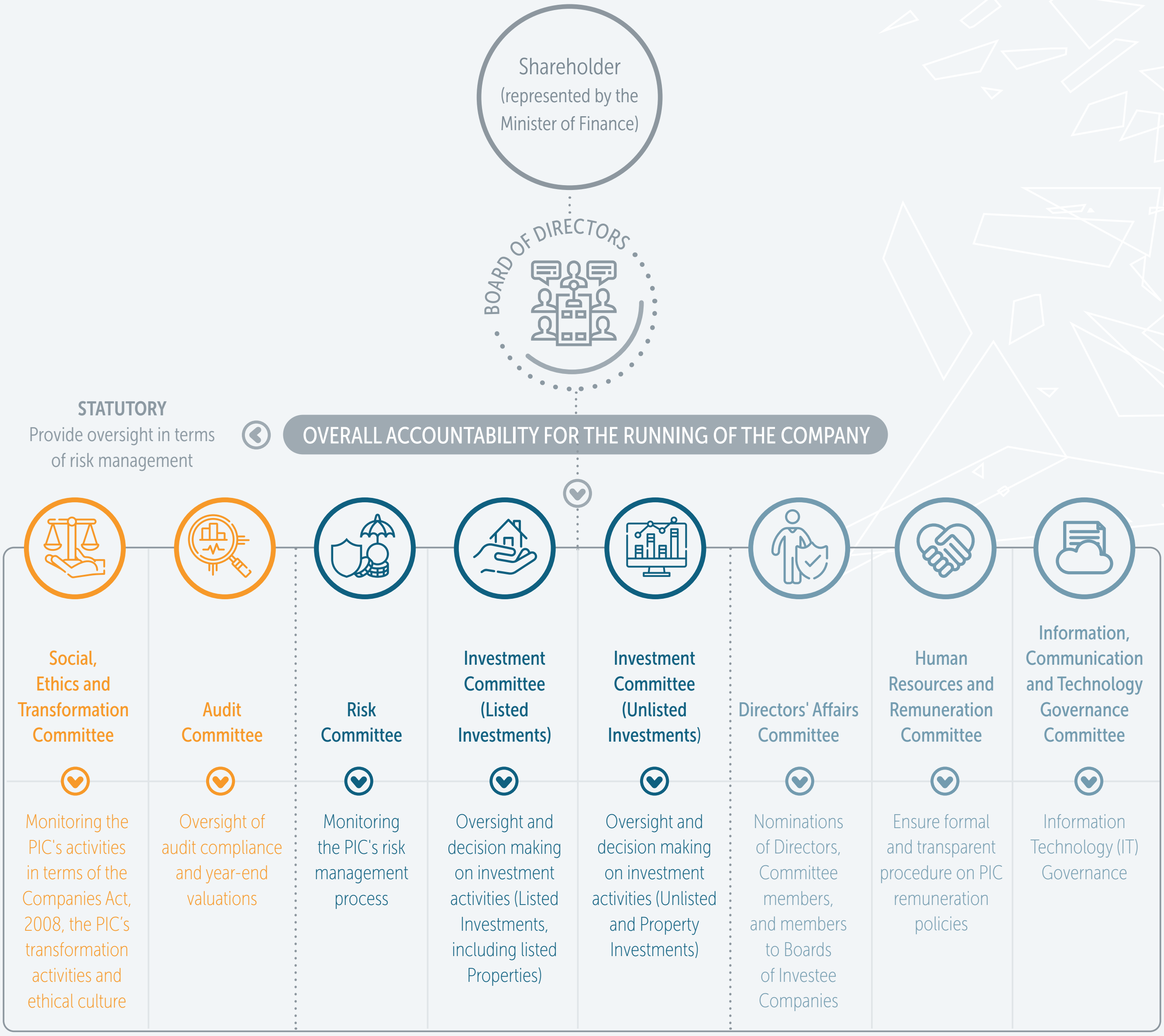
Board governance structure

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.



Shareholder (represented by the Minister of Finance)

BOARD OF DIRECTORS

STATUTORY
Provide oversight in terms of risk management

OVERALL ACCOUNTABILITY FOR THE RUNNING OF THE COMPANY

Social, Ethics and Transformation Committee	Monitoring the PIC's activities in terms of the Companies Act, 2008, the PIC's transformation activities and ethical culture
Audit Committee	Oversight of audit compliance and year-end valuations
Risk Committee	Monitoring the PIC's risk management process
Investment Committee (Listed Investments)	Oversight and decision making on investment activities (Listed Investments, including listed Properties)
Investment Committee (Unlisted Investments)	Oversight and decision making on investment activities (Unlisted and Property Investments)
Directors' Affairs Committee	Nominations of Directors, Committee members, and members to Boards of Investee Companies
Human Resources and Remuneration Committee	Ensure formal and transparent procedure on PIC remuneration policies
Information, Communication and Technology Governance Committee	Information Technology (IT) Governance

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, *Chairperson**	1 November 2021
Ntombifuthi Mtoba, Deputy *Chairperson***	1 November 2021
Barbara Watson**	1 November 2021
Prof Bonke Dumisa**	1 November 2021
Mugwena Maluleke**	1 November 2021
Tryphosa Ramano*	1 November 2021
Beverley Bouwer*	1 November 2021
Walter 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 MoI*
*****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.

THE BOARD HELD **13** MEETINGS

SCHEDULED 5

SPECIAL 7

STRATEGY SESSION 1

CHAIRPERSON

MEMBERS

NUMBER OF MEETINGS ATTENDED BY THE BOARD

13	Dr David Masondo *Chairperson*
12	Ntombifuthi Mtoba *Deputy Chairperson*
13	Barbara Watson
13	Prof Bonke Dumisa
13	Mugwena Maluleke
13	Tryphosa Ramano
12	Beverley Bouwer
13	Walter Hlaise
13	Frans Baleni
13	Dr Lufuno Mulaudzi
11	Abel Sithole (11)
12	Brian Mavuka (12)
12	Makano Mosidi (12)*
1	Kabelo Rikhotso (1)**

**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
● 13 ● 5 ✪

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
● 12 ● 12 ✪
● 5 ● 5

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
● 13 ● 5 ✪ ● 13
● 5 ● 5

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
● 12 ● 5 ✪ ● 11
● 8 ● 6 ● 4

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

👤 13 ◐ 21 ◐ 16
● 5 ● 4

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

👤 13 ● 12
● 6 ● 5

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

👤 13 ● ✪ 5 ◐ 19
◐ 15 ● 5

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

👤 13 ● 6
● 5 ● 5

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

13 22 17
11 3

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

13 6
5 5

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

11 4 16
14

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

12 6 4

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

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 MoI.*

MEETING ATTENDANCE

● 12 ● 4

MR KABELO RIKHOTSO

POSITION

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

QUALIFICATIONS

- Charted 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

● 1

MS BONGANI MASERUMULE

POSITION

- Company Secretary

QUALIFICATIONS

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

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.

12 MEETINGS HELD

SCHEDULED 8

SPECIAL 4

CHAIRPERSON

MEMBERS

NUMBER OF MEETINGS ATTENDED

12	Ntombifuthi Mtoba *Chairperson*
11	Tryphosa Ramano
11	Beverley Bouwer
12	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.

SIX MEETINGS HELD

SCHEDULED 4

SPECIAL 2

CHAIRPERSON

MEMBERS

NUMBER OF MEETINGS ATTENDED

6	Barbara Watson *Chairperson*
6	Walter Hlaise
6	Frans Baleni
6	Dr Lufuno Mulaudzi
6	Brian Mavuka

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.

FIVE
MEETINGS
HELD

SCHEDULED 3

SPECIAL 2

CHAIRPERSON

MEMBERS

NUMBER OF MEETINGS ATTENDED

5	Dr David Masondo *Chairperson*
5	Ntombifuthi Mtoba
3	Tryphosa Ramano
4	Beverley Bouwer
5	Barbara Watson
5	Frans Baleni
5	Mugwena Maluleke
4	Abel Sithole

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.

22 MEETINGS HELD

SCHEDULED 9

SPECIAL 13

CHAIRPERSON

MEMBERS

NUMBER OF MEETINGS ATTENDED

22	Tryphosa Ramano *Chairperson*
21	Prof Bonke Dumisa
19	Mugwena Maluleke
8	Beverley Bouwer*
16	Abel Sithole

**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.

17 MEETINGS HELD

SCHEDULED 8

SPECIAL 9

CHAIRPERSON

MEMBERS

NUMBER OF MEETINGS ATTENDED

17	Tryphosa Ramano *Chairperson*
16	Prof Bonke Dumisa
15	Mugwena Maluleke
6	Beverley Bouwer*
14	Abel Sithole

**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.

FIVE MEETINGS HELD

SCHEDULED 4

SPECIAL 1

CHAIRPERSON

MEMBERS

NUMBER OF MEETINGS ATTENDED

5	Frans Baleni *Chairperson*
4	Prof Bonke Dumisa
5	Dr Lufuno Mulaudzi
4	Brian Mavuka
4	Makano Mosidi

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.

FIVE MEETINGS HELD

SCHEDULED 4

SPECIAL 1

CHAIRPERSON

MEMBERS

NUMBER OF MEETINGS ATTENDED

5	Mugwena Maluleke *Chairperson*
5	Dr Lufuno Mulaudzi
5	Barbara Watson

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.

FIVE MEETINGS HELD

SCHEDULED 4

SPECIAL 1

CHAIRPERSON

MEMBERS

NUMBER OF MEETINGS ATTENDED

5	Beverley Bouwer *Chairperson*
5	Ntombifuthi Mtoba
5	Walter Hlaise
5	Frans Baleni
4	Prof Bonke Dumisa

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 t**o 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	LEGAL COMPLIANCE	MANDATE COMPLIANCE	ANTI-MONEY LAUNDERING SPECIALISTS
› 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			› 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.

PIC PRINCIPLES

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

PRINCIPLE 4:

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.

PRINCIPLE 5:

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

PRINCIPLE 6:

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.

PRINCIPLE 7:

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

PRINCIPLE 8:

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.

PRINCIPLE 9:

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 MoI, is an independent Non-Executive Director.
- The AC annually assesses the performance of the CFO.

PRINCIPLE 10:

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

PRINCIPLE 11:

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.

PRINCIPLE 12:

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

PRINCIPLE 13:

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.

PRINCIPLE 14:

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.

PRINCIPLE 15:

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

PRINCIPLE 16:

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 GEPF, the UIF and the Compensation Commissioner Fund, while management regularly meets with the management teams of these clients.

PRINCIPLE 17:

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	Chief Executive Officer Ex-officio Executive Director	Chief Operating Officer Acting Executive Head: Properties	Chief Risk Officer Acting Chief Operating Officer from 31 May 2022 to 08 February 2023	Head: Human Capital Acting Chief Operating Officer from 08 February 2023
QUALIFICATIONS	Master of Arts (International Relations) Master of Philosophy (Futures Studies) Master of Business Administration Bachelor of Arts	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	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	Bachelor of Arts Bachelor of Arts Honours (Industrial Psychology) LLB (Future Studies)

** Precautionary suspension from 31 May 2022.*

MR BRIAN MAVUKA | MS MAKANO MOSIDI | *MR KABELO RIKHOTSO

POSITIONS

MR BRIAN MAVUKA	MS MAKANO MOSIDI	*MR KABELO RIKHOTSO
- Acting Chief Financial Officer from 26 November 2018 - Ex-officio Executive Director - General Manager: Finance	- Chief Technology Officer - Ex-officio Executive Director from 01 November 2021 until 15 February 2023	- Chief Investment Officer - Ex-officio Executive Director from 15 February 2023

QUALIFICATIONS

MR BRIAN MAVUKA	MS MAKANO MOSIDI	*MR KABELO RIKHOTSO
- Chartered Accountant (SA) - Bachelor of Commerce Accounting (Honours) - Bachelor of Commerce Accounting - Accredited South African Institute of Chartered Accountants Assessor	- Bachelor of Commerce (Financial Accounting and Computer Science) - University Education Diploma (Accounting and Economics)	- 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'.

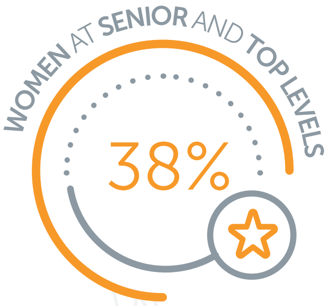
In terms of the PIC's Stakeholder Engagement Plan, the following interactions occurred during the financial year. Other detailed engagements with listed and unlisted investee companies are contained under the Environmental, Social and Governance section on pages 73 to 81 and 103 to 123 respectively.

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	› 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.

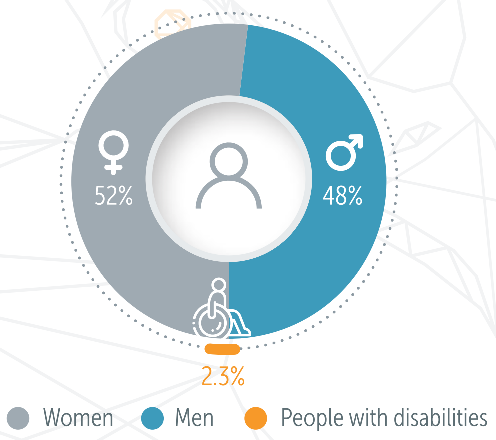
During the year under review, the organisational structure was realigned to enhance the PIC's ability to meet and exceed client mandates and to support its investment strategy more effectively. The realignment was in response to the Mpati Commission of Inquiry's recommendations to update the MoI. The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

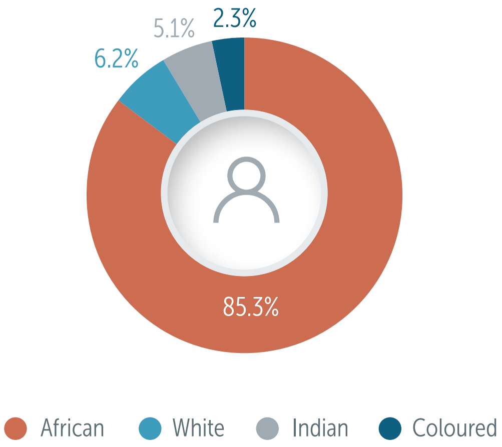
Extensive consultations were held with employees and organised labour to ensure successful implementation. In line with the PIC's key value 'We care', there were no retrenchments and employees were absorbed into the revised structure. Furthermore, employee salaries, benefits and conditions of employment 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





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).

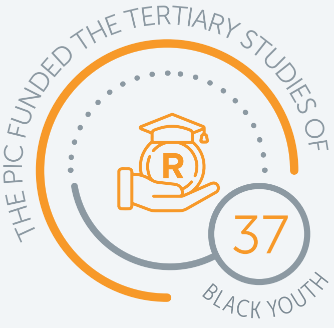
Through the PIC's partnership with leading global business schools, 40 employees successfully completed management and leadership programmes, promoting gender transformation and inclusivity. Thirty-six of the employees who participated in the programmes were black employees, and 25 of whom were black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

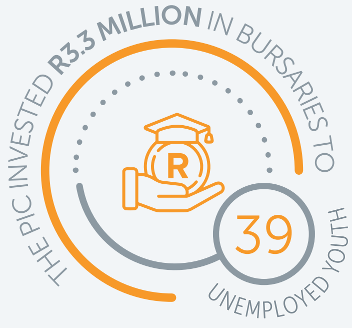
Youth development, diversity and inclusion

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).

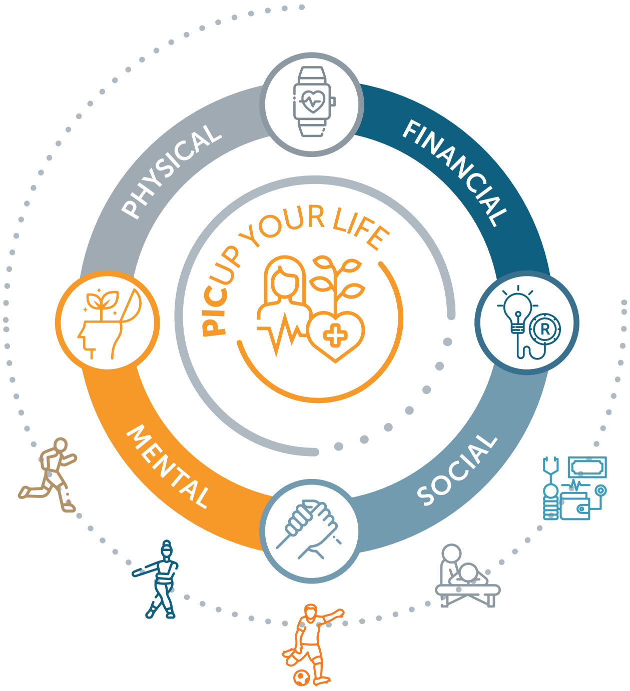




Employee health and wellness

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.

KEY GUIDING CSI PRINCIPLES ARE COLLABORATION AND PARTNERSHIPS

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

Combatting 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.

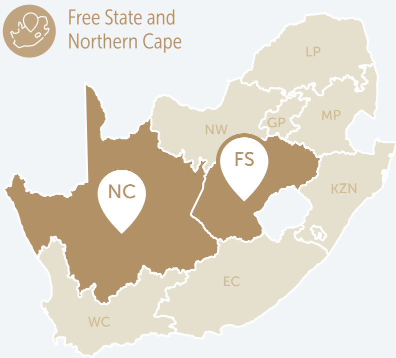
3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

Quality healthcare for all.

Education and training

Free State and
Northern Cape



Empowering matriculants in maths and science

Assisted Rephologitswe 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.

4 QUALITY EDUCATION

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

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY

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.

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY

Focus Province Activities Sustainable Development Goals supported National Development Plan outcomes supported

Socio-economic development

North West

3 GOOD HEALTH AND WELL-BEING

6 CLEAN WATER AND SANITATION

Restoring dignity to learners at Poelano Secondary School

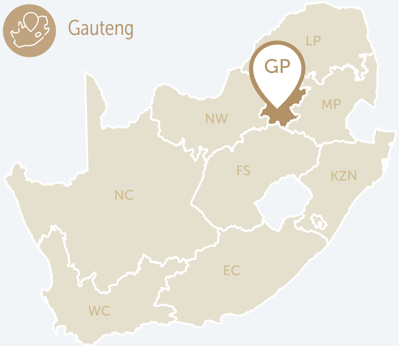
In collaboration with Imbatha Solutions, handed over 15 newly constructed ablution facilities to Poelano Secondary School in Goedgevonden Village in Ventersdorp, North West, which had previously been unable to provide dignified ablution facilities to its learners.

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.

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

- A skilled and capable workforce to support an inclusive growth path.
- Improving the quality of education, training and innovation.

KwaZulu-Natal

Quality healthcare for all.

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.

3 GOOD HEALTH AND WELL-BEING

10 REDUCED INEQUALITIES

Focus Province Activities Sustainable Development Goals supported National Development Plan outcomes supported

Agriculture, conservation and the environment

Gauteng

1 NO POVERTY
2 ZERO HUNGER
11 SUSTAINABLE CITIES AND COMMUNITIES

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.

