



PUBLIC INVESTMENT
CORPORATION®
Est. 1911

INVESTING FOR
SUSTAINABILITY
AND INCLUSIVITY

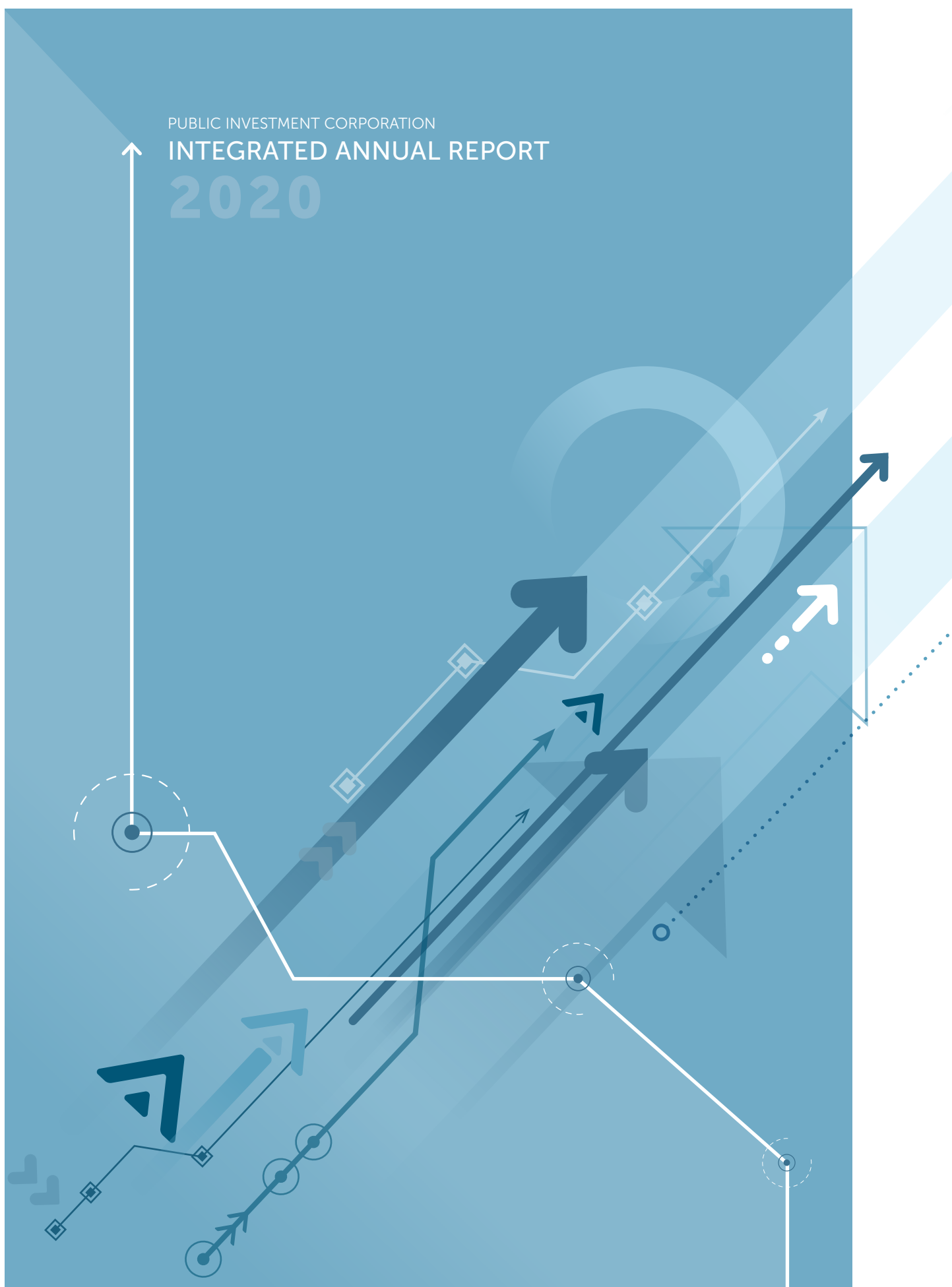


INTEGRATED ANNUAL
REPORT **2020**