1 NO POVERTY
2 ZERO HUNGER
4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION

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.

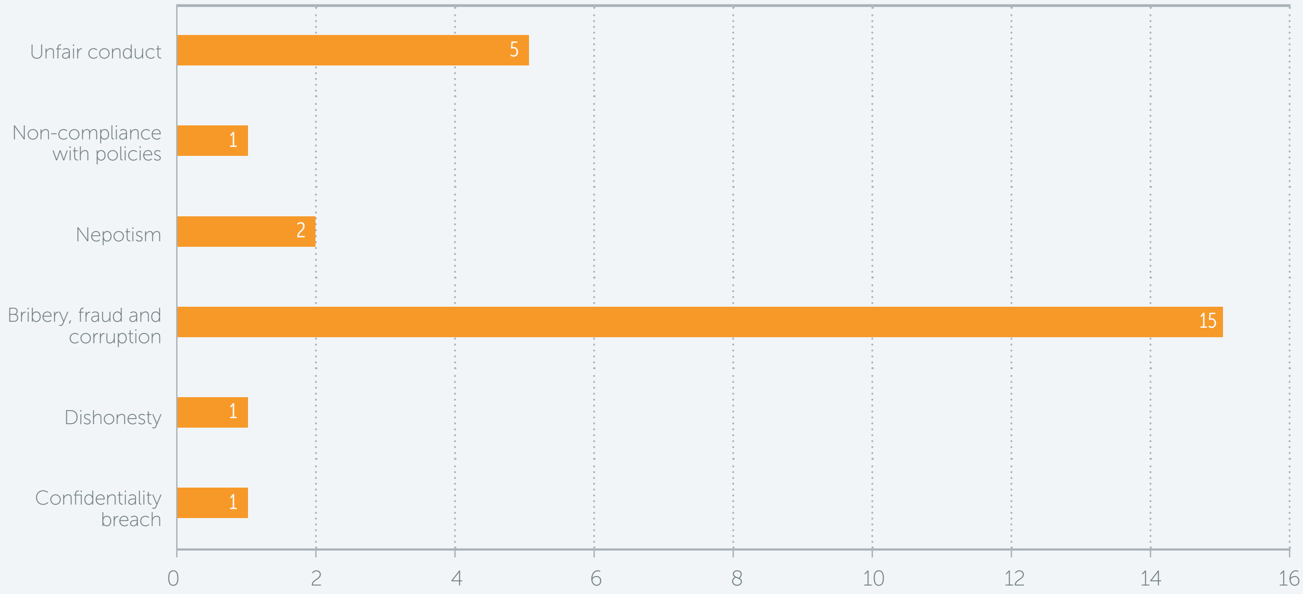
ANTI-BRIBERY AND -CORRUPTION:

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.

ASSURANCE OF THE PIC EXTERNAL WHISTLEBLOWER HOTLINE:

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.

In line with the Transformation Charter, the **PIC encourages boards to comprise at least 50% women.**

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-BBE 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-serviced.

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

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 Bouwer (Non-Executive Director)
Prof Bonke Dumisa (Non-Executive Director)
Mr Walter Hlaise (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.

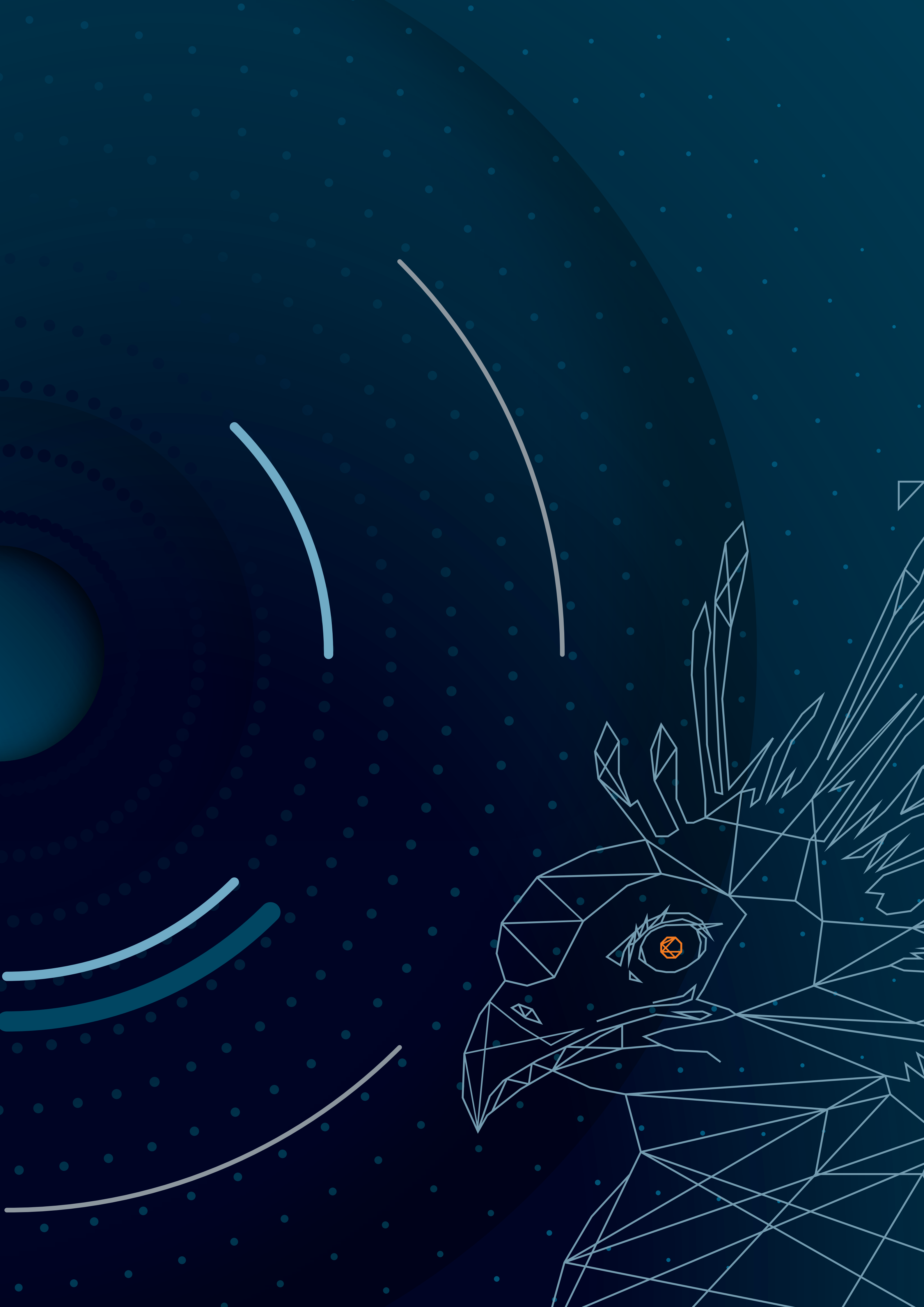
Personal trading by staff is regulated to ensure that there is no conflict of interest. All directors and employees who are likely to have access to price-sensitive and unpublished information in relation to the PIC are further regulated in their dealings. All employees are remunerated with salaries 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 Bouwer, Prof Bonke Dumisa, Mr Walter Hlaise, Mr Mugwena Maluleke, Dr Lufuno Mulaudzi, Ms Tryphosa Ramano, Ms Barbara Watson, Mr Abel Sithole (Chief Executive Officer), Mr Brian Mavuka (Acting Chief Financial Officer), 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
ACSA	Airports Company South Africa
AIPF	Associated Institutions Pension Fund
AuM	Assets under Management
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
CC	Compensation Commissioner Fund
CEO	Chief Executive Officer
CP	Compensation Commissioner Pension Fund
DAC	Directors' Affairs Committee
DoA	Delegation of Authority
ERMF	Enterprise Risk Management Framework
ESG	Environmental, social and governance
Exco	Executive Committee
FAIS Act	Financial Advisory and Intermediary Services Act, 2002
Fed	Federal Reserve
FICA	Financial Intelligence Centre Act
FSCA	Financial Sector Conduct Authority
GEPF	Government Employees Pension Fund
GDP	Gross domestic product
HDIs	Historically disadvantaged individuals
HRRC	Human Resources and Remuneration Committee
IC	Investment Committee
IC-LI	Investment Committee - Listed Investments
ICTGC	Information, Communication and Technology Governance Committee
IC-UI	Investment Committee - Unlisted Investments
IMF	International Monetary Fund
IoDSA	Institute of Directors of Southern Africa
IT	Information technology
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
MOI	Memorandum of Incorporation
NDP	National Development Plan
PFMA	Public Finance Management Act, 1999
PIC	Public Investment Corporation SOC Limited
PIC Act	Public Investment Corporation Act, 2004
PMC	Portfolio Management Committee
RC	Risk Committee
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
SAICA	South African Institute of Chartered Accountants
SDGs	Sustainable Development Goals
SETCO	Social, Ethics and Transformation Committee
UIF	Unemployment Insurance Fund
UNGC	United Nations Global Compact
UNPRI	United Nations Principles for Responsible Investing
US	United States



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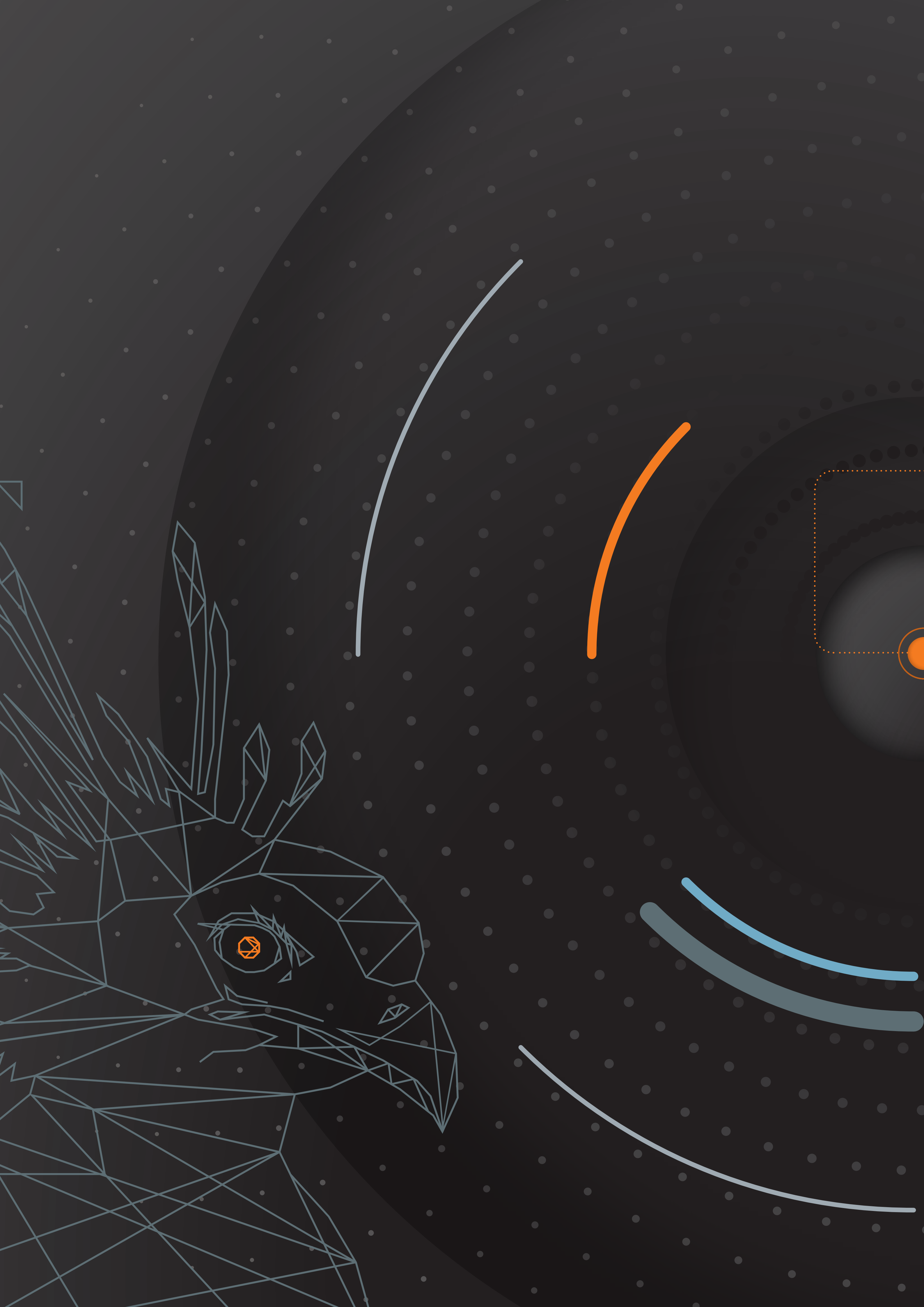
ANNUAL FINANCIAL STATEMENTS TWENTY23

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



CONTENTS

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

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

CONFIRMATION OF ACCURACY AND FAIR PRESENTATION

1. Annual Financial Statements for the 2023 financial year end

I hereby acknowledge that the Annual Financial Statements of the Public Investment Corporation SOC Limited (the company) have been submitted to the Auditor-General of South Africa (AGSA) for auditing in terms of Section 55(1)(c) of the Public Finance Management Act of 1999 (PFMA).

2. Annual Financial Statements

The Board of Directors that constitute the Accounting Authority is responsible for the fair presentation of the financials and of the judgments made in the company Annual Financial Statements.

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). All amounts and information appearing in the Annual Financial Statements are consistent with the Annual Financial Statements submitted to the auditors for audit purposes.

3. Performance information

The performance information fairly reflects the operations and actual output against planned targets for performance indicators as per the Corporate Plan of the company for the period ended 31 March 2023. This has been reported on in accordance with the requirements of the guidelines on annual reports issued by National Treasury. A system of internal controls has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

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.

4. External auditor

The external auditor is engaged to express an independent audit opinion on the Annual Financial Statements of the company. There were no scope limitations placed on AGSA and it had unrestricted access to persons within the company from whom it could obtain the necessary audit evidence to express an audit opinion.

The Annual Financial Statements of the company set out on pages 18 to 77 have been approved by the Board of Directors.

5. Human resource management

The human resource information contained in the respective tables in the integrated report fairly reflects the information of the PIC for the financial year ended 31 March 2023.

6. In respect of material issue

The Annual Financial Statements are complete, accurate and free from material omissions.

7. Preparation of the Annual Financial Statements

The financial results have been prepared under the supervision of Mr Brian Mavuka CA(SA), the Acting Chief Financial Officer.

Mr Abel Sithole
Chief Executive Officer

Mr Brian Mavuka
Acting Chief Financial Officer

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors is required in terms of the Companies Act and the PFMA to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the Board of Directors' responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the PIC's financial position as at 31 March 2023 and the profit or loss and other comprehensive income and cash flows of the company for the financial year ended 31 March 2023.

In preparing and ensuring that these Annual Financial Statements are fairly presented, the Board of Directors is required to:

- Consistently apply accounting policies as defined in the Annual Financial Statements;
- Make judgments and estimates that are reasonable and will lead to fair presentation;
- State whether applicable accounting standards have been followed; and
- Ensure that the Annual Financial Statements are prepared on a going-concern basis unless it is inappropriate to presume that the company will continue in business for the foreseeable future.

The Audit Committee (AC) has reviewed the company Annual Financial Statements and has recommended their approval to the Board of Directors. In preparing the company Annual Financial Statements, the company has complied with IFRS and the Companies Act. In addition, the company has complied with the requirements of the PFMA.

The company used appropriate accounting policies supported by reasonable judgments and estimates. Judgments and estimates that are made in accordance with IFRS, which have a significant impact on the Annual Financial Statements, are disclosed in the notes to the Annual Financial Statements.

The Board of Directors has every reason to believe that the company has adequate resources and facilities in place to be able to continue in operation for the foreseeable future. Therefore, the Board of Directors is satisfied that the company is a going concern and has continued to adopt the going-concern basis in preparing the Annual Financial Statements.

The internal audit activities are performed in accordance with the pre-approved internal audit plan. The internal audit plan is reviewed and approved by the AC annually. The company Internal Audit department executed the internal audit plan during the year and has provided assurance to the Board of Directors as to the state of the internal controls of the company. Its assessment of the internal controls of the company is included in the AC report. The AC has reviewed the effectiveness of the company internal controls and considers the systems appropriate for the effective operation of the company.

The external auditor, AGSA, is responsible for independently auditing and reporting on the Annual Financial Statements. The unqualified audit report has been examined by the company external auditors and their report is presented on page 12.

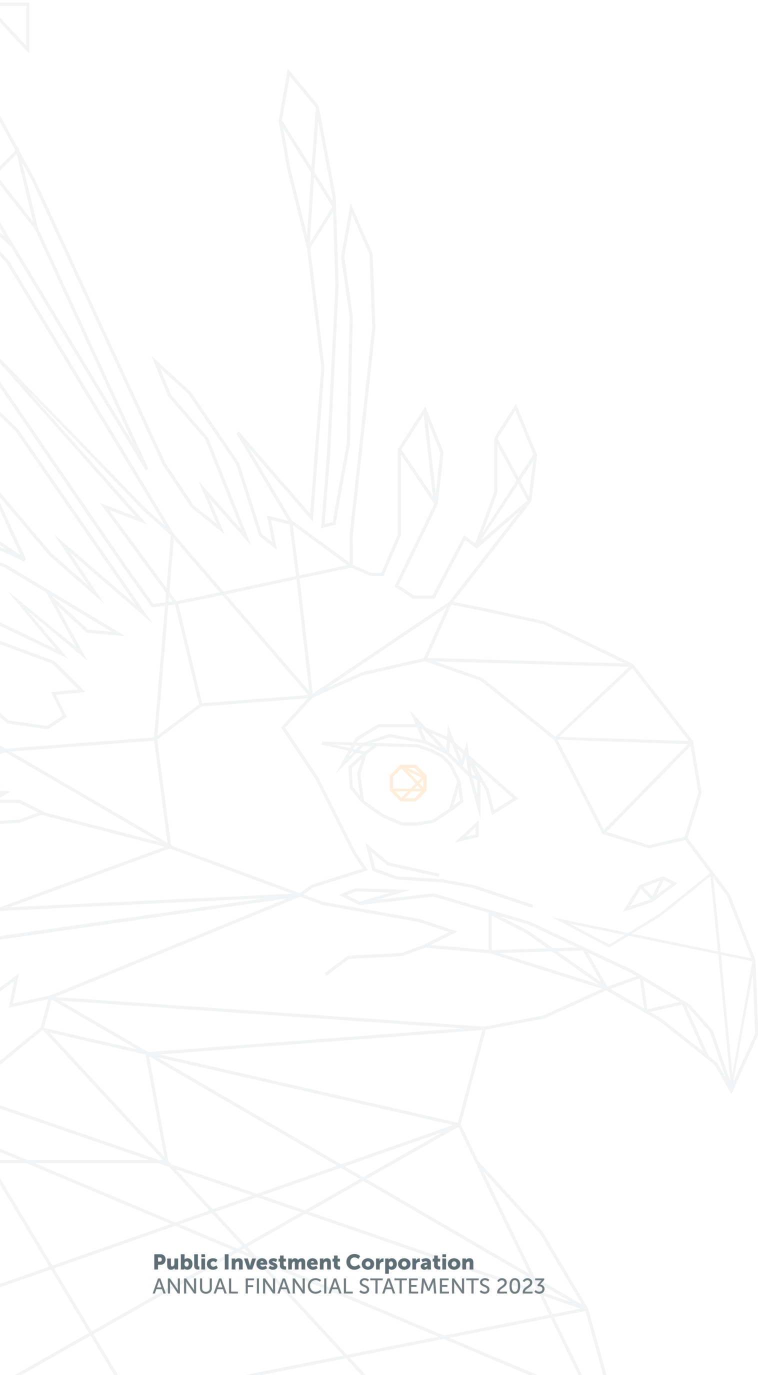
The Board of Directors is of the opinion that the company complied with applicable laws and regulations. The Board of Directors is of the opinion that these Annual Financial Statements fairly represent the financial position of the company as at 31 March 2023 and the results of its operations and cash flow information for the financial year ended 31 March 2023.