PUBLIC INVESTMENT CORPORATION

INTEGRATED ANNUAL REPORT

2020





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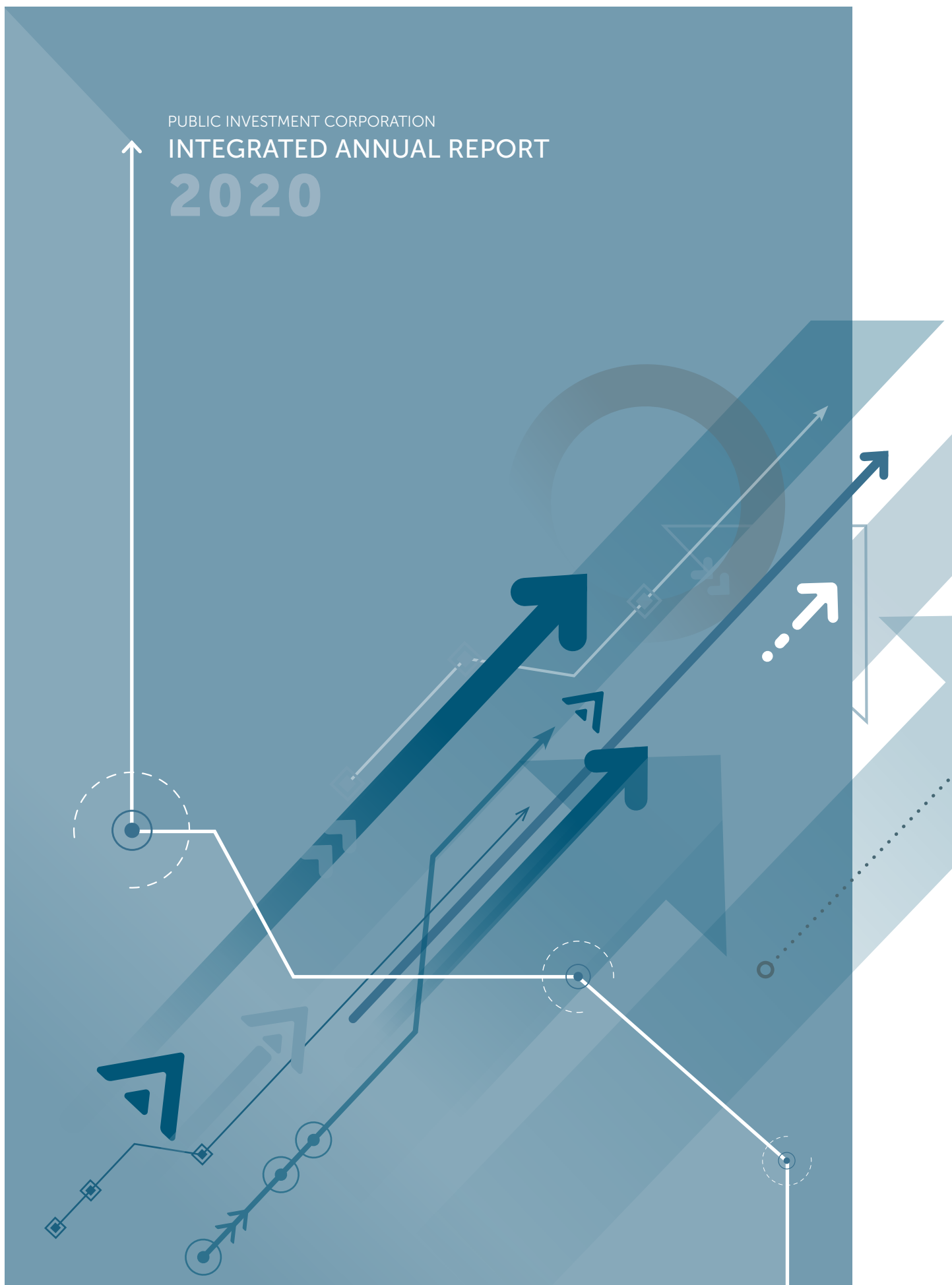
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