Dr David Masondo
Chairperson

COMPANY SECRETARY'S CERTIFICATION

In terms of Section 88(2) of the Companies Act of 2008, as amended, I certify that, to the best of my knowledge and belief, the PIC has lodged with the Registrar of Companies for the period ended 31 March 2023 all such returns and notices as are required of a state-owned company in terms of the Companies Act of 2008, as amended, and that all such returns and notices are true, correct and up to date.

Ms Bongani Maserumule
Company Secretary



AUDIT COMMITTEE REPORT

The PIC Audit Committee is a statutory committee constituted in terms of the Companies Act, 71 of 2008, as amended, and the Public Finance Management Act, 1 of 1999, as amended (PFMA). All members, including the Chairperson, are independent Non-Executive Directors.

The committee is pleased to present its 2022/23 report, which aligns with the requirements of the Companies Act, the King IV™ Report on Corporate Governance in South Africa of 2016, (King IV™), and other regulatory requirements. The committee carried out its responsibilities and oversight functions independently, including those relating to the audit and financial reporting obligations set out in its terms of reference. These terms of reference are approved by the Board and reviewed annually.

Composition, independence and governance

The Audit Committee comprises four Independent Non-Executive Directors who meet the independence requirements of Section 94 of the Companies Act and of King IV™. They have an appropriate mix of knowledge and experience to carry out their duties. Each member's qualifications and experience are set out in their profiles in the Integrated Annual Report on pages 132 to 135.

The Chairperson of the Audit Committee maintains regular contact with the Chief Executive Officer (CEO) and Acting Chief Finance Officer (ACFO) for direct discussions. The PIC's executive management, internal auditors, external auditors and other assurance providers attended all Audit Committee meetings ex-officio. The agenda allows for management and the internal and external auditors to meet independently with Audit Committee members as well as for meetings of committee members only. The Head of Internal Audit and the external auditors have direct access to the committee to discuss any matter they regard as relevant to the fulfillment of the committee's responsibilities.

The Audit Committee Chairperson reports to the Board on the committee's activities and matters discussed at each meeting, highlighting key items that require action and providing recommendations for the Board's resolution.

The performance of the PIC Board and all its committees is evaluated every second year, with the Institute of Directors South Africa (IODSA) having conducted the most recent assessment in March 2023, following the Board's one-year anniversary in November 2022.

Roles and responsibilities

The Audit Committee assists the Board in its oversight of the PIC's financial reporting processes, systems of internal financial controls and processes for monitoring compliance with laws and regulations.

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

Combined assurance

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

The Combined Assurance Forum was established during 2021/22 to implement the approved Combined Assurance Framework and its terms of reference were approved by the Audit Committee. The forum brings together key role-players to review and update significant risks and responses in assessing potential assurance gaps in oversight per risk item. Progress against the Combined Assurance Plan, gaps in assurance and the adequacy of assurance provided are reported to the Audit Committee. The Combined Assurance Forum shared information on and challenged the following functions during its meetings of 2022/23:

- Key focus areas for 2023/24;
- Draft plans and coverage for 2023/24; and
- Adequacy of the Combined Assurance Plan in covering sufficient risk types and categories across the organisation.

The committee acknowledged the need for further improvement in embedding combined assurance within the business and efforts in this regard continue.

Internal control

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

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

The PIC maintains a strong risk culture and has implemented adequate and effective internal financial controls to ensure the integrity and reliability of the annual financial statements. Deficiencies in design and operating effectiveness identified by the three lines of defence were reported to the Audit Committee.

The committee reviewed reports from management, the Head of Internal Audit and the external auditors, and considered the effectiveness of internal financial controls. It is satisfied that the system is adequately designed and operates effectively, providing a solid foundation for preparing reliable financial reports.

The committee has reviewed the effectiveness and of the company internal controls and considers the system appropriate for the effective operation of the company.

During the year under review, there were not significant control deficiencies identified in the control environment of the company.

External audit

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

During the year under review, the committee:

- Monitored the effectiveness, expertise and independence of the external auditors;
- Approved the external auditors' audit plan and scope of work for 2022/23, confirming suitable reliance on Internal Audit and the appropriateness of key audit risks identified;
- Approved the external auditors' fees for 2022/23 in accordance with Section 94(7)(b) of the Companies Act;
- Confirmed that no reportable irregularities were identified nor reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005, as amended; and
- Reviewed the findings and recommendations of the external auditors and confirmed that no material matters were unresolved.

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

- An audit of the annual financial statements;
- An audit of performance against strategic objectives;
- An audit of compliance with laws and regulations;
- An audit of assets under management; and
- A limited assurance engagement that tested and provided limited assurance on the PIC's compliance with the Financial Advisory and Intermediary Services Act, 37 of 2002.

To safeguard the external auditors' independence and eliminate perceptions of a conflict of interest, the external auditors did not perform any non-audit services for the PIC during the year under review.

As a Committee, we recognise the importance of maintaining the independence of the External Auditors, both in fact and appearance. Each year, the Committee evaluates the qualifications, performance, and independence of the External Auditors. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the auditors, the auditors' capabilities, technical expertise and knowledge of the Corporation's operations and industry. This assessment was made after considering the auditors' audit strategy document continuous monitoring and approval of non-audit services and a formal partner rotation process.

Internal Audit

The PIC's Head of Internal Audit reports functionally to the Audit Committee and administratively to the CEO. Internal Audit is a key independent internal assurance provider, an integral part of the PIC's risk management process and forms the third line of defence. The Audit Committee utilises reports on the activities of Internal Audit and those from other assurance providers, to assess the adequacy and effectiveness of internal control and risk management.

During the period under review, the committee approved the Internal Audit Charter and Internal Audit Plan and monitored their implementation by:

- Receiving and reviewing Internal Audit reports on the effectiveness of internal controls, systems and processes, as well as the adequacy and appropriateness of management's corrective action plans, including potential improvements to those processes;
- Monitoring and evaluating the effectiveness of Internal Audit in terms of scope, plan execution, coverage, independence, skills, staffing, performance, and position in the organisation;
- Monitoring and challenging, where appropriate, management actions on adverse internal audit findings;
- Ensuring that the Head of Internal Audit has direct access to the CEO, the Audit Committee Chairperson, and the Board, as required;
- Considering the performance of the Head of Internal Audit and satisfying itself that he possesses the expertise to meet his responsibilities;
- Ensuring that Internal Audit complied with the reporting and independence requirements of its charter;
- Confirming that Internal Audit has adhered to the standards set forth by the International Institute of Internal Auditors; and
- Reviewing the favourable findings and 'generally conforms' rating from the Mazars' independent external quality assurance review, noting its recommendations for further improvement and receiving quarterly reports from the Head of Internal Audit on their implementation.

Internal Audit performed all its planned engagements for 2022/23. The Audit Committee is satisfied that Internal Audit is independent and appropriately resourced to provide objective assurance on the adequacy and effectiveness of the PIC's internal control environment. It is further satisfied that Internal Audit epitomises professional objectivity in gathering, evaluating, and communicating information, and demonstrates the highest level of ethics.

Financial, legal, compliance and regulatory reporting requirements

The Audit Committee received regular reports from the ACFO on the financial performance of the PIC, the tracking and monitoring of strategic objectives, and details of budgets, forecasts, long-term plans and capital expenditures, financial reporting controls and processes, and the adequacy and reliability of management information used for financial reporting. The Audit Committee considered and is satisfied with, the expertise and experience of the ACFO in preparing the annual financial statements and believes that the finance function has the expertise and resources to support the ACFO.

The PIC's Head of Regulatory Compliance reports functionally to the Audit Committee and administratively to the CEO. The committee monitored and supervised the functioning, effectiveness, and performance of the compliance function. This function is part of the PIC's compliance risk management and internal control and of its combined assurance. The committee assessed compliance with all statutory requirements of the Companies Act, King IV™, the PFMA, the Financial Advisory and Intermediary Services Act, the Financial Intelligence Centre Act and other regulations, and confirmed that the PIC executed its responsibilities as a financial services provider, registered with the Financial Services Conduct Authority.

The Audit Committee approved the Compliance Charter and risk-based Compliance Annual Plan and monitored their implementation. The compliance function performed all planned compliance reviews and related activities during 2022/23. The committee considered reports on compliance reviews conducted by the compliance function and management's remedial actions on compliance risks identified during the reviews.

Annual financial statements and integrated reporting

In complying with Section 55(1) of the PFMA, as amended, the PIC's unaudited annual financial statements and unaudited Annual Performance Report should be submitted to the National Treasury and the Auditor-General of South Africa within two months of the end of the financial year, i.e. 31 March. The Audit Committee:

- Found the reporting process and controls used to compile the financial information to be effective and appropriate;
- Assessed and confirmed the appropriateness of the going-concern assumption used in the annual financial statements, considering management budgets and capital and liquidity profiles;

The Audit Committee **approved the Compliance Charter and risk-based Compliance Annual Plan** and monitored their implementation.

- Reviewed the 2022/23 unaudited annual financial statements and related disclosures, and the unaudited performance against strategic objectives at 31 March 2023, recommending them to the Board for submission to the National Treasury and the Auditor-General of South Africa on or before 31 May 2023;
- Reviewed the 2022/23 audited annual financial statements and related disclosures and the audited performance against strategic objectives at 31 March 2023; and
- Reviewed and discussed the 2022/23 integrated report, reporting process and governance and financial information contained therein, after having considered recommendations from the other Board committees.

Key judgments and estimates

The Audit Committee (AC) has reviewed the company Annual Financial Statements and has recommended their approval to the Board of Directors. In preparing the company Annual Financial Statements, the company has complied with IFRS, the Companies Act and with the requirements of the PFMA.

AC has reviewed the company appropriate accounting policies supported by reasonable judgments and estimates. AC is satisfied that key judgments and estimates that are made in accordance with IFRS, which have a significant impact on the Annual Financial Statements are reasonable and appropriate.

Management made the following key significant judgments in preparing the annual financial statements for the year ended 31 March 2023:

Expected credit loss (ECL)

The PIC uses the impairment model to calculate ECL, which is based on changes in credit quality from the initial recognition of promissory notes and fixed deposits. The ECL model has been used since 1 April 2018, when the PIC implemented IFRS 9.

ECL is determined using the formula:

probability of default (derived from Moody's credit rating) ⊗ **exposure** at default (from the investment system HiPortfolio) ⊗ **loss given** default (based on the Basel Framework).

Revenue clawback assessment

Contingent liability

Right of use

Information and technology

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

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

Whistleblowing

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

Year-end valuations

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

The Audit Committee receives the year-end valuations from the external experts and subsequently recommends them to PIC clients. The committee expressed satisfaction with the valuations report.

Conclusion

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

The committee extends its gratitude to management and the Board for their support, as well as to the external auditor for its services, dedication, diligence and cooperation.

Ms Ntombifuthi Mtoba
Chairperson: Audit Committee

REPORT FROM THE BOARD OF DIRECTORS

The Board of Directors is pleased to present the Annual Financial Statements of the Public Investment Corporation SOC Limited for the period ended 31 March 2023.

1. Nature of business

The PIC is incorporated and domiciled in the Republic of South Africa. It is a schedule 3B state-owned entity as defined in the PFMA. The company provides asset management services primarily to public sector entities. It operates principally in South Africa, but also invests offshore and within the continent.

The company Annual Financial Statements for the year ended 31 March 2023 were authorised for issue in accordance with a resolution passed by the Board of Directors on 28 July 2023.

There have been no material changes to the nature of the company business from the prior financial year.

2. Financial results

The company business model was designed and developed to focus on financial sustainability as per the PIC's three-year Corporate Plan (2022/23/ to 2024/25 Financial year (FY)) and there is monthly monitoring of financial targets, as well as cost containment measures implemented throughout the year. The Corporate Plan sets up short-term to medium-term key strategic objectives to operationalise and implement the long-term strategy of the PIC.

In the period under review, revenue was R1.220bn (2022: R1.062bn) and net operating profit was R222m (2022: R305m). In the period under review when compared to prior year, the net operating profit decreased by 28% because of the listed instrument fair value loss of R125 million in the current year compared to the previous year's listed instrument fair value profit of R149 million.

Full details of the financial position, profit or loss and other comprehensive income and cash flows of the company are set out in these Annual Financial Statements from page 18 to 77.

3. Share capital

There were no changes to the authorised or issued share capital during the year under review.

4. Dividends

On 28 July 2023, the PIC Board of directors declared a dividend of R141 million (2022: R0 dividends declared). The dividend declared is subject to the shareholders authorisation at the Annual General Meeting.

5. Directorate

The directors in office at the date of this report are as follows:

Directors

Dr David Masondo (Chairperson) (Non-Executive Director)
Ms Ntombifuthi Mtoba (Deputy Chairperson) (Non-Executive Director)
Mr Abel Sithole (CEO) (Executive Director)
Mr Kabelo Rikhotso (CIO) (Executive Director)**
Mr Brian Mavuka (Acting CFO) (Executive Director)
Ms Makano Mosidi (CTO) (Executive Director)*
Mr Frans Baleni (Non-Executive Director)
Prof Bonke Dumisa (Non-Executive Director)
Mr Ben Hlaise (Non-Executive Director)
Ms Tryphosa Ramano (Non-Executive Director)
Ms Barbara Watson (Non-Executive Director)
Mr Lufuno Mulaudzi (Non-Executive Director)
Ms Beverley Bouwer (Non-Executive Director)
Mr Mongwena Maluleke (Non-Executive Director)

Appointment and resignation

* Ms Makano Mosidi resigned on 15 February 2023
** Mr Kabelo Rikhotso appointed on 15 February 2023

6. Related party transactions

Details of related party transactions are disclosed in note 32 of the Annual Financial Statements.

7. Internal financial controls

During the year under review, the Board of Directors, through the AC, assessed the results of the formal documented review of the company system of internal controls and risk management, including the design, implementation and effectiveness of the internal financial controls conducted by Internal Audit, and considered the information and explanations given by management and discussions with the external auditor on the results of the audit.

Based on the results obtained, nothing has come to the attention of the Board of Directors that has caused it to believe that the company system of internal financial controls does not form a sound basis for the preparation of reliable financial statements.

According to Treasury Regulations (paragraph 28) and the PFMA (section 55), the Annual Financial Statements must include a report by the Accounting Authority, that discloses remuneration of all members of the Accounting Authority, who are the company Non-executive and Executive directors and senior management, refer to note 33. As per the Companies Act, no 71 of 2008, (paragraph 30(5)), the Annual Financial Statements must show the amount of any remuneration or benefits paid or receivable by all members of the Accounting Authority. The details of the disclosure are included in the disclosure of remuneration.

8. Corporate governance

The PIC's directors endorse the King IV Report on Corporate Governance and implemented the principles contained therein during the review period.

9. Special resolutions

There was no special Board resolution in the current year.

10. Events after reporting period

The directors are not aware of any material event after the reporting date and up to the date of this report.

11. Going concern

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the Annual Financial Statements were been prepared on a going-concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient resources to fund its liabilities. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

12. Judicial proceedings

The former CFO lodged an unfair labour practice dispute with the Council for Conciliation, Mediation and Arbitration against the PIC. The ruling of the CCMA is currently before the Labour Court and is likely to be heard towards the middle of 2024.

13. Auditors

AGSA is the registered auditor of the company. Harith Fund Managers (Pty) Ltd, Harith General Partners (Pty) Ltd, Bophelo Insurance Group's (BIG) and SA SME Fund Ltd are the company associates. The auditors of Harith Fund Managers (Pty) Ltd and Harith General Partners (Pty) Ltd are BDO South Africa Inc and Bophelo Insurance Group's (BIG) subsidiaries which are Nzalo Insurance Service Limited and Bophelo Life Insurance Limited are currently going through liquidation, thus there are no planned audits on them. The auditor of SA SME Fund Ltd is Deloitte.

AGSA was given unrestricted access to all financial records and related data, including minutes of all meetings of the company. The Board of Directors believe that all representations made to the external auditor during the audit are valid and appropriate.

14. Holding company

The company is 100% owned by the National Government of the Republic of South Africa. The Shareholder representative is the Minister of Finance. The company oversight department is National Treasury.

The Annual Financial Statements, which have been prepared on the going-concern basis, were approved by the Board of Directors on 28 July 2023, and were signed on its behalf by:

Approval of Annual Financial Statement.

Dr David Masondo
Chairperson
Non-Executive Director

INDEPENDENT AUDITOR'S REPORT

Report of the Auditor-General to Parliament on
the Public Investment Corporation SOC Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Public Investment Corporation SOC Limited (PIC) set out on pages 18 to 77, which comprise the statement of financial position as at 31 March 2023, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the PIC as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act of South Africa 71 of 2008 (Companies act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

National Treasury Instruction Note 4 of 2022-23: PFMA Compliance and Reporting Framework

7. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in notes 39 and 36 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of the PIC. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.
8. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report (if any).

Responsibilities of the accounting authority for the financial statements

9. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the PFMA and the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going-concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

11. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

13. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
14. I selected the following objectives presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected objectives that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

OBJECTIVE	PAGE NUMBERS*	PURPOSE
Financial efficiency	10-15	To improve PIC`s financial sustainability and going concern through efficient operations and cost containment.
Customer/stakeholders	10-15	To meet and exceed client benchmark portfolio returns and compliance with client risk parameters. To drive and facilitate transformation through investment activities in both listed and unlisted investments.

* 2023 Integrated Annual Report

15. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides the users with useful and reliable information and insights on the public entity's planning and delivery on its mandate and objectives.

16. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
    - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
    - the indicators and targets reported on in the annual performance report are the same as were committed to in the approved initial or revised planning documents
    - the reported performance information is presented in the annual performance report in the prescribed manner
    - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
17. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.
18. I did not identify any material findings on the reported performance information for the selected objectives.