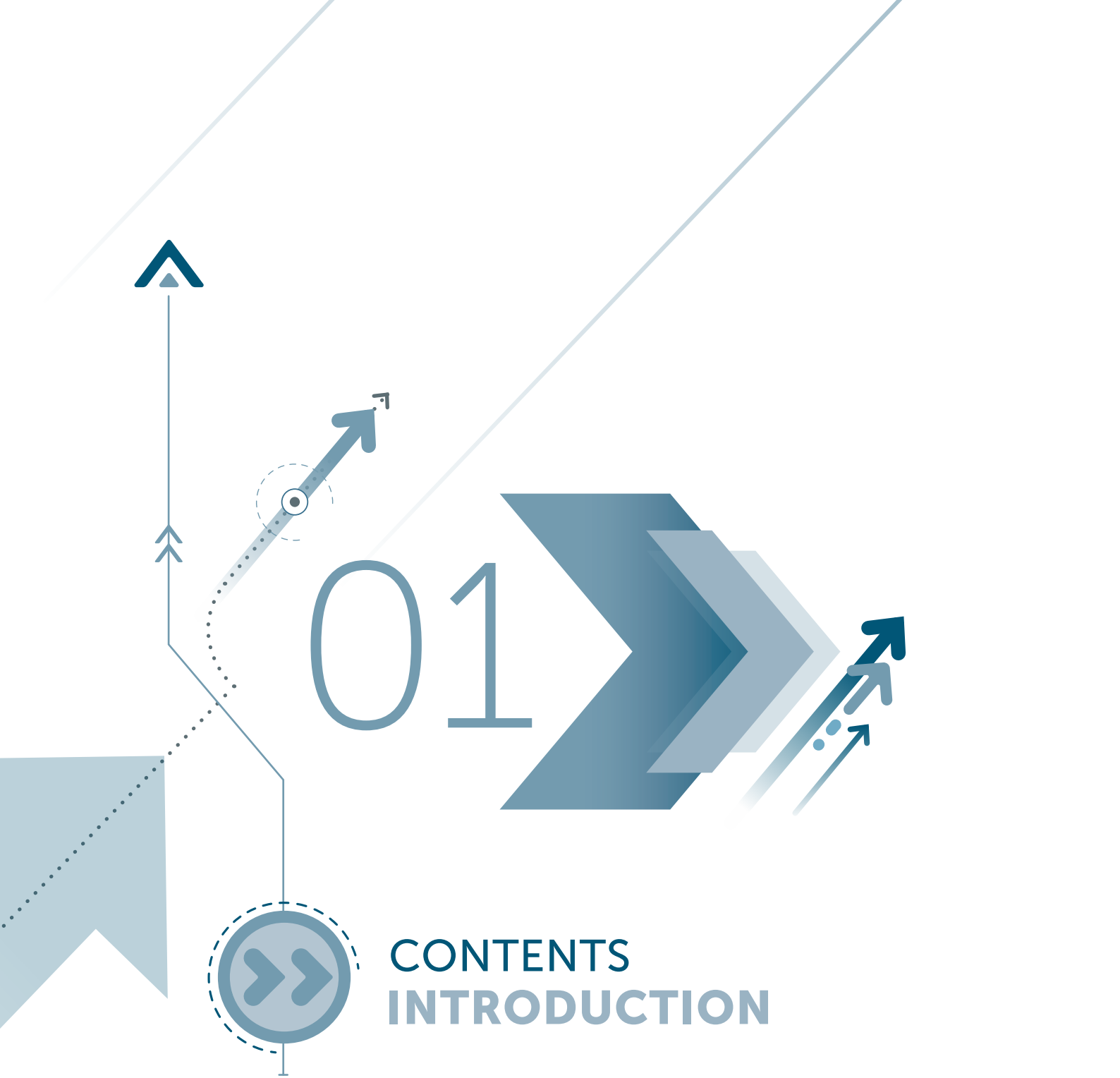
* This Integrated Annual Report consists of two books:
2020 Integrated Annual Report and 2020 Annual Financial Statements.