Other matter

19. I draw attention to the matter below. I did not identify any material findings on the reported performance information selected objectives.

Achievement of planned targets

20. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievements.

REPORT ON COMPLIANCE WITH LEGISLATION

21. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
22. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
23. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
24. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Assets under management

25. Some of the investment activities performed did not, in all instances, comply with investment policies and guidelines, as required by section 10(1) of the PIC Amendment Act 14 of 2019 (PIC Amendment Act). The following non-compliance was identified:
    - In some instances, the risk relating to politically exposed persons (PEPs) identified was not assessed to ensure that the necessary enhanced due diligence and enhanced monitoring processes are applied to the high-risk PEPs identified, as required by the established policy.

OTHER INFORMATION IN THE ANNUAL REPORT

26. The accounting authority is responsible for the other information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information referred to does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
27. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
28. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
29. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

30. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation. However, my objective was not to express any form of assurance on it.
31. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.
32. In some instances, management did not implement adequate measures to ensure that risks relating to PEPs are assessed and enhanced monitoring is performed, as the established policy requires due to inadequate oversight.

OTHER REPORTS

33. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Audit-related services

34. At the request of the PIC, a limited assurance engagement was conducted by AGSA to review compliance with section 19(3) of the Financial Advisory and Intermediary Services Act 37 of 2002. The report covered the period 1 April 2022 to 31 March 2023 and was issued on 31 July 2023.

Auditor General

Pretoria
31 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

The annexure includes the following:

- the Auditor-general's responsibility for the audit; and
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgment and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made;
- Conclude on the appropriateness of the use of the going-concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

LEGISLATION	SECTIONS OR REGULATIONS
Public Finance Management Act No.1 of 1999 (PFMA)	51(1)(a)(iii), 51(1)(a)(iv), 51(1)(b)(i), 51(1)(b)(ii), 51(1)(e)(iii) 52(b) 54(2)(c), 54(2)(d) 55(1)(a), 55(1)(b), 55(1)(c)(i) 56 57(b), 57(d) 66(3)(b)
Treasury Instruction Note 11 of 2020/21	Paragraph 3.1, 3.4(b), 3.9, 6.1, 6.2, 6.7
National Treasury Instruction Note 3 of 2021/22	Paragraph 4.1, 4.2, 4.2(b), 4.3, 4.4, 4.4(c), 4.4(d), 4.6 Paragraph 5.4
National Treasury Instruction Note 3 of 2019/2020	Paragraph 5.5.1(vi), 5.5.1(x)
National Treasury Instruction (NTI) 4A of 2016/17	Paragraph 6
National Treasury Instruction Note 4 of 2015/16	Paragraph 3.4
National Treasury Instruction No 5 of 2020/21	Paragraph 5.1 and 5.3
Second amendment of NTI 05 of 2020/21	Paragraph 4.8, 4.9, 5.1, 5.3
Erratum NTI 5 of 2020/21	Paragraph 1
Erratum NTI 5 of 2020/21	Paragraph 2
Treasury Regulations for departments, trading entities, constitutional institutions and public entities National Treasury Instruction	Regulations 29.1.1, 29.1.1(a), 29.1.1(c), 29.2.1, 29.2.2, 29.3.1, 31.2.5, 31.2.7(a), 33.1.1, 33.1.3
PFMA Supply Chain Management Instruction 08 of 2022/23	Paragraph 3.2 Paragraph 4.3.2, 4.3.3
Companies Act and regulations and instructions issued in terms of the Act	Section 45(2), 45(3)(a)(ii), 45(3)(b)(i), 45(3)(b)(ii), 45(4) Section 46(1)(a), 46(1)(b), 46(1)(c) Section 112(2)(a) Section 129(7)
Competition Act	Section 4(1)(b)(ii)
Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)	Section 1 and 2.1(a)
Construction Industry Development Board Act, 2000 (CIDB)	Section 18(1) Section 22(3)
CID Regulations	CID regulation 17, 25(1), 25(5) and 25(7A)
Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004)	Section 34(1)
Preferential Procurement Regulations 2017	Paragraph 4.1 and 4.2 Paragraph 5.1, 5.3, 5.6, 5.7 Paragraph 6.8 Paragraph 7.8 Paragraph 9.1 Paragraph 10.1 and 10.2 Paragraph 11.1
Preferential Procurement Regulation 2022	Paragraph 5.1, 5.2, 5.3, 5.4
Public Investment Corporation Act, 2004 (Act No.23 of 2004) (PIC Act) and the Public Investment Corporation Amendment Act, 2019 (Act No. 14 of 2019) (PIC Amendment Act)	Section 10(1), 10(2), 10(3) and 10(4)

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

Figures in Rand thousand	Note(s)	2023	2022
Assets			
Non-current Assets			
Property, plant and equipment	4	39,087	47,636
Right of use assets	5	87,030	100,176
Intangible assets	6	45,396	47,343
Investments in associates	7	356,328	345,364
Deferred tax	10	149,441	98,334
		677,282	**638,853**
Current Assets			
Trade and other receivables	12	337,021	166,288
Financial assets at fair value through profit or loss	8	2,327,797	2,477,278
Financial assets at amortised cost	13	38,165	96,669
Current tax receivable	11	16,258	95,147
Cash and cash equivalents	14	1,134,303	792,408
		3,853,544	**3,627,790**
Total Assets		**4,530,826**	**4,266,643**
Equity and Liabilities			
Equity			
Share capital	15	1	1
Reserves	16&17	962,980	962,980
Retained income		2,932,707	2,710,978
		3,895,688	**3,673,959**
Liabilities			
Non-current Liabilities			
Lease liabilities	5	129,323	150,860
Provisions	18	118,531	133,396
		247,854	**284,256**
Current Liabilities			
Trade and other payables	19	30,957	51,705
Lease liabilities	5	26,115	21,017
Provisions	18	231,212	136,706
Dividend payable	29	99,000	99,000
		387,284	**308,428**
Total Liabilities		**635,138**	**592,684**
Total Equity and Liabilities		**4,530,826**	**4,266,643**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

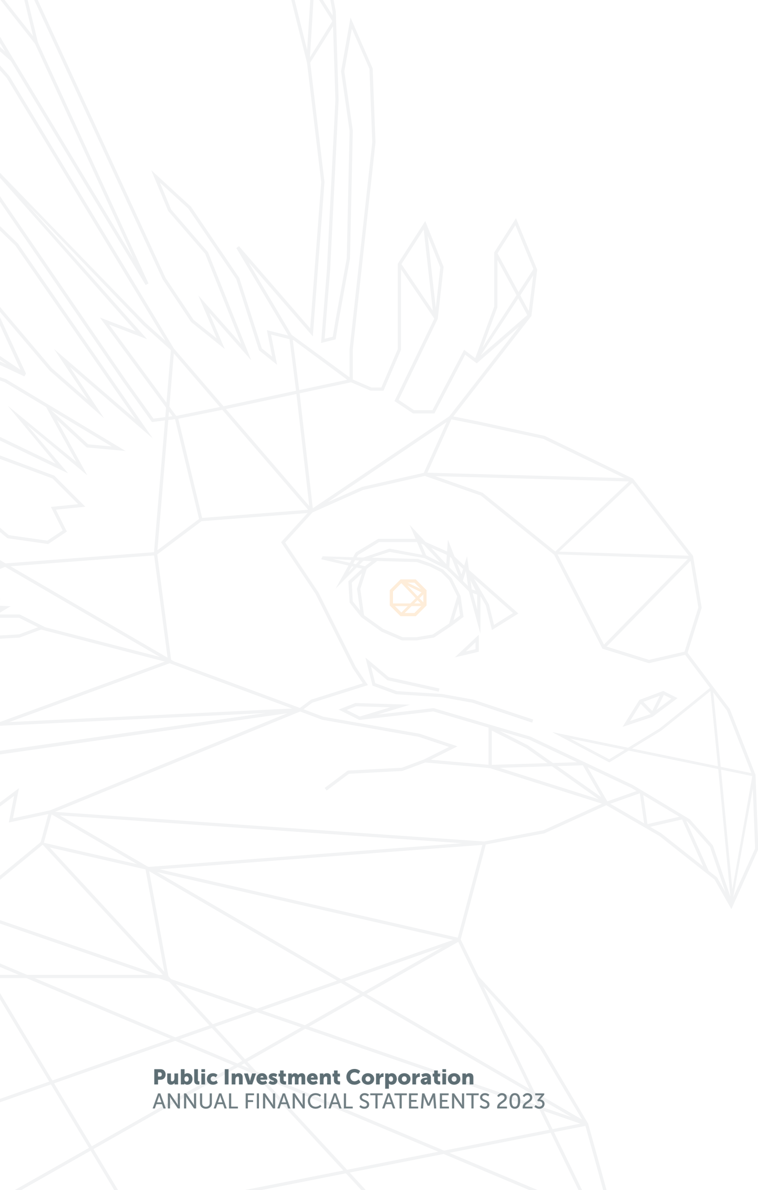
FOR THE YEAR ENDED 31 MARCH 2023

Figures in Rand thousand	Note(s)	2023	2022
Revenue	20	1,220,432	1,061,705
Other operating income	21	3,420	5,927
Unrealised gain or (loss) on financial asset at fair value through profit/loss		(125,135)	149,042
Impairment (losses) or gains on financial assets at amortised cost		96	1,786
Other operating expenses		(1,070,212)	(1,132,924)
Operating profit	22	**28,601**	**85,536**
Investment income	23	253,397	212,052
Finance costs	24	(11,458)	(17,613)
Income from equity accounted investments	7	14,184	74,492
Profit before taxation		**284,724**	**354,467**
Taxation	25	(62,995)	(49,965)
Profit for the year		**221,729**	**304,502**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Share of comprehensive income of equity accounted investments		-	(1,807)
Other comprehensive income for the year net of taxation		**-**	**(1,807)**
Total comprehensive income for the year		**221,729**	**302,695**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

Figures in Rand thousand	Share Capital	Foreign Currency Translation Reserve	Non-distributable Reserves	Retained Income	Total Equity
Balance at 01 April 2021	1	29,195	935,592	2,406,476	3,371,264
Profit for the year	-	-	-	304,502	304,502
Other comprehensive income	-	(1,807)	-	-	(1,807)
Total comprehensive income for the year	-	(1,807)	-	304,502	302,695
					3,673,959
Balance at 01 April 2022 as restated	1	27,388	935,592	2,710,978	3,673,959
Profit for the year	-	-	-	221,729	221,729
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	221,729	221,729
Balance at 31 March 2023	1	27,388	935,592	2,932,707	3,895,688
Note(s)	15	16	17		



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

Figures in Rand thousand	Note(s)	2023	2022
Cash flows from operating activities			
Cash generated from operations	26	128,455	100,066
Interest income		143,132	69,863
Finance costs		(11,380)	(17,613)
Tax paid	27	(87,965)	(74,004)
Net cash from operating activities		**172,242**	**78,312**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(4,082)	(8,212)
Sale of property, plant and equipment	4	-	138
Purchase of intangible assets	6	(1,677)	(6,636)
Financial assets at amortised cost additions		(5,457)	(545,000)
Financial assets at amortised cost disposals		67,276	813,547
Purchase of investments at fair value		(57,077)	(226,292)
Sale of investments at fair value		135,568	62,093
Dividends received from listed investments		52,899	41,146
Dividends received		3,220	-
Net cash from investing activities		**190,670**	**130,784**
Cash flows from financing activities			
Payment on lease liabilities		(21,017)	(25,229)
Total cash movement for the year		**341,895**	**183,867**
Cash at the beginning of the year		792,408	608,541
Total cash and cash equivalents at end of the year	14	**1,134,303**	**792,408**

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The principal accounting policies applied in the preparation of these Annual Financial Statements are set out below.

1.1 Basis of preparation

The Annual Financial Statements have been prepared on the going-concern basis in accordance with International Financial Reporting Standard (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations issued, the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements issued by the Financial Reporting Standards Council, the Public Finance Management Act (PFMA) effective at the time of preparing these Annual Financial Statements and the requirements of the Companies Act.

The Annual Financial Statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies that follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company functional currency.

These accounting policies are consistent with those of the previous period, except for the IFRS changes below and also set out in note 2 and note 3 of the accounting policies. Disclosures and accounting policies have been amended as relevant.

New and amended standards adopted by the PIC:

The PIC applied the following standards and amendments for the first time in its annual reporting period commencing 1 April 2022:

IAS 12 Income Tax (amendment)

The PIC leases IT equipment and land and buildings, which are recognised as right-of-use assets. The PIC implemented the new standard in its Annual Financial Statements for the year ending 31 March 2023. Refer to note 2 and note 3 of the accounting policy for the amendment impact on the Annual Financial Statements.

1.2 Significant judgments and sources of estimation uncertainty

The company makes judgments, estimates and assumptions concerning the future when preparing the Annual Financial Statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition

In making its judgment, management considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, the committed capital and fees clawback.

The PIC has assessed the reduction of the fund size of the Isibaya Fund III with committed capital of R25 billion as low, based on the assessment performed PIC should be able to deploy the R25 billion within five years of the committed period. As such, the clawback risk has been assessed as low at year end. The PIC has not collected on any performance fees to consider any clawback.

Long-term employee incentives

The long-term employee Incentives (LTI) are recognised and accrued in the year the service was rendered, but paid only after the vesting period. The trigger for the allocation of the LTI is if the company has made at least 10% of net income over management fees and achieved a performance rating of 3.

The scheme is to attract, retain and reward high performing management. The company management is eligible to participate in the LTI scheme only if the company achieves an overall performance rating of 3 and if a manager achieves a minimum individual performance rating of 3.5.

The long-term Incentive pool is measured at 36% of a certain percentage (based on the company score as per the remuneration policy) of the profit before tax. The assumption includes a % of probability of payment based on payment history and considering the time value of money (if material). Refer to note 18.

Contingent Liabilities

In terms of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the entity. Various judgments and assumptions are therefore required in order to determine the possible obligation and if contingent liabilities are required to be disclosed. With regards to the assessment of matters of a significant nature, including potential litigation and claims, management relies on the advice of the company legal department.

Refer to note 39 for details of contingencies disclosed.

Expected Credit Loss (ECL)

The ECL for financial assets is based on assumptions about risk of default and expected loss rates. The company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the company past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

The company recognises 12-month ECL for stage 1 financial instruments. If the credit risk of the financial instrument deteriorates such that it poses a significant increase in credit risk since initial recognition, the company recognises lifetime ECL and migrates the financial instrument to stage 2. When the instrument defaults, it moves to stage 3 as a credit impaired financial instrument and lifetime ECL recognised.

The company investment mandates state that in order to diversify and to minimise excessive credit exposure to a single counterparty, the company will invest only in institutions that have a credit rating of at least A or A3 from one of the recognised domestic and/or international credit rating agencies. If the issuer credit rating falls below the credit rating of A or A3, the company will sell the instrument if there is a market.

At each reporting date the company assesses whether there has been a significant increase in credit risk exposure since initial recognition by comparing the probability of default, over the remaining expected life, at the reporting date with that on the date of initial recognition.

1.3 Property, plant and equipment

Property, plant and equipment are defined as tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised only when:

- It is probable that future economic benefits associated with the item will flow to the company; and
- The cost of the item can be measured reliably.

Items of property, plant and equipment are initially recognised at cost if it is probable that future economic benefits associated with the items will flow to the company and they have a cost that can be measured reliably.

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Property, plant and equipment are depreciated on a straight -line basis at rates calculated to reduce the cost price of these assets to estimated residual values over their expected useful lives. Subsequent costs are included in the assets’ carrying amount only when it is probable that future economic benefits associated with the line item will flow to the company and the cost of the item can be reliably measured.

Property, plant and equipment useful lives and residual values are reviewed on an annual basis with the effects of any changes in estimates accounted for on a prospective basis. In determining residual values, the company uses historical sales or acquisitions and management’s best estimate based on market prices of similar items. Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset and physical wear and tear.

The useful lives of items of property, plant and equipment have been assessed as follows:

	AVERAGE
Furniture and fixtures	5 – 10 years
Motor vehicles	5 – 8 years
Office equipment	5 – 8 years
IT equipment	3 – 5 years
Leasehold improvements	2 – 10 years or lease term

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

The carrying values of property, plant and equipment are written down to their estimated recoverable amounts, where the estimated recoverable amount is lower than the carrying value. The recoverable amount for property, plant and equipment is determined as the higher of the asset's fair value less costs to sell and the value in use.

All gains or losses arising on the disposal or scrapping of property, plant and equipment are recognised in profit or loss in the period of disposal or scrapping. Repairs and maintenance are charged to profit and loss when the expenditure is incurred.

1.4 Intangible assets

Intangible assets are defined as identifiable, non-monetary assets without physical substance. No intangible asset is recognised when arising from research. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Subsequent expenditure relating to intangible assets is capitalised when it is probable that future economic benefits from the use of the assets will be increased and will be realised. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

Surpluses and deficits on the disposals of intangible assets are recognised in profit or loss. The surplus or deficit is the difference between the disposal proceeds and the carrying value of the asset at the date of sale.

The company intangible assets with finite useful lives make the judgments surrounding the estimated useful lives and residual values critical to the company financial position and performance. Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The useful life is determined with reference to the licence term of the computer software. For unique software products controlled by the company, the useful life is based on historical experience with similar assets as well as anticipation of future events such as technological changes, which may impact the useful life. Useful lives of other intangible assets are based on management's estimates and take into account historical experience as well as future events that may impact the useful lives.

Amortisation is charged to profit or loss on a straight-line basis and is calculated to reduce the original costs to the expected residual values over the estimated useful lives.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

ITEM	AMORTISATION METHOD	AVERAGE USEFUL LIFE
Computer software	Straight line	3 – 5 years
Other intangible assets	Straight line	Indefinite

1.5 Investments in associates

An associate is an entity over which the company has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the entity. This is generally demonstrated by the company holding in excess of 20%, but no more than 50%, of the voting rights. The existence of significant influence by the company is usually evidenced in one or more of the following:

- representation on the Board of Directors or equivalent governing body of the investee;
- participation in the policymaking process, including participation in decisions about dividends or other distributions;
- material transactions between the entity and the investee;
- interchange of managerial personnel; or
- provision of essential technical information.

On initial recognition, the investment in associates is recognised at cost and the carrying amount is equity accounted. The company share of post-acquisition profit or loss and post-acquisition movements in other comprehensive income are recognised in the statement of profit or loss and other comprehensive income. The company applies the equity method of accounting from the date significant influence commences until the date significant influence ceases (or the associate is classified as held for sale). When the company share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil, inclusive of any long-term debt outstanding. The recognition of further losses is discontinued, except to the extent that the company has incurred legal or constructive obligations, or guaranteed obligations, in respect of the associate. If the associates reports profits, the company resumes recognising its share of those profits only after its share of the profit equals the share of losses not recognised.

When the company transacts with an associate, unrealised profits and losses are eliminated to the extent that there is no evidence of impairment.