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MINISTER'S
NOTE TO

PARLIAMENT

SPEAKER OF PARLIAMENT

In terms of Section 65 of the Public Finance Management Act, 1999 (Act 1 of 1999), I have the honour to present the Integrated Annual Report of the Public Investment Corporation SOC Limited (PIC) for the period 1 April 2019 to 31 March 2020.

Mr TT Mboweni, MP

Minister of Finance
November 2020

Corporate Profile

OVERVIEW

The Public Investment Corporation SOC Limited (PIC) is registered as a financial services provider with the Financial Sector Conduct Authority (FSCA). Owned by the government of the Republic of South Africa, the PIC's history goes back to 1911. It was established as the Public Debt Commissioners (PDC), renamed the Public Investment Commissioners in 1984 and corporatised to become the current PIC in 2005. Its investment activities are governed by the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002) (FAIS Act).

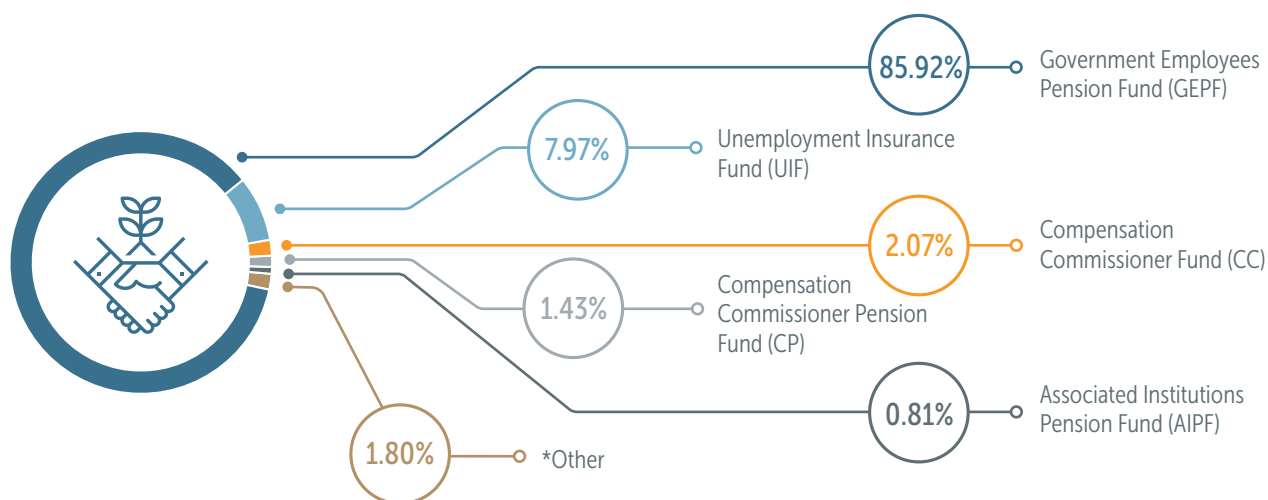
In terms of financial management and accountability, the PIC is regulated by, among others, the PIC Act 23 of 2004, the Public Finance Management Act 1 of 1999 (PFMA), the Companies Act 71 of 2008 and adheres to the provisions of the Financial Intelligence Centre Act 38 of 2001 (FICA).

The PIC operates principally in South Africa and invests offshore and in the rest of the African continent.

The PIC is a signatory to the United Nations Global Compact (UNGC) and the Principles for Responsible Investment (UNPRI). As a signatory to the UNGC, the PIC is committed to the Sustainable Development Goals (SDGs), which seek to advance universal principles of human rights, labour, environment and anti-corruption. Being a signatory to the UNPRI means that the PIC's investment decisions have to be taken with consideration to social, environmental and governance factors. As a result, the PIC applies stringent corporate governance standards to its operations, employees and to the companies in which it invests on behalf of clients.

All of the PIC's clients are public sector entities. Every PIC client has its own portfolio, which is managed in line with a mandate agreed to with the client and approved by the FSCA. Investments are diversified across the following broad asset classes: Listed equities, capital markets, money markets, property and unlisted investments.