In applying the equity method, the company uses the financial statements of the associate as of the same date as the financial statements of the company unless it is impracticable to do so. If it is impracticable, the most recent available financial statements of the associate or joint venture will be used, with adjustments made for the effects of any significant transactions or events occurring between the end of the two accounting periods. However, the difference between the reporting date of the associate and that of the investor cannot be longer than three months.

At each reporting date, the company determines whether there is objective evidence that the investment in associates are impaired. Objective evidence of impairment for an associate investment includes information about significant changes resulting in adverse effects that have taken place in the technological, market, economic or legal environment in which the associate operates, and indicates that the cost of the associate investment may not be recoverable. A significant or prolonged decline in the fair value of an associate investment below its cost is also considered objective evidence of impairment. The carrying amount of such investments is then reduced to recognise any impairment by applying the impairment methodology.

The accounting is discontinued from the date that the company ceases to have significant influence over the associate. The company measures at fair value any investment it has retained in the entity when significant influence is lost and recognises the resulting gain or loss in profit or loss. The gain or loss is measured as the difference between the fair value of this retained investment and the carrying amount of the original investment at the date significant influence or joint control is lost.

1.6 Financial instruments

Recognition and initial measurement

Financial assets or financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI).

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the company may irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Business model assessment

The company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported;
- the risks that affect the performance of the business model and its strategy for how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the company stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair-value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are SPPI:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money.

In assessing whether the contractual cash flows are SPPI, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the company considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms; and
- features that modify consideration of the time value of money.

Investment in equity instrument have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such equity instrument are measured at FVTPL unless the FVOCI option is selected.

Financial liabilities

An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below market interest rate; and
- contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

Reclassification:

Financial assets are not reclassified subsequent to their initial recognition, except when the company changes its business model for managing financial assets. Financial liabilities are not reclassified.

Derecognition:

Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk.

The company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Impairment

The company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- trade receivables.

No impairment loss is recognised on equity investments.

The company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured at 12-month ECL:

- debt instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The company considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The company does not apply the low credit risk exemption to any other financial instruments.

Twelve-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. Financial instruments for which 12-month ECL is recognised are referred to as 'stage 1' financial instruments. Financial instruments allocated to 'stage 1' have not undergone a significant increase in credit risk since initial recognition and are not credit impaired.

Lifetime ECL is the ECL that results from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL is recognised but that are not credit impaired are referred to as 'stage 2' financial instruments. Financial instruments allocated to 'stage 2' are those that have experienced a significant increase in credit risk since initial recognition but are not credit impaired.

Financial instruments for which lifetime ECL is recognised and that are credit impaired are referred to as 'stage 3' financial instruments.

Measurement of ECL

ECL is a probability weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive); and
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

When discounting future cash flows, the following discount rates are used:

- the original effective interest rate or
- an approximation thereof.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost, are credit impaired (referred to as 'stage 3 financial assets'). A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event; and
- the disappearance of an active market because of financial difficulties.

Presentation of allowance for ECL

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

Write-off

Debt instruments are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the company determines that the borrower or issuer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

Trade and other payables

Classification

Trade and other payables (note 19), excluding VAT payables and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Trade and other payables are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

Trade and other payables are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 24).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 34 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, bank balances and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Carrying values of cash and cash equivalents are considered a reasonable approximation of their fair values. Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition. Term deposits measured at amortised cost are presented as cash equivalents if they have a maturity of three months or less from financial position date. Term deposits measured at amortised cost with three months or less to maturity as at the financial position date are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose and are presented as cash equivalents.

1.7 Tax

Current tax assets and liabilities

Current taxation is the expected tax payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustment to taxation payable in respect of previous years (prior period tax paid).

Deferred tax assets and liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

Deferred tax is recognised in profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in equity or in other comprehensive income, or a business combination that is accounted for as an acquisition. The effect on deferred tax of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to equity or other comprehensive income.

Deferred tax liabilities are recognised for all taxable temporary differences.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination;
  - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and
  - at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

Differences relating to investments in subsidiaries, associates and jointly controlled entities to the extent that the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

A transaction that is not a business combination may lead to the initial recognition of an asset and a liability and, at the time of the transaction, affect neither accounting profit nor taxable profit. For example, at the commencement date of a lease, a lessee typically recognises a lease liability and the corresponding amount as part of the cost of a right of use asset. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of the asset and liability in such a transaction. The exemption provided by paragraphs 15 and 24 of IAS 12 does not apply to such temporary differences and an entity recognises any resulting deferred tax liability and asset.

A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination;
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and
- at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxation entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Tax expenses

Current and deferred taxes are recognised as income or an expense and are included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event that is recognised, in the same or a different period, directly to equity or other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.8 Leases

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16. This is applied on contracts entered into (or changed) on or after 1 April 2019.

Company acting as a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative standalone price. However, for the lease of head office premises the company has elected not to separate non-lease components and accounts for the lease and non-lease components as a single-lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; and
- variable lease payments that depend on a rate or index.

After the commencement date, a lessee shall measure the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- re-measuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in substance fixed lease payments.

The company presents lease assets under right-of-use assets and the related liabilities under lease liabilities on the face of the Statement of Financial Position (SOFP).

Short-term leases and leases of low value assets:

The company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Company acting as a lessor

At inception or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative standalone selling prices.

When the company acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

As part of this assessment, the company considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

Company as lessee

Right-of-use assets

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

Depreciation is calculated using the straight-line method over the lease term, as follows:

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Buildings	Straight line	Lease term
IT equipment	Straight line	Lease term

1.9 Impairment of non-financial assets

At each reporting date, the company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The company corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss.

1.10 Share capital and equity

Ordinary shares are classified as equity. Share capital issued by the company is recorded as the value of the proceeds received less the external costs directly attributable to the issue of the shares.

Dividends to equity holders are recognised as a liability (if unpaid) in the period in which they are declared and are accounted for in the Statement of Changes in Equity.

Ordinary shares are recognised at par value and classified as 'share capital' in equity.

1.11 Non-distributable reserves and other reserves

Foreign currency reserve

The company has associates that have foreign operations that are based outside of South Africa, and the foreign operation has a functional currency that is different from the company presentation currency (that is, the Rand). A foreign operation is a subsidiary, associate, joint venture, or branch whose activities are based in a country or currency other than that of the reporting entity. The functional currency is the currency of the primary economic environment in which the entity operates.

Prior to equity accounting, the assets and liabilities of non-Rand operations are translated at the closing rate and items of income, expense and Other Comprehensive Income (OCI) are translated into Rand at the rate on the date of the transactions. Exchange differences arising on the translation of foreign operations are recognised in OCI and accumulated in the foreign currency translation reserve. The amount recognised in such reserve is transferred to profit or loss when the company loses significant influence over the foreign operation or upon partial disposal of the operation.

Non-distributable reserves

The company makes a transfer of profits to the Non Distributable Reserve (NDR) on an annual basis. These reserves are not available for distribution.

The directors may use the NDR funds to fund future capital expenditure of the company, therefore ensuring the financial sustainability of the company.

1.12 Operating expenses

Operating expenses reflect costs incurred during the reporting period and relate to operating activities of an entity. Expenses are recognised on the basis of accrual, regardless of the time of paying those expenses.

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits consist of salaries, accumulated leave payments, bonus and any non-monetary benefits such as medical aid contributions.

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under the short-term benefits if the company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

Long-Term Incentives

On an annual basis, the LTI provision will be re-measured taking into account the probability of payout at the end of the vesting period. The best estimate of the amount that will be paid will be determined by using the historical analysis of the payout made and also taking into consideration any special events that could have resulted in a significant event that could impact on the carrying amount. The changes in the carrying value shall be recognised in profit or loss.

Termination benefits

Termination benefits are recognised as an expense when the company is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Defined contribution plans

Under defined contribution plans:

(a) The company legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by both the employer and employee to a post-employment benefit plan, together with investment returns arising from the contributions; and

(b) In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee.

1.14 Provisions and contingencies

Provisions represent liabilities of uncertain timing or amount.

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The amount recognised as a provision is the reasonable estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of discounting is material, the provision is discounted. The discount rate reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Gains from the expected disposal of assets are not taken into account in measuring provisions. Provisions are reviewed at each reporting date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

Provisions are not recognised for future operating losses.

1.15 Irregular Expenditure, Fruitless and Wasteful Expenditure

Irregular expenditure

When confirmed, irregular expenditure must be recorded in the notes to the financial statements. The amount to be recorded in the notes must be equal to the value of the irregular expenditure incurred unless it is impracticable to determine the value thereof.

Where such impracticality exists, the reasons must be provided in the notes. Irregular expenditure must be removed from the notes when it is either:

- condoned by National Treasury or the relevant authority;
- it is transferred to receivables for recovery; or
- it is not condoned and is irrecoverable.

A receivable related to irregular expenditure is measured at the amount that is expected to be recovered and must be de-recognised when the receivable is settled or subsequently written off as irrecoverable.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is incurred when the resulting expenditure is made in vain and would have been avoided had reasonable care been exercised.

The financial statements of the public entity must include the following related to fruitless and wasteful expenditure for that financial year:

- any material losses through criminal conduct and any fruitless and wasteful expenditure that occurred during the financial year;
- any criminal or disciplinary steps taken as a consequence of fruitless and wasteful expenditure; and
- any losses recovered or written off.

1.16 Revenue from contracts with customers

Revenue relates to asset management fees, which comprises fees earned on equities, properties, fixed income, and unlisted debt and equities asset classes.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when the revenue should be recognised.

Revenue comprises asset management fees activities, which consist of management fees and property development fees. In terms of IFRS 15, the company is required to recognise revenue when or as the entity satisfies a performance obligation by transferring a promised service to a customer. The company, therefore, assessed the impact of IFRS 15 based on the IFRS 15 five-step process as per below:

- The mandate is the contract signed between the client and the company and is the legally enforceable contract identifying the rights of each party.
- The performance obligation in the mandate is the promise by the company to manage the clients funds to generate alpha:
    - Revenue is earned in the form of management fees, as management services are rendered, i.e. ongoing management of the investment portfolio, as agreed in terms of the mandates with client;
    - Management fees are calculated based on market value of assets under management and billed in arrears or advance depending on the mandate, with payment terms of 30 days. Any uncertainty related to the variable consideration will be resolved as of the end of each reporting period. No estimation is required for variable consideration when allocating the transaction price to the performance obligation; and
    - Revenue earned from management fees is recognised over time based on the annual management fees percentage per contracts with clients and on direct measurement of the value to the client of the services transferred, i.e. output method. The company has elected to apply the practical expedient and therefore it does not adjust the promised amount of consideration for the effect of significant financing components since the payment will be within one year.
- The mandate specifies the transaction price as the expected management fees and performance fee (if any) to be charged.

- The total management fees should be allocated to the single performance obligation, that of managing the portfolio of investments on behalf of Clients. Due to the nature of the revenue earned (management fees and/or performance fees), no estimation is required for variable consideration when allocating the transaction price to the performance obligation.
- The company recognises revenue only when it has satisfied the promised obligation of providing the asset management service and the obligation has been monetised. Revenue of management fees is recognised over time.

The company revenue is measured based on the consideration received in the contract with the client, excluding Value Added Taxation (VAT).

1.17 Investment income

Interest is recognised as part of investment income using the effective interest rate method.

Dividends are recognised as part of investment income when the company right to receive payment has been established.

1.18 Commitments

A commitment is a state or quality of being dedicated to a cause or activity. The company commitments disclosure comprises four classes of commitments, i.e. leases; future capital expenditures that are authorised by the company Board of Directors, both contracted and uncontracted; future operating expenses that are authorised by the company Board of Directors (contracted expenses); and future investments that are authorised by the company Board of Directors.

1.19 Related Party

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, management in their dealings with the entity.

1.20 Subsequent events

Events after the reporting period

It is an event, which could be favourable or unfavourable, that occurs between the end of the reporting period and the date that the financial statements are authorised for issue. The company adjusts its financial statements for events after the reporting period that provide further evidence of conditions that existed at the end of the reporting period, including events that indicate that the going concern assumption in relation to the whole or part of the enterprise is not appropriate. If the company receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update amounts and disclosures that relate to those conditions in the light of the new information.

The company does not adjust its financial statements for events or conditions that are indicative of conditions that arose after the reporting period. If the events are material, they will be disclosed in the Annual Financial Statements. If the company declares dividends after the reporting period, the entity shall not recognise those dividends as a liability at the end of the reporting period but shall disclose those dividends (and related amount per share).

1.21 Comparatives

The company discloses comparative information for the previous period for all amounts reported in the financial statements, both on the face of the financial statements and in the notes, unless another standard requires otherwise.

1.22 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the Statement of Financial Position.

The company does not offset any assets and liabilities, and income and expenses, unless it is required or permitted by IFRS.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

2. Adoption of new amendments

IAS 12 Income tax amendments

IAS 12, 'Income taxes', require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations.

The amendment includes an additional condition where the initial recognition exemption is not applied. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.

The amendment requires companies, at the beginning of the earliest comparative period presented:

(a) to recognise a deferred tax asset – to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised – and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - right-of-use assets and lease liabilities; and
  - decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related asset; and

(b) to recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

This will reflect the opening position, without the need for full retrospective application. Management concluded that this transition approach would make the amendments easier and less costly to apply than a full retrospective approach, while still achieving their objective.

The company applied the amendment of IAS 12 using the retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2021. Accordingly, the comparative information presented for 2022 is restated, i.e. it is presented, as previously reported, under IAS 12 and related interpretations. The details of the adoption of the new amendments are disclosed below. Additionally, the disclosure requirements in IAS 12 have been applied to comparative information.

Impact on financial statements

On applying the amendment of IAS 12 Income tax, the company recognised additional deferred tax assets and deferred tax liabilities, recognising the difference in retained earnings. The impact on transition is summarised on the next page.

Impact on assets, liabilities and equity at 1 April 2021

The PIC deferred tax arising from right-of-use assets and lease liabilities are recognised on an offsetting basis. It adopted the amendment to the standard for the financial year ended 31 March 2023. The total impact on the company retained earnings at 1 April 2021 is as follows:

Figures in Rand thousand	01 April 2021	IAS 12 Adjustments	Remeasurement Changes 01 April 2021
Statement of Financial Position			
Deferred tax	101,905	101,905	-
Retained earnings	(2,406,476)	(2,406,476)	-

3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the company adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/Interpretation:	Effective date: on or after 1 January 2022	Expected Impact
› IFRS 1 First-time Adoption of International Financial Reporting Standards	Annual Improvements to IFRS Standards 2018–2020: Extension of an optional exemption permitting a subsidiary that becomes a first-time adopter after its parent to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS. A similar election is available to an associate or joint venture. Effective for annual periods beginning on or after 1 January 2022.	There is no impact to the PIC financial statements as the PIC is not a first-time adopter of IFRS.
› IFRS 3 Business Combinations	Reference to the Conceptual Framework: The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. In addition, the International Accounting Standard Board (IASB) added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The IASB has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. Annual periods beginning on or after 1 January 2022.	There is no impact on the PIC financial statements as there are no business combination transactions at the PIC for the period ended 31 March 2023.

Standard/Interpretation:	Effective date: on or after 1 January 2022	Expected Impact
IFRS 9 Financial Instruments	Annual Improvements to IFRS Standards 2018–2020: 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of 'the 10% test' for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. Annual periods beginning on or after 1 January 2022.	There is no impact on the PIC financial statements as the 10% test is applicable to debt instrument. PIC does not have debt instrument.
IFRS 16 Leases	Lease Liability in a Sale and Leaseback: The narrow scope amendment requires a seller lessee in a sale and leaseback transaction to determine 'lease payments' or 'revised lease payments' in a way that the seller lessee would not recognise any amount of a gain or loss relating to the right of use retained by the seller lessee. The new requirement does not prevent the seller lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. Annual periods beginning on or after 1 January 2024. 'Leases' amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. Annual periods beginning on or after 1 January 2022.	There is no impact on the PIC financial statements as there is no sale and leaseback. There is no impact on the PIC financial statements as there is no lease incentive.
IFRS 17 Insurance Contracts	IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are required to be measured based only on the obligations created by the contracts. An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums. This standard replaces IFRS 4 Insurance Contracts.	There is no impact on the PIC financial statements as the PIC is not in the insurance business. This standard does not apply to the PIC and will not be part of note 2 of the Annual Financial Statements.

3. New Standards and Interpretations (continued)

Standard/Interpretation:	Effective date: on or after 1 January 2022	Expected Impact
› IFRS 17 Insurance Contracts (*continued*)	Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes if the underlying items are included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract. Annual periods beginning on or after 1 January 2023.	
› IFRS 17 Insurance Contracts, Amendments	In response to some of the concerns and challenges raised, the IASB developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17 simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway. Annual periods beginning on or after 1 January 2023.	There is no impact on the PIC financial statements as the PIC is not in the insurance business. This standard does not apply to the PIC and will not be part of note 2 of the Annual Financial Statements.
› IAS 1 Presentation of Financial Statements	Classification of Liabilities as Current or Non-current: Narrow scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. Annual periods beginning on or after 1 January 2023.	There is no impact on the PIC financial statements as the PIC does not have long-term debt.
› IAS 1 Presentation of Financial Statements	Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material. Annual periods beginning on or after 1 January 2023.	The PIC discloses its material accounting policy information in its their Annual Financial Statements.

Standard/Interpretation:	Effective date: on or after 1 January 2022	Expected Impact
IAS 1 Presentation of Financial Statements	Non-current liabilities with Covenants: The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current, with additional guidance to explain how an entity should disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within 12 months. Annual periods beginning on or after 1 January 2024.	There is no impact on the PIC financial statements as PIC does not have debt.
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. The requirements for recognising the effect of change in accounting prospectively remain unchanged. Annual periods beginning on or after 1 January 2023.	There is no impact on the PIC financial statements as this is a change in definition.
IAS 12 Income Taxes	Liabilities arising from a Single Transaction: The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first-time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items. Annual periods beginning on or after 1 January 2023.	There will be an impact on the PIC financial statements as this affects leases on deferred tax. The PIC, when applying the amendment to Deferred Tax related to Assets and Liabilities arising from a Single Transaction shall also, at the beginning of the earliest comparative period presented: Recognise a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all deductible and taxable temporary differences associated with right of use assets and lease liabilities.

3. New Standards and Interpretations (continued)

Standard/Interpretation:	Effective date: on or after 1 January 2022	Expected Impact
› IAS 16 Property, Plant and Equipment	Property, Plant and Equipment: Proceeds before Intended Use: The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. Annual periods beginning on or after 1 January 2022.	There is no impact on the PIC financial statements as there are no proceeds from selling items produced while bringing those assets to the location and condition necessary for them to be capable of operating in the manner intended by management.
› IAS 37 Provisions, Contingent Liabilities and Contingent Assets	Onerous Contracts – Cost of Fulfilling a Contract: The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. Annual periods beginning on or after 1 January 2022.	There is no material impact on the PIC's financial statements as there is no Onerous Contract for the period ended 31 March 2023.
› IAS 41 Agriculture	Annual improvement to IFRS 2018-2020: 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value. Annual periods beginning on or after 1 January 2022.	There is no impact on the PIC financial statements as the PIC is not in the agriculture business. This standard does not apply to the PIC and will not be part of note 2 of the Annual Financial Statements.

4. Property, plant and equipment

Figures in Rand thousand	2023			2022		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	16,929	(12,407)	4,522	16,919	(11,365)	5,554
Motor vehicles	409	(137)	272	409	(85)	324
Office equipment	17,908	(14,198)	3,710	18,098	(12,719)	5,379
IT equipment	19,809	(11,104)	8,705	21,095	(12,291)	8,804
Leasehold improvements	53,874	(31,996)	21,878	53,999	(26,424)	27,575
TOTAL	**108,929**	**(69,842)**	**39,087**	110,520	(62,884)	47,636

Reconciliation of property, plant and equipment – 2023

	Opening balance	Additions	Write-off	Depreciation	Total
Furniture and fixtures	5,554	9	-	(1,041)	4,522
Motor vehicles	324	-	-	(52)	272
Office equipment	5,379	2	(75)	(1,596)	3,710
IT equipment*	8,804	4,071	(70)	(4,100)	8,705
Leasehold improvements	27,575	-	-	(5,697)	21,878
	47,636	**4,082**	**(145)**	**(12,486)**	**39,087**

*The IT equipment write-off relate to stolen laptops.

Reconciliation of property, plant and equipment – 2022

	Opening balance	Additions	Write-off	Depreciation	Total
Furniture and fixtures	6,641	-	(52)	(1,035)	5,554
Motor vehicles	375	-	-	(51)	324
Office equipment	6,789	250	(93)	(1,567)	5,379
IT equipment	4,951	7,946	(405)	(3,688)	8,804
Leasehold improvements	33,267	16	-	(5,708)	27,575
	52,023	8,212	(550)	(12,049)	47,636

5. Right-of-use

Details pertaining to leasing arrangements, where the company is lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

Figures in Rand thousand	2023	2022
Office buildings – Cost	269,766	269,766
Office buildings – Accumulated depreciation	(187,012)	(169,590)
IT equipment – Cost	4,501	-
IT equipment – Accumulated depreciation	(225)	-
Total right-of-use assets carrying amount	**87,030**	100,176

The office buildings and IT equipment leases are subject to the following terms:

1. Menlyn Maine

- Office building leased by the PIC situated on corner Aramist Avenue and Corobay Avenue, Waterkloof Glen, Extension 2, Gauteng.
- Lease term is nine years and ten months.
- Remaining term at 31 March 2023 is four years and nine months.
- No option to extend, option to purchase, the lease payments are not linked to an index and no termination option.

2. Konica Minolta printers

- Printers leased by the PIC for operations.
- Lease term three years and two years extension period.
- Remaining term at 31 March 2023 is two-year and nine months, and two-year extension period.
- No option to purchase, the lease payments are not linked to an index and no termination option.

Additions to right-of-use assets

Figures in Rand thousand	2023	2022
Office equipment	4,501	-

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation that has been expensed in the total depreciation charge in profit or loss (note 22), as well as depreciation that has been capitalised to the cost of other assets.

Figures in Rand thousand	2023	2022
Buildings	17,422	30,548
IT equipment	225	849
	17,647	**31,397**
Other disclosures		
Interest accrued on lease liabilities	11,457	16,686
Lease interest paid	11,380	16,686
Lease liability capital paid	21,017	25,229
Total cash outflow from leases	32,397	41,915
Lease liabilities		
The maturity analysis of lease liabilities is as follows:		
Within one year	36,170	32,397
Two to five years	147,516	150,229
More than five years	-	28,337
	183,686	**210,963**
Less finance charges component	(28,248)	(39,086)
	155,438	**171,877**
Non-current liabilities	129,323	150,860
Current liabilities	26,115	21,017
	155,438	**171,877**

6. Intangible assets

Figures in Rand thousand	2023			2022		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	49,469	(4,552)	44,917	55,655	(8,791)	46,864
Other intangible assets	479	-	479	479	-	479
Total	**49,948**	**(4,552)**	**45,396**	56,134	(8,791)	47,343

Reconciliation of intangible assets – 2023

	Opening balance	Additions	Amortisation	Total
Computer software	46,864	1,677	(3,624)	44,917
Other intangible assets	479	-	-	479
	47,343	**1,677**	**(3,624)**	**45,396**

Reconciliation of intangible assets – 2022

	Opening balance	Additions	Amortisation	Total
Computer software	40,636	10,954	(4,726)	46,864
Other intangible assets	479	-	-	479
	41,115	10,954	(4,726)	47,343

7. Investment in associates

Investments in associates are investments in which the company has significant influence, but no control over the financial and operating policies. Investment in associates is accounted for using the equity method in terms of IAS 28. The company has four associates, namely Harith Fund Managers (Pty) Ltd, Harith General Partners (Pty) Ltd, Bophelo Insurance Group (BIG) (Pty) Ltd and South African SME Fund Ltd (SA SME).

Associates

Harith Fund Managers (Pty) Limited’s nature of business is the management of the funds of the Pan-African Infrastructure Development Fund (PAIDF 1). Harith Fund Managers (Pty) Limited is also responsible, on behalf of PAIDF 1, for the provision of specified administrative services relating to the operations of PAIDF 1. Harith Fund Managers (Pty) Limited assists the company in carrying out its mandate as it relates to infrastructure both in South Africa and the rest of the continent. The life cycle of PAIDF 1 fund came to an end. The financial year end of Harith Fund Managers (Pty) Limited is 31 March.

Harith General Partners (Pty) Limited is a company established in South Africa in 2006, specialising in investments in infrastructure projects in energy, transport, rail, port and airports, information and communication technology, water and sanitation, energy and many others mainly on the African continent. Harith General Partners (Pty) Limited provides fund management and advisory services to the PAIDF 2. PAIDF 2 is still operational. The financial year end of Harith General Partners (Pty) Limited is 31 March.

BIG is a majority black-owned insurance group. BIG holds two subsidiaries in the life and short-term insurance sector, namely Bophelo Life Insurance Limited (Bophelo Life) and Nzalo Insurance Service Limited (NIS). Bophelo Life is a wholly owned subsidiary of BIG and is an authorised financial services provider as prescribed by the FAIS Act, and a registered life insurer in terms of the Long-term Insurance Act, No 52 of 1998. NIS is a short-term insurer licensed by the FSCA to underwrite all classes of business as defined in the Short-term Insurance Act of 1998. Bophelo Life and NIS are currently going through liquidation. The financial year end of BIG is 28 February.

The SA SME Fund was established as part of the CEO Initiative in conjunction with National Treasury and corporate South Africa. The company objective is to equity invest in high-potential entrepreneurial enterprises in the Small and Medium Enterprises (SME) Sector and to build a high-quality mentorship cohort to provide business and other forms of support to these businesses and entrepreneurs funded by the company. The company has a right to elect a director to the SA SME Fund. The financial year-end of the SA SME Fund is 28 February.

	2023	2022	2023	2022
Name of company	% ownership interest		Carrying amount	
Harith Fund Managers (Pty) Limited	46.00%	46.00%	(2,849)	(552)
Harith General Partners (Pty) Limited	30.00%	30.00%	266,234	252,251
Bophelo Insurance Group	30.00%	30.00%	-	-
South African SME Fund Limited	7.21%	7.21%	92,943	93,665
			356,328	345,364

The PIC has significant influence in the SA SME Fund due to the following:

- The PIC is entitled to one seat on the board;
- The SA SME Fund has a maximum of 12 board members; and
- The PIC (as the asset manager) will be involved in decisions about dividends or other distributions.

Associates

The following are the associates of the company:

			2023	2022
	Country of incorporation	Method	% Ownership interest	
Harith Fund Managers (Pty) Limited	South Africa	Equity accounting	46%	46%
Harith General Partners (Pty) Limited	South Africa	Equity accounting	30%	30%
Bophelo Insurance Group	South Africa	Equity accounting	30%	30%
South African SME Fund Limited	South Africa	Equity accounting	7.21%	7.21%

7. Investments in associates (continued)

Summarised financial information of material associates

Figures in Rand thousand					**2023**
Summarised statement of profit or loss and other comprehensive income	Revenue	Profit/(loss)	Total comprehensive income	Profit/(loss) attributable to the company	Dividend received/ accrued from associate
Harith Fund Managers (Pty) Limited	110,934	2,007	2,007	923	3,220
Harith General Partners (Pty) Limited	205,201	46,609	46,609	13,983	-
South African SME Fund Limited	76,453	(10,018)	(10,018)	(722)	-
	392,588	**38,598**	**38,598**	**14,184**	**3,220**

Summarised statement of financial position	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
Harith Fund Managers (Pty) Limited	578	4,952	-	15	5,515
Harith General Partners (Pty) Limited	420,942	512,108	22,684	55,891	854,475
South African SME Fund Limited	896,572	556,951	167,263	10,382	1,275,878
	1,318,092	**1,074,011**	**189,947**	**66,288**	**2,135,868**

	Total net assets
Harith Fund Managers (Pty) Limited	5,515
Harith General Partners (Pty) Limited	854,475
South African SME Fund Limited	1,275,878
	2,135,868

Reconciliation of movement in investments in associates	Investment at beginning of financial year	Share of profit	Dividends received from associates	Investment at end of the financial year
Harith Fund Managers (Pty) Limited	(552)	923	(3,220)	(2,849)
Harith General Partners (Pty) Limited	252,251	13,983	-	266,234
South African SME Fund Limited	93,665	(722)	-	92,943
	345,364	**14,184**	**(3,220)**	**356,328**

Summarised financial information of material associates

Figures in Rand thousand					2022
Summarised statement of profit or loss and other comprehensive income	Revenue	Profit/(loss)	Other comprehensive income	Total comprehensive income	Profit/(loss) attributable to the company
Harith Fund Managers (Pty) Limited	110,790	1,333	-	1,333	613
Harith General Partners (Pty) Limited	471,235	252,117	(6,022)	246,094	73,828
South African SME Fund Limited	52,420	(24,360)	-	(24,360)	(1,756)
	634,445	**229,090**	**(6,022)**	**223,067**	**72,685**

Summarised statement of financial position	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
Harith Fund Managers (Pty) Limited	1,321	9,213	-	26	10,508
Harith General Partners (Pty) Limited	373,155	462,206	4,292	53,851	777,218
South African SME Fund Limited	591,798	750,234	40,044	17,092	1,284,896
	966,274	**1,221,653**	**44,336**	**70,969**	**2,072,622**

Reconciliation of net assets to equity accounted investments in associates	Total net assets
Harith Fund Managers (Pty) Limited	10,508
Harith General Partners (Pty) Limited	777,218
South African SME Fund Limited	1,284,896
	2,072,622

Reconciliation of movement in investments in associates	Investment at beginning of financial year	Share of profit	Share of other comprehensive income	Investment at end of the financial year
Harith Fund Managers (Pty) Limited	(1,166)	614	-	(552)
Harith General Partners (Pty) Limited	178,424	75,634	(1,807)	252,251
South African SME Fund Limited	95,421	(1,756)	-	93,665
	272,679	**74,492**	**(1,807)**	**345,364**

8. Financial assets at fair value through profit or loss

All financial assets at fair value through profit or loss are designated at initial recognition and subsequently measured at fair value through profit or loss.

Figures in Rand thousand	2023	2022
Current assets		
Listed shares	940,101	993,433
Bonds	1,387,696	1,483,845
	2,327,797	2,477,278

Financial assets at fair value through profit and loss

The fair values of the financial assets were determined as follows:

- The fair values of listed or quoted investments are based on the quoted market price at reporting date; and
- The fair values on investments not listed or quoted are estimated using the yield curve valuation technique using the nominal rate of interest compounded continuously. This method is consistent with that of the prior year.

For investment in debt securities classified at fair value through profit or loss, the maximum exposure to credit risk at the reporting date is the carrying amount.

The maximum exposure to credit risk at the reporting date is the fair value of each class of financial instrument mentioned above and the fair value of the trade and other receivables disclosed in note 12. The company has not pledged any of the financial assets at fair value as security.

Financial instruments measured at fair value shall be classified into a hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy of all the financial instruments is level 1. Level 1 inputs are quoted prices in active markets for identical assets, which are observable for the assets, either directly or indirectly.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Financial Assets at fair value through profit or loss

Credit rating	2023	2022
A+	1,615	2,608
AA-	-	62,932
AA	9,758	9,726
AAA	1,243,092	1,267,875
B	133,231	140,703
Other	940,101	993,434
	2,327,797	2,477,278

9. Financial instruments by class

The accounting policies for financial instruments have been applied to the line items below:

Figures in Rand thousand	2023	2022
Financial Assets and Liabilities		
Carried at amortised cost		
The carrying amount of financial assets and liabilities at amortised cost are approximately fair value		
Financial assets at amortised cost	38,165	96,669
Trade receivables	317,874	145,943
Bank balances	1,134,303	792,404
Trade and other payables	(23,673)	(30,955)
Lease liabilities	(155,438)	(171,877)
	1,311,231	832,184

10. Deferred tax

Figures in Rand thousand	2023	2021
Deferred tax		
Leave pay	6,769	6,447
Prepayments	(2,350)	(2,663)
Unrealised (profit)/loss on fair value financial instrument	38,890	5,292
Short-term incentive provision	36,607	23,455
Long-term incentive provision	51,054	45,726
Expected credit loss	1	1
Right of use	(23,498)	(28,049)
Lease liability	41,968	48,125
Total deferred tax asset	**149,441**	**98,334**

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax asset	**149,441**	**98,334**
Reconciliation of deferred tax asset/(liability)		
At beginning of year	98,334	101,905
Leave pay	321	(294)
Prepayments	313	(8)
Unrealised (profit)/loss on fair value financial instrument	33,598	(41,732)
Short-term incentive provision	13,152	14,162
Long-term incentive provision	5,329	22,576
Expected credit loss	-	(2)
Right of use	4,551	28,892
Lease liability	(6,157)	(27,165)
	149,441	**98,334**

11. Current tax payable (receivable)

Opening balance	(95,146)	(67,537)
Raised during the year	114,102	46,394
Tax paid during the year	(87,965)	(74,004)
Tax refunded from prior year	52,751	-
	(16,258)	**(95,147)**

12. Trade and other receivables

Figures in Rand thousand	2023	2022
Financial instruments:		
Trade receivables	305,595	141,383
Bank account accrued interest	5,886	1,476
Sundry debtors	6,393	3,084
Non-financial instruments:		
Prepayments	19,147	20,345
Total trade and other receivables	**337,021**	**166,288**

Split between non-current and current portions

Current assets	337,021	166,288

Financial instrument and non-financial instrument components of trade and other receivables

At amortised cost	317,874	145,943
Non-financial instruments	19,147	20,345
	337,021	**166,288**

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due. To mitigate the risk of financial loss from defaults, the company deals only with reputable clients with consistent payment histories. The exposure to credit risk and the creditworthiness of customers are continuously monitored.

IFRS 9 requires an assessment to be performed of the credit risk of a financial asset at the valuation date, compared to the credit risk as at inception to determine whether a significant increase in credit risk has occurred.

The significant increase in credit risk assessment is done at a client level.

A client is considered to have experienced significant increase in credit risk assessment and will transition to stage 2 when:

- Amounts past due (arrears) exceed 30 days (rebuttable presumption);
- The client is on the PIC's watch list and is categorised as a high risk; or
- A deterioration in probability of default occurred.

A financial asset is considered in default when the amount is in arrears for more than 60 days.

There have been no significant changes in credit risk management policies and processes since the prior reporting period. The average credit period on trade receivables is 30 days (2022: 30 days). No interest is charged on outstanding trade receivables.

12. Trade and other receivables (continued)

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example when a debtor has been placed under liquidation. Trade receivables that have been written off are not subject to enforcement activities.

The company measures the loss allowance for trade receivables by applying the general approach as described by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as 12-month expected loss allowance. The approach has been developed by considering the following:

- Past default experience of the debtors;
- Information for estimating occurrence of default events within 12 months from the reporting date;
- Information for estimating occurrence of default events within the life of the instrument and their probable outcomes;
- If any, instrument credit risk and identifying its significant increase;
- % of financial instruments with related parties;
- % of financial instruments based on mandates with related parties and method of collection;
- Type of organisation where the financial instruments are held i.e. state-owned or pension fund;
- For pension fund consider whether it is fully funded or not; and
- All signed mandates with clients and method of collection as a fund manager.

Trade and other receivables are categorised as stage 1.

There was no change in the estimation techniques or significant assumptions made during the current reporting period.

Reconciliation of loss allowances

The was no ECL recognised in the current and prior year.

Measurement of trade receivable ECL:

- 99.72% of trade receivables are PIC clients that are also related parties;
- Revenue from the related parties is based on mandate agreements with clients;
- 100% of these related parties are state-owned, with significantly low risk of cash flow problems;
- The PIC has control over the collection of management fees; and
- Based on historical data, there has not been an impairment on any revenue due from clients.

Based on the above and low risk of default, management has not recognised the ECL provision on trade receivables.

13. Financial instruments at amortised cost

Figures in Rand thousand	2023	2022
Fixed deposit	30,120	86,587
Promissory notes	8,045	10,082
	38,165	**96,669**

Exposure to credit risk

Fixed deposits and promissory notes inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

Credit loss allowances

The following tables show the movement in the loss allowance for fixed deposits and promissory notes.

The movement in the gross carrying amounts of the fixed deposits and promissory notes is presented to assist in the explanation of the movement.

								2023
Instrument	Basis of loss allowance	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Weighted average loss rate	Gross carrying amount	Loss allowance	Amortised cost
Fixed deposit	12-month ECL	AA	Fitch	N/A	0%	26,738	-	26,738
Fixed deposit	12-month ECL	AA+	Fitch	N/A	0%	3,382	-	3,382
Promissory notes	Lifetime	CCC-	N/A	Not performing	7%	8,650	(605)	8,045
						38,770	**(605)**	**38,165**

								2022
Instrument	Basis of loss allowance	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Weighted average loss rate	Gross carrying amount	Loss allowance	Amortised cost
Fixed deposit	12-month ECL	AA	Fitch	N/A	0.03%	69,602	(19)	69,583
Fixed deposit	12-month ECL	AA+	Fitch	N/A	0.03%	17,008	(4)	17,004
Promissory notes	Lifetime	CCC-	N/A	Not performing	6.3%	10,760	(678)	10,082
						97,370	(701)	96,669

Reconciliation of loss allowances

The tables on the next page show the movement in the loss allowances for investments in financial assets that are measured at amortised cost. The movement in the gross carrying amounts of the is presented to assist in the explanation of movements in the loss allowance.

13. Financial instruments at amortised cost (continued)

Fixed deposit: Loss allowance measured at 12-month ECL:

Figures in Rand thousand	2023	2022
Opening balance	23	1,388
Movement for the year	(23)	(1,365)
Closing balance	-	23

The decrease in ECL allowance was due to lower interest rate and lesser acquisitions compared to matured instruments.