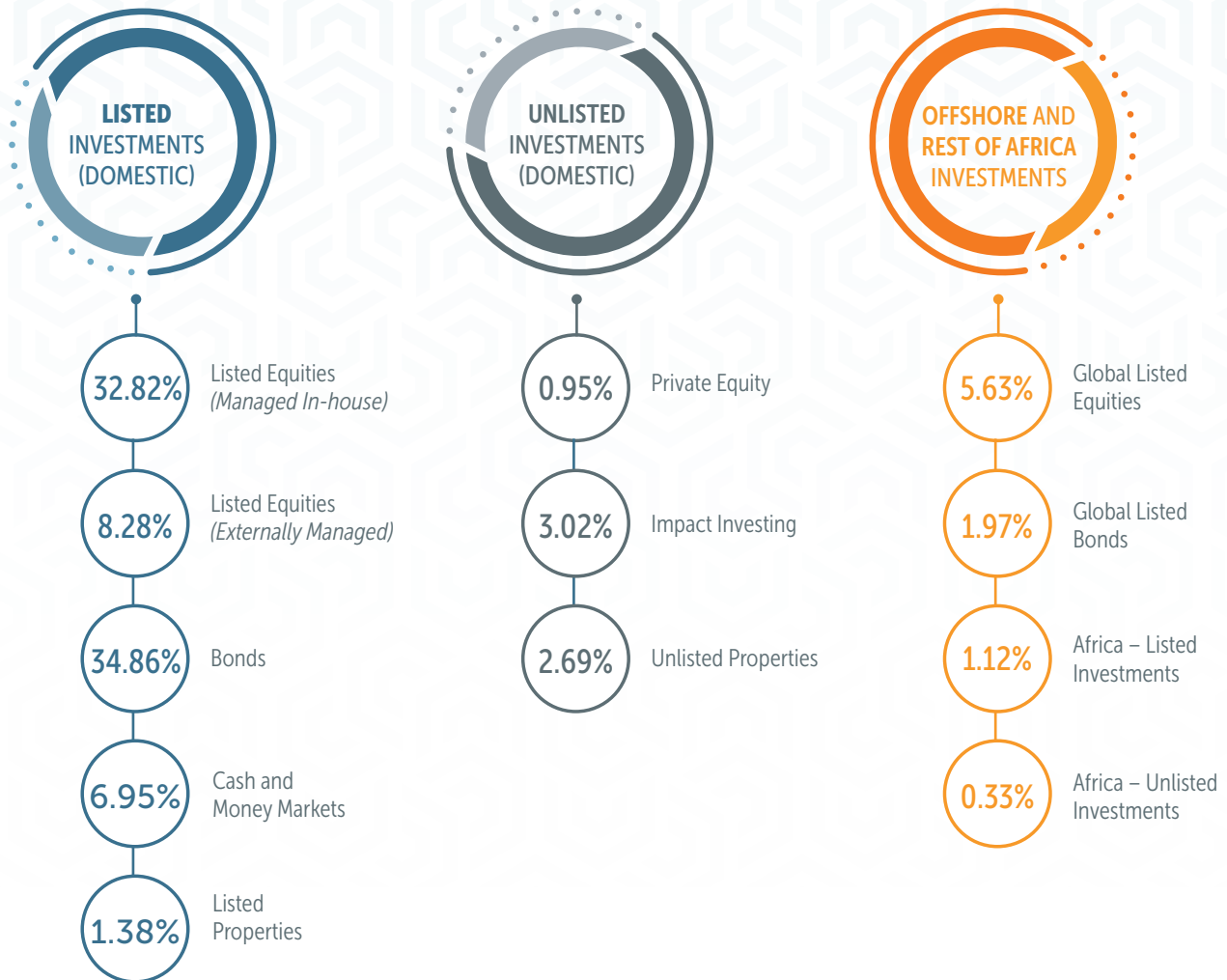
OUR CLIENTS



**Various clients with smaller portfolios*

ASSET CLASS COMPOSITION

At 31 March 2020, the asset class composition as a percentage of assets under management (AuM), was as follows:

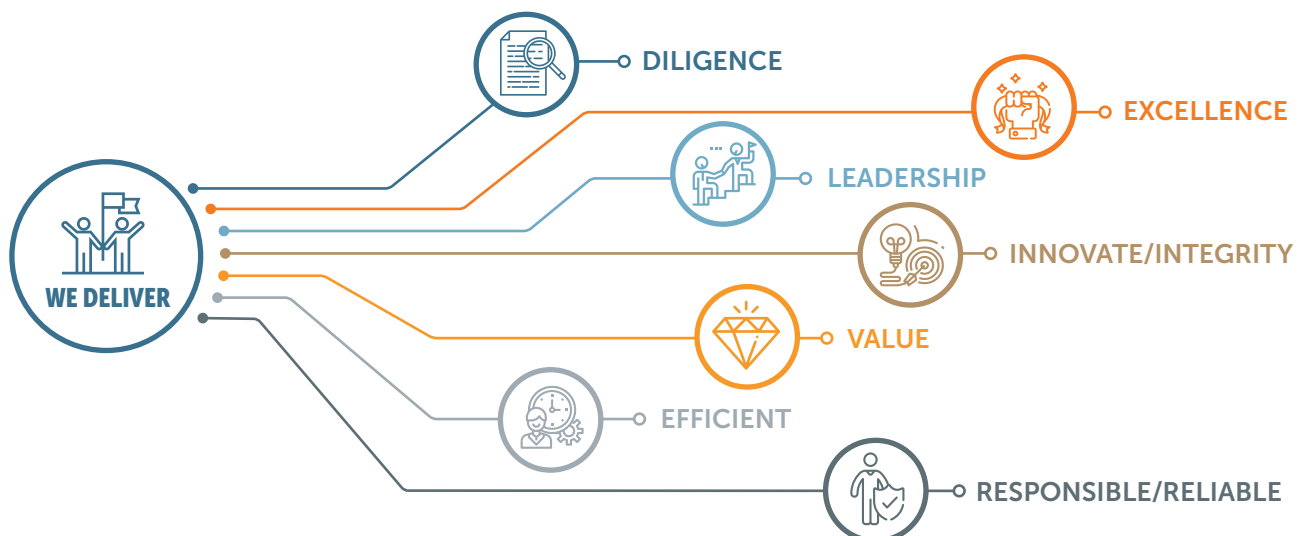


OUR VALUES



OUR MISSION AND VISION