Promissory notes: Loss allowance measured at lifetime:

Opening balance	678	1,099
Movement for the year	(73)	(421)
Closing balance	**605**	678

The decrease in ECL allowance was due to matured instruments and the Land Bank payments of defaulted capital. There was also was also a decrease in Probabilty of Default (PD).

Land Bank

An analysis and valuation was done by the Risk department that concluded that the PD for this instrument as Land Bank has defaulted should be 100%.

Loss Given Default (LGD) range of 0% to 25% considered in line with the range suggested by the foundation internal-ratings based approach ("Foundation IRB") in Basel (CRE32 – IRB approach: risk components).

An LGD of 10% is deemed appropriate given the following:

- the improved financial performance of Land Bank compared to 2022;
- 42% of the defaulted capital has been paid;
- the bank has been making Mora interest payment (compensation for loss as a result of the contract breach) on a monthly basis since default; and
- the South African government has pledged more than R7 billion to recapitalise the bank over three years since 2021.

Future mora interest is proxied by a forward-looking 6M JIBAR curve and discount rates are derived from Bond Zero curve on 31 March 2023.

Amount arising from ECL

Inputs, assumptions and techniques for estimating impairment.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company historical experience and credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default as at the reporting date, with
- the remaining lifetime probability of default for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where appropriate for changes in prepayment expectations).

The company uses three criteria for determining whether there has been a significant increase in credit risk:

- a quantitative test based on movement in probability of default;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades

The company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of counterparty.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk grade deteriorates. Each exposure is allocated to a credit risk grade on initial recognition based on available information about the counterparties. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- data from credit reference agencies, press articles, changes in external credit ratings; and
- actual and expected significant changes in the political, regulatory and technological environment of the counterparties.

Credit risk grades are a primary input into the determination of the term structure of probability of default for exposures. The company collects performance and default information about its credit risk exposures analysed by asset class as well as by credit risk grading. For the asset class financial assets, information purchased from external credit reference agencies is used.

The company employs a methodology to analyse the data collected and generates estimates of the remaining lifetime probability of default of exposures and how these are expected to change over time. As a general indicator, the credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the company quantitative data:

- credit risk grades are determined to have deteriorated by more than two notches; and
- the remaining lifetime probability of default is determined to have increased by more than 1% of the corresponding amount estimated on initial recognition.

Credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the company credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date on which full payment has not been received.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured at 12-month ECL.

Definition of default

The company considers a financial asset to be in default when:

- the borrower or counterparty is unlikely to pay its credit obligations to the company in full;
- the borrower or counterparty is more than 60 days past due on any material credit obligation to the company; and
- it is becoming probable that the borrower or counterparty will restructure the asset as a result of bankruptcy due to inability to pay its obligations.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

13. Financial instruments at amortised cost (continued)

Incorporation of forward-looking information

The company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated if there are any significant effects as a result of changes in key drivers, i.e. GDP growth and interest rate.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default;
- Loss given default; and
- Exposure at default.

ECL for exposures in stage 1 is calculated by multiplying the 12-month probability of default by loss given default and exposure at default. Lifetime exposure at default is calculated by multiplying the lifetime probability of default by loss given default and exposure at default.

Credit rating methodology is used to estimate the probability of default.

Loss given default is the magnitude of the likely loss if there is a default. The loss given default was set at 45% for senior unsecured debt. Exposure at default represents the expected exposure in the event of a default. The company derives the exposure at default from the current exposure to the counterparty. The exposure at default of a financial asset is its gross carrying amount at the time of default.

Exposure to liquidity risk

The key measure used by the company for managing liquidity risk is the ratio of net liquid assets to short-term funding. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment grade debt securities for which there is an active and liquid market divided by commitments maturing within the next month.

14. Cash and cash equivalents

Figures in Rand thousand	2023	2022
Cash and cash equivalents consist of:		
Cash on hand	2	4
Bank balances	1,083,952	681,860
Short-term deposits	36,349	110,544
Other cash and cash equivalents	14,000	-
	1,134,303	792,408

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand, that is neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Figures in Rand thousand	2023	2022
Credit rating		
AA	30,144	78,164
AA+	1,104,157	714,240
	1,134,301	792,404

Cash and cash equivalents pledged as security

Cash and cash equivalents pledged as security	14,000	-

The PIC is involved in a labour dispute with a former employee. The Labour Relations Act (Section 145(7)) requires that the PIC provides security(guarantee) to the satisfaction of the Labour Court, in accordance with subsection (8). Subsection (8) states that security furnished should be equivalent to 24 months' remuneration or equivalent to the amount of compensation awarded. The security provided by PIC is equivalent to 24 months' remuneration and is kept in a separate account that is not part of the PIC operations.

Short-term deposits

- For fair presentation in reflecting the company short-term cash commitments, management has diverged regarding the application of IAS 7, paragraph 7, to present financial assets at amortised cost as cash equivalents on the basis of the three months remaining period to maturity at the financial position date rather than from its acquisition date.

15. Share capital

Figures in Rand thousand	2023	2022
Authorised		
100 ordinary shares of R10 each	1	1
Issued		
100 ordinary shares of R10 each	1	1

16. Foreign currency translation reserve

Translation reserve comprises exchange differences on consolidation of foreign subsidiaries from associate.

Figures in Rand thousand	2023	2022
Opening balance	27,388	29,195
Foreign currency translation	-	(1,807)
Closing balance	**27,388**	27,388

17. Non-distributable reserves

Figures in Rand thousand	2023	2022
Reserves	935,592	935,592

18. Provisions

Reconciliation of provisions 2023

Figures in Rand thousand	Opening balance	Raised	Utilised during the year	Reversed/ adjustment during the year	Total
Leave pay	23,026	40,246	(33,525)	(4,677)	25,070
Long-term incentives	163,307	76,019	(32,162)	(18,072)	189,092
Short-term incentives	83,769	156,603	(104,791)	-	135,581
	270,102	**272,868**	**(170,478)**	**(22,749)**	**349,743**

Reconciliation of provisions 2022

Figures in Rand thousand	Opening balance	Raised	Utilised during the year	Reversed during the year	Transfer to payables	Total
Leave pay	24,074	37,441	(34,226)	(4,263)	-	23,026
Long-term incentives	82,679	92,726	(37,571)	27,890	(2,417)	163,307
Short-term incentives	33,189	197,725	(147,145)	-	-	83,769
	139,942	327,892	(218,942)	23,627	(2,417)	270,102

Figures in Rand thousand	2023	2022
Non-current liabilities	118,531	133,396
Current liabilities	231,212	136,706
	349,743	270,102

Leave provision

The company accrues in full the employees' rights to annual leave entitlement in respect of past service. This is expensed over the period the services are rendered. The leave provision is recognised as a liability and expected to be settled within 12 months after the end of the period in which the employees render the related services.

Short-term employee benefits

The Short-Term Incentives (STI) scheme of R136 million (2022: R84 million) has been recognised as a provision.

The STI pool is measured at 64% of a certain percentage (based on the company score as per the remuneration policy) of the profit before tax.

The incentive pool must be approved by the Board after year-end before payout. At year-end, there is uncertainty regarding the bonus pool since this is at the discretion of the Board.

The STI is recognised and accrued in the year the service was rendered, but only paid after the financial statements are approved by the Board. The trigger for the payment of the STI is if the company has made at least 10% of the net income over management fees and achieves a performance rating of three.

Long-term employee benefits

The Long-Term Incentives (LTI) scheme is R189 million (2022: R163 million).

The LTI pool is measured at 36% of a certain percentage (based on the company score as per the remuneration policy) of the profit before tax. The assumption includes a % of probability of payment and considering time value of money (if material).

The LTI pool must be approved by the Board after year-end before payout. At year-end there is uncertainty regarding the bonus pool since this is at the discretion of the Board.

The LTI is recognised and accrued in the year the service was rendered, but paid only after the vesting period. The trigger for the allocation of the LTI is if the company has made at least 10% of the net income over management fees and achieves a performance rating of three.

The scheme is to attract, retain and reward high-performing management. The company management is eligible to participate in the LTI scheme only if the company achieves an overall performance rating of three and if a manager achieves a minimum individual performance rating of 3.5.

The time value of money was not considered when raising the provision since the impact of discounting is immaterial based on management's assessment.

19. Trade and other payables

Figures in Rand thousand	2023	2022
Financial instruments:		
Trade payables	3,902	6,451
Accrued expenses	19,767	24,504
Non-financial instruments:		
Employee-related control account	1,385	4,206
VAT	5,903	16,544
	30,957	**51,705**

Financial instruments and non-financial instruments components of trade and other payables

At amortised cost	23,669	30,955
Non-financial instruments	7,288	20,750
	30,957	**51,705**

20. Revenue

Figures in Rand thousand	2023	2022
Revenue from contracts with customers		
Management fees	1,220,432	1,061,705

Disaggregation of revenue from contracts with clients

The company disaggregates revenue from clients as follows:

Revenue by clients		
Associated Institution Pension Fund	4,350	4,690
Compensation Commissioner Fund	17,261	16,375
Compensation Commissioner Pension Fund	30,101	31,408
Futuregrowth Asset Manager (Pty) Ltd	-	5
Government Employees Pension Fund	970,953	804,399
Old Mutual Ltd	1,509	18
National Skills Fund	2,865	2,438
PIC Other Clients	5,316	5,429
Political Office Bearers Pension Fund	319	130
RDP Fund	6,853	7,004
Temporary Employees Pension Fund	114	(217)
Unemployment Insurance Fund	180,791	190,026
	1,220,432	1,061,705

The following table indicates the management fees recognised per underlying investment asset class:

Equities	401,285	394,759
Fixed income	205,593	194,912
Properties	174,921	175,370
Unlisted debts and equities (excluding properties)	438,633	296,664
	1,220,432	1,061,705

21. Other operating income

Board fees	2,322	1,944
Other income	1,098	3,983
	3,420	5,927

22. Operating profit (loss)

Operating profit for the year is stated after charging (crediting) the following, among others:

Figures in Rand thousand	2023	2022
Auditor's remuneration – external		
Audit fees	12,053	10,978
Remuneration other than to employees		
Consulting and professional services	32,014	36,733
Employee costs		
Salaries, wages, bonuses and other benefits	623,349	648,514
Retirement benefit plans: Defined contribution expense	32,165	30,947
Long-term employee incentive scheme	57,948	120,615
Total employee costs	**713,462**	**800,076**
Leases		
Short-term leases	834	950
Total lease expenses	**834**	**950**
Depreciation and amortisation		
Depreciation of property, plant and equipment	12,486	12,049
Depreciation of right-of-use assets	17,647	31,398
Amortisation of intangible assets	3,624	4,727
Total depreciation and amortisation	**33,757**	**48,174**
Movement in credit loss allowances		
Financial assets at amortised cost	(96)	(1,786)
Other		
Unrealised (gain) or loss	125,135	(149,042)
Loss/(profit) on forex	3,958	(1,885)
Expenses by nature		
Employee costs	713,462	800,076
Lease expenses	834	950
Depreciation and amortisation	33,757	47,696
Other expenses	322,159	284,202
	1,070,212	**1,132,924**

22. Operating profit (loss) (continued)

Executive Committee 2023 (EXCO)

Figures in Rand thousand	Emoluments	Short-term incentive allocation	Long-term incentive allocation	Other	Total
Letlape E***	485	-	-	-	485
Rikhotso K**	5,873	1,175	587	9	7,644
Mosidi M*	599	120	60	2	781
Hako V	5,706	1,141	571	12	7,430
Van Heerden A	6,824	1,365	682	12	8,883
	19,487	**3,801**	**1,900**	**35**	**25,223**

*M Mosidi resigned on 15 February 2023 from the PIC Board but she is still part of EXCO.

**K Rikhotso appointed on 15 February 2023 to the PIC Board.

***E Letlape appointed Acting COO on 9 February 2023.

Executive Committee 2022 (EXCO)

Figures in Rand thousand	Emoluments	Short-term incentive allocation	Long-term incentive allocation	Other	Total
Dolamo S	6,729	1,346	673	12	8,760
Hako V	5,719	1,144	572	12	7,447
Van Heerden A	6,363	1,272	636	12	8,283
	18,811	3,762	1,881	36	24,490

23. Investment income

Figures in Rand thousand	2023	2022
Dividend income		
Equity instruments at fair value through profit or loss:		
Listed investments – local	52,899	43,973
Interest income		
Investments in financial assets:		
Bank and other cash	200,498	168,079
Total investment income	**253,397**	212,052

24. Finance costs

Interest expense on lease liabilities	11,457	16,686
Other interest	1	927
Total finance costs	**11,458**	17,613

25. Taxation

Figures in Rand thousand	2023	2022
Major components of the tax expense		
Current		
Local income tax – current period	114,102	46,394
Deferred		
Deferred tax movement for the year	(51,107)	3,571
	62,995	49,965
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense		
Accounting profit	284,724	354,467
Tax at the applicable tax rate of 27% (2022: 28%)	76,875	99,251
Tax effect of adjustments on taxable income		
Effect of tax rate change to the deferred tax opening balance	3,511	-
Non-deductible expenses	1,590	674
Tax-exempt income	(18,981)	(49,960)
	62,995	49,965

26. Cash generated from operations

Profit before taxation	284,724	354,467
Adjustments for:		
Depreciation and amortisation	33,757	48,174
Write-off of property, plant, equipment and intangible assets	145	412
Fair value losses (gains) on-fair value investments	125,135	(149,042)
Income from equity-accounted investments	(14,184)	(74,492)
Dividends income	(52,899)	(43,973)
Interest income	(200,498)	(168,079)
Finance costs	11,458	17,613
Expected credit loss allowances	(96)	(1,786)
Movements in provisions	79,641	130,160
Changes in working capital:		
Trade and other receivables	(170,733)	(28,252)
Trade and other payables	(20,747)	14,864
Tax refund	52,752	-
	128,455	100,066

27. Tax paid

Figures in Rand thousand	2023	2022
Balance at beginning of the year	95,147	67,537
Current tax for the year recognised in profit or loss	(114,102)	(46,394)
(Tax refund)/Additional payment	(52,752)	-
Balance at end of the year	(16,258)	(95,147)
	(87,965)	(74,004)

28. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities – 2023

Figures in Rand thousand	Opening balance	Fair value changes	Interest accrued	Total non-cash movements	Cash flows	Closing balance
Lease liabilities	171,877	4,501	11,457	15,958	(32,397)	155,438
Total liabilities from financing activities	**171,877**	**4,501**	**11,457**	**15,958**	**(32,397)**	**155,438**

Reconciliation of liabilities arising from financing activities – 2022

	Opening balance	Fair value changes	Interest accrued	Total non-cash movements	Cash flows	Closing balance
Lease liabilities	268,896	(71,790)	16,686	(55,104)	(41,915)	171,877
Total liabilities from financing activities	**268,896**	**(71,790)**	**16,686**	**(55,104)**	**(41,915)**	**171,877**

29. Dividends payable

Figures in Rand thousand	2023	2022
Balance at the end of the year	99,000	99,000

30. Dividends proposed

On 28 July 2023, the PIC Board of Directors declared a dividend of R141 million. The dividend declared is subject to the Shareholder authorisation at the Annual General Meeting.

31. Commitments

Figures in Rand thousand	2023	2022
Capital expenditure, information technology cost and investments		
• Contracted capex	105,133	114,812
Within one year	39,932	46,871
In second to fifth year inclusive	65,201	67,941
• Uncontracted capex	**309,746**	**223,838**
Within one year	152,372	101,779
In second to fifth year inclusive	157,374	122,059
• Contracted operation	**190,278**	**214,635**
Within one year	139,562	126,746
In second to fifth year inclusive	50,716	87,889
Total	**605,157**	553,285

Commitments include all items of capital expenditure, information technology costs and investments for which specific Board approval has been obtained up to the reporting date.

Commitments		
- Within one year	331,866	275,396
- In second to fifth year inclusive	273,291	277,889
	605,157	553,285

32. Related parties

Relationships

Ultimate holding company	National Government of the Republic of South Africa
Shareholder	National Government of the Republic of South Africa

Figures in Rand thousand	2023	2022
Related party balances		
Amounts included in trade receivable (trade payable) regarding related parties		
Associated Institutes Pension Fund	435	455
Compensation Commissioner Pension Fund	1,744	1,792
Compensation Commissioner Fund	5,299	6,522
Government Employees Pension Fund	203,267	82,416
National Skill Fund	324	266
Harith General Partners	-	(890)
Other PIC clients	587	584
Political Office Bearers Pension Fund	32	18
RDP Fund	677	681
Temporary Employees Pension Fund	11	12
Unemployment Insurance Fund	48,747	47,176
Services delivered	261,124	139,921
Related-party transactions		
Services delivered		
State-controlled entities and national departments	1,220,432	1,061,682
Purchased services		
Financial Sector Conduct Authority	(2,112)	(2,004)
South African Broadcasting Corporation	(14)	(10)
Compensation Commissioner	(276)	(183)
South African Revenue Service	(87,965)	(74,005)
Harith General Partners	-	(890)
Compensation to directors and other key management		
Short-term employee benefits – salaries and incentive scheme	44,393	48,425
Benefits – pension, defined contribution plan. Six key management under this plan	4,392	3,897
Long-term benefits – incentive scheme	4,019	3,849
	52,804	**56,171**

The PIC is part of the national sphere of government and its related parties include national departments, public entities as per National Treasury consolidation instruction relating to inter-entity and other institutions reporting to the Executive Authority (National Treasury).

33. Directors' emoluments

Executive Directors 2023

Figures in Rand thousand	Emoluments	Short-term incentive allocation	Long-term incentive allocation	Other	Total
A Sithole	10,245	2,049	1,025	12	13,331
B Mavuka	5,785	1,157	578	12	7,532
K Rikhotso**	955	190	95	2	1,242
M Mosidi*	4,203	841	420	10	5,474
	21,188	**4,237**	**2,118**	**36**	**27,579**

*M Mosidi resigned on 15 February 2023 from the PIC Board but she is still part of EXCO.

**K Rikhotso appointed on 15 February 2023 to the PIC Board.

Executive Directors 2022

Figures in Rand thousand	Emoluments	Short-term incentive allocation	Long-term incentive allocation	Other	Total
A Sithole	10,226	2,045	1,023	12	13,306
M More***	6,058	-	-	7	6,065
B Mavuka	5,345	1,069	535	12	6,961
M Mosidi	4,105	821	411	11	5,348
	25,734	**3,935**	**1,969**	**42**	**31,680**

***M More employment contract was terminated on 7 October 2021.

33. Directors' emoluments (continued)

Non-Executive Directors 2023

Figures in Rand thousand	Meeting attendance	Retainer fees	Total
For services as directors:			
T Ramano	1,129	134	1,263
B Bouwer	672	134	806
M Maluleke	865	134	999
B Dumisa	854	134	988
B Watson	506	134	640
F Mtoba	599	134	733
F Baleni	559	134	693
W Hlaise	580	134	714
L Mulaudzi	485	134	619
	6,249	**1,206**	**7,455**

Non-Executive Directors 2022

Figures in Rand thousand	Directors' fees Meeting attendance	Retainer fees	Total
For services as directors:			
F Mtoba	894	134	1,028
F Baleni	206	-	206
A de Bruyn	800	129	929
B Dumisa	1,038	134	1,172
K Morule	870	129	999
B Bouwer	195	-	195
R Khoza	703	129	832
L Mulaudzi	177	-	177
M Maluleke	1,103	134	1,237
P Moloto	525	112	637
M Ndaba	845	112	957
W Hlaise	185	-	185
B Watson	1,081	134	1,215
T Ramano	333	-	333
	8,955	1,147	10,102

34. Financial instruments and risk management

Financial risk management

The company has exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Interest risk.

The company risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company activities.

The company Risk Committee considers reports from the market and credit risk business units. The other committee that provides risk management oversight is the Audit Committee. The Audit Committee considers reports from Internal Audit consisting of both regular and ad hoc reviews of risk management controls and procedures.

Market risk

Market risk is the risk that the company earnings and capital will be adversely affected by movements in the level or volatility of market rates or prices such as interest rates and foreign exchange rates. The overarching objective of market risk management in the company is to protect the company net earnings against adverse market movements through containing the innate interest rate and foreign currency risks within acceptable parameters.

The PIC's Operating Fund (PICOF) has exposure to interest-rate-sensitive instruments. Market risk is managed through adherence to mandate requirements such as a tracking error limit relative to a chosen benchmark and liquidity needs (see liquidity definition below under the liquidity section).

Interest rate risk

Interest rate risk refers to the susceptibility of the company financial position to adverse fluctuations in market interest rates. Variations in market interest rates have an impact on the cash flows and income stream of the company through their net effect on interest rate sensitive assets. At the same time movements in interest rates impact on the company capital through their net effect on the market value of assets. Interest rate risk in the company arises naturally as a result of investments made in the PIC Operating Fund account, which are investments on traded instruments and are affected by interest rate fluctuations.

34. Financial instruments and risk management (continued)

The table below shows the 2023 sensitivity analysis of the PICOF and MET portfolio.

Figures in Rand thousand	Profit/Loss R'000
CAPITAL MARKET PICOF FUNDS SPREAD IN BASIS POINTS	
-200	193,447
-150	140,169
-100	90,365
-50	43,734
50	-41,080
100	-79,728
150	-116,140
200	-150,495
CAPITAL MARKET MET FUNDS SPREAD IN BASIS POINTS	
-200	12,043
-150	8,790
-100	5,705
-50	2,779
50	-2,641
100	-5,153
150	-7,545
200	-9,825
MONEY MARKET MET FUNDS SPREAD IN BASIS POINTS	
-200	358
-150	268
-100	179
-50	89
50	-88
100	-177
150	-265
200	-353

The table below shows the 2022 sensitivity analysis of the PICOF portfolio.

Figures in Rand thousand	Profit/Loss R'000
CAPITAL MARKET PICOF FUNDS SPREAD IN BASIS POINTS	
-200	220,956
-150	159,837
-100	102,885
-50	49,719
50	-46,575
100	-90,277
150	-131,350
200	-170,011
MONEY MARKET PICOF FUNDS SPREAD IN BASIS POINTS	
-200	771
-150	577
-100	384
-50	192
50	-191
100	-381
150	-570
200	-759
CAPITAL MARKET MET FUNDS SPREAD IN BASIS POINTS	
-200	12,333
-150	8,989
-100	5,827
-50	2,834
50	-2,688
100	-5,238
150	-7,661
200	-9,965
MONEY MARKET MET FUNDS SPREAD IN BASIS POINTS	
-200	355
-150	251
-100	167
-50	83
50	-83
100	-166
150	-248
200	-330

34. Financial instruments and risk management (continued)

Liquidity risk

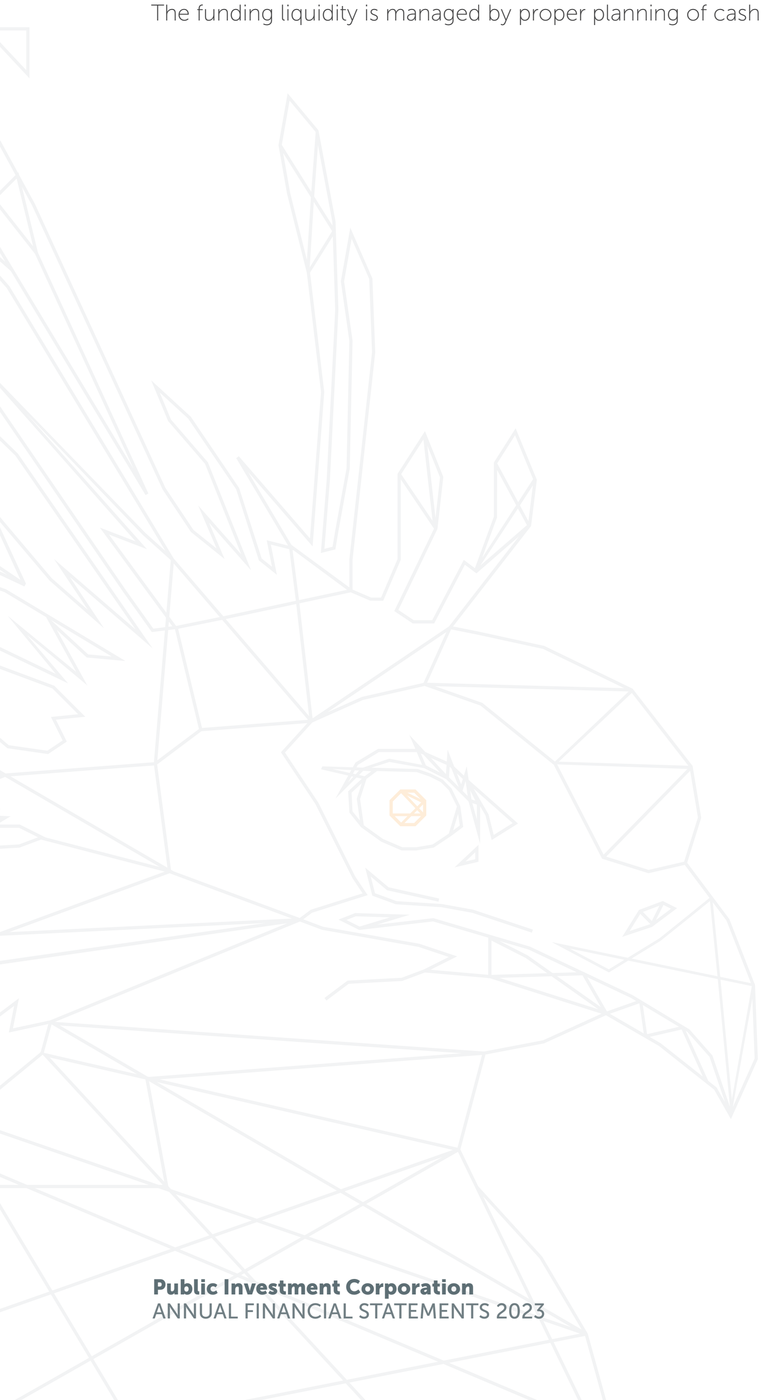
Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which are inherent to the company operations and investments.

This risk specifically arises from the inability to honour commitments to borrowers, lenders and investors and operational expenditure.

Liquidity is held primarily in the form of money market instruments such as listed bonds, fixed deposits, listed shares and promissory notes as well as liquid debt issued from government, municipalities and approved issuers.

In addition to holding a minimum level of liquidity in the form of cash and near cash equivalents, the company uses cash flow forecasts and cumulative maturity gap analysis to assess and monitor its liquidity requirements and risk level.

The funding liquidity is managed by proper planning of cash flow needs.



Below is the maturity analysis for the remaining contractual obligations.

					2023
Figures in Rand thousand	Less than 3 months	More than 3 to 9 months	More than 9 to 12 months	More than 1 year	Total
Financial assets					
Promissory note	-	-	8,650	-	8,650
Fixed deposit	36,349	26,757	3,363	-	66,469
Cash and cash equivalents	1,097,954	-	-	-	1,097,954
Trade receivables	317,874	-	-	-	317,874
Bonds	-	-	-	1,387,696	1,387,696
Financial liabilities					
Trade and other payables	(23,673)	-	-	-	(23,673)
Lease liability	(6,470)	(12,701)	(6,943)	(129,323)	(155,437)
	1,422,034	**14,056**	**5,070**	**1,258,373**	**2,699,533**

					2022
Figures in Rand thousand	Less than 3 months	More than 3 to 9 months	More than 9 to 12 months	More than 1 year	Total
Financial assets					
Promissory note	-	-	10,760	-	10,760
Fixed deposit	110,544	82,560	4,049	-	197,153
Cash and cash equivalents	681,860	-	-	-	681,860
Trade and other receivables	145,943	-	-	-	145,943
Bonds	-	-	-	1,483,845	1,483,845
Financial liabilities					
Trade and other payables	(30,955)	-	-	-	(30,955)
Lease liability	(4,961)	(10,345)	(5,711)	(150,86)	(171,877)
	902,431	72,215	9,098	1,332,985	2,316,729

34. Financial instruments and risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, thus causing the holder of the claim to suffer a loss in cash flow or market value and arises principally from the company financial assets, i.e. bonds, cash and cash equivalents, trade and other receivables, listed shares, fixed deposits and promissory notes.

Management of credit risk

Credit risk is managed according to the mandate parameters and the company internal credit risk policy. Credit mitigation techniques are transaction dependent but may include, where appropriate, the right to be furnished with collateral or an equity injection by counterparties.

No collateral was held on PICOF for the period under review. A total of R14 million of cash and cash equivalent was pledged as security (Refer to note 14). The company also utilises various models to guide limit setting as well as credit ratings from external rating agencies. Limits are approved by the relevant committees in accordance with the Board-approved delegation of authority.

Risk reports on these exposures are regularly submitted to the Portfolio Management Committee, Investment Committee, Audit Committee, Risk Committee and Board.

Management of credit risk includes developing and maintaining the company processes for measurement of ECL for:

- Initial approval, regular validation and back-testing of the model used;
- Determining and monitoring significant increase in credit risk; and
- Incorporation of forward-looking information.

Financial assets exposed to credit risk at year end were as follows:

Figures in Rand thousand	2023	2022
Assets		
Bonds	1,387,696	1,483,845
Cash and cash equivalents	1,134,303	792,404
Trade and other receivables	317,874	145,943
Listed shares	940,101	993,433
Fixed deposits	30,120	86,587
Promissory notes	8,650	10,082
	3,818,744	3,512,294

35. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going-concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient resources to fund its liabilities. The directors are not aware of any new material changes that may adversely affect the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation that may affect the company.

36. Events after the reporting period

Refer to note 30.

37. 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 was incurred during the year. The R1.6 million was written off in the current year after approval from the company Audit Committee.

38. Capital management

The company is licensed as a Financial Services Provider under the Financial Sector Conduct Authority (FSCA) formerly known as the Financial Service Board (FSB). The FSCA licence requirements are monitored and adhered to. There is no regulatory capital management ratio imposed on the company.

The company objectives when managing capital are to:

- Safeguard its ability to continue as a going concern, so that it can continue to pay its obligations as they fall due and provide a return for the shareholder;
- The company uses internally generated income to finance new projects, as a result, any dividend amount must come out of the residual profits after excluding all projected capital requirements; and
- The capital reserves are not available to be declared as a dividend to the shareholder and are used to fund future capital expenditure.

The company has satisfied its capital adequacy requirements for the period under review, namely that the company has at all times maintained:

- liquid assets equal to or greater than 8/52 weeks of annual expenditure;
- assets that exceeds liabilities; and
- current assets that were at least sufficient to meet current liabilities.

39. Contingent liability

The company has contingent liabilities at 31 March 2023 in respect of:

South African Revenue Service (SARS)

In the 2021/22 financial year, the PIC applied to SARS for approval to apply an appropriate apportionment method. In the current year, SARS issued a VAT Ruling approving that the PIC may apply the transaction-based VAT apportionment method effective from 1 April 2021, the commencement of the financial year in which PIC applied for the ruling. The assessment by the PIC and engagement with SARS regarding the impact of this ruling to the prior year are on-going.

Litigation

The former CFO lodged an unfair labour practice dispute with the CCMA against the PIC. The ruling of the CCMA is currently before the labour court and is likely to be heard towards middle of 2024. Refer to note 14 for more details.

40. 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).

41. Employee benefits

Pension fund

The pension fund had 379 active members at 31 March 2023. During the current year, 47 employees joined, 38 employees withdrew, and there were no transfers from the company.

The contribution for the year amounted to R30.8 million. The pension fund is a defined contribution plan. The result is that the risk of any decline in fair value lies with the employee and not the employer.

There are 9 employees on the Government Employee Pension Fund (GEPF). The contributions for the year amounted to R1.4 million. No employee withdrew from the fund during the current year.

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 Bouwer (Non-Executive Director)
Prof Bonke Dumisa (Non-Executive Director)
Mr Walter Hlaise (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 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.

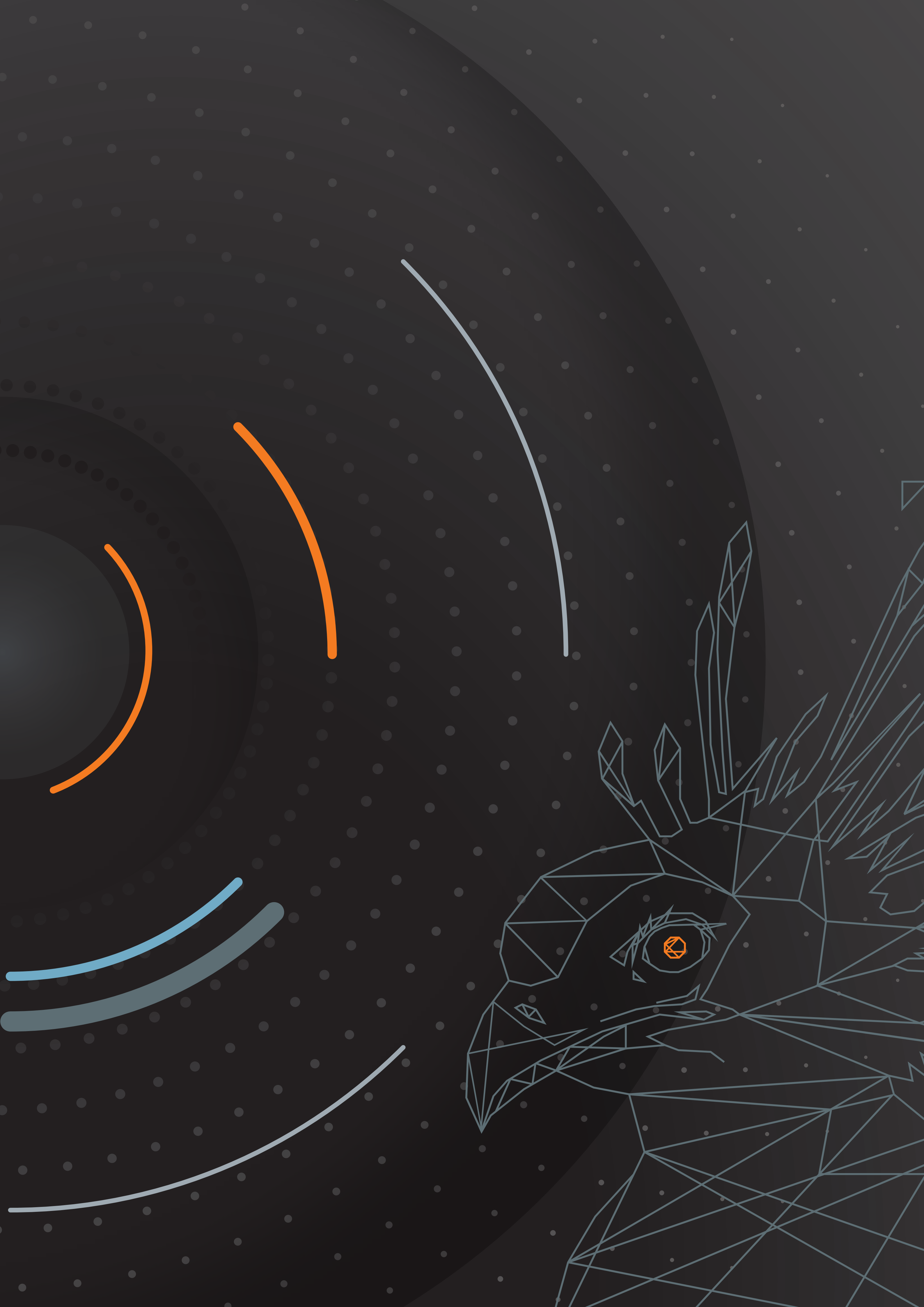
Personal trading by staff is regulated to ensure that there is no conflict of interest. All directors and employees who are likely to have access to price-sensitive and unpublished information in relation to the PIC are further regulated in their dealings. All employees are remunerated with salaries 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 Bouwer, Prof Bonke Dumisa, Mr Walter Hlaise, Mr Mugwena Maluleke, Dr Lufuno Mulaudzi, Ms Tryphosa Ramano, Ms Barbara Watson, Mr Abel Sithole (Chief Executive Officer), Mr Brian Mavuka (Acting Chief Financial Officer), 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
ACSA	Airports Company South Africa
AIPF	Associated Institutions Pension Fund
AuM	Assets under Management
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
CC	Compensation Commissioner Fund
CEO	Chief Executive Officer
CP	Compensation Commissioner Pension Fund
DAC	Directors' Affairs Committee
DoA	Delegation of Authority
ERMF	Enterprise Risk Management Framework
ESG	Environmental, social and governance
Exco	Executive Committee
FAIS Act	Financial Advisory and Intermediary Services Act, 2002
Fed	Federal Reserve
FICA	Financial Intelligence Centre Act
FSCA	Financial Sector Conduct Authority
GEPF	Government Employees Pension Fund
GDP	Gross domestic product
HDIs	Historically disadvantaged individuals
HRRC	Human Resources and Remuneration Committee
IC	Investment Committee
IC-LI	Investment Committee - Listed Investments
ICTGC	Information, Communication and Technology Governance Committee
IC-UI	Investment Committee - Unlisted Investments
IMF	International Monetary Fund
IoDSA	Institute of Directors of Southern Africa
IT	Information technology
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
MOI	Memorandum of Incorporation
NDP	National Development Plan
PFMA	Public Finance Management Act, 1999
PIC	Public Investment Corporation SOC Limited
PIC Act	Public Investment Corporation Act, 2004
PMC	Portfolio Management Committee
RC	Risk Committee
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
SAICA	South African Institute of Chartered Accountants
SDGs	Sustainable Development Goals
SETCO	Social, Ethics and Transformation Committee
UIF	Unemployment Insurance Fund
UNGC	United Nations Global Compact
UNPRI	United Nations Principles for Responsible Investing
US	United States



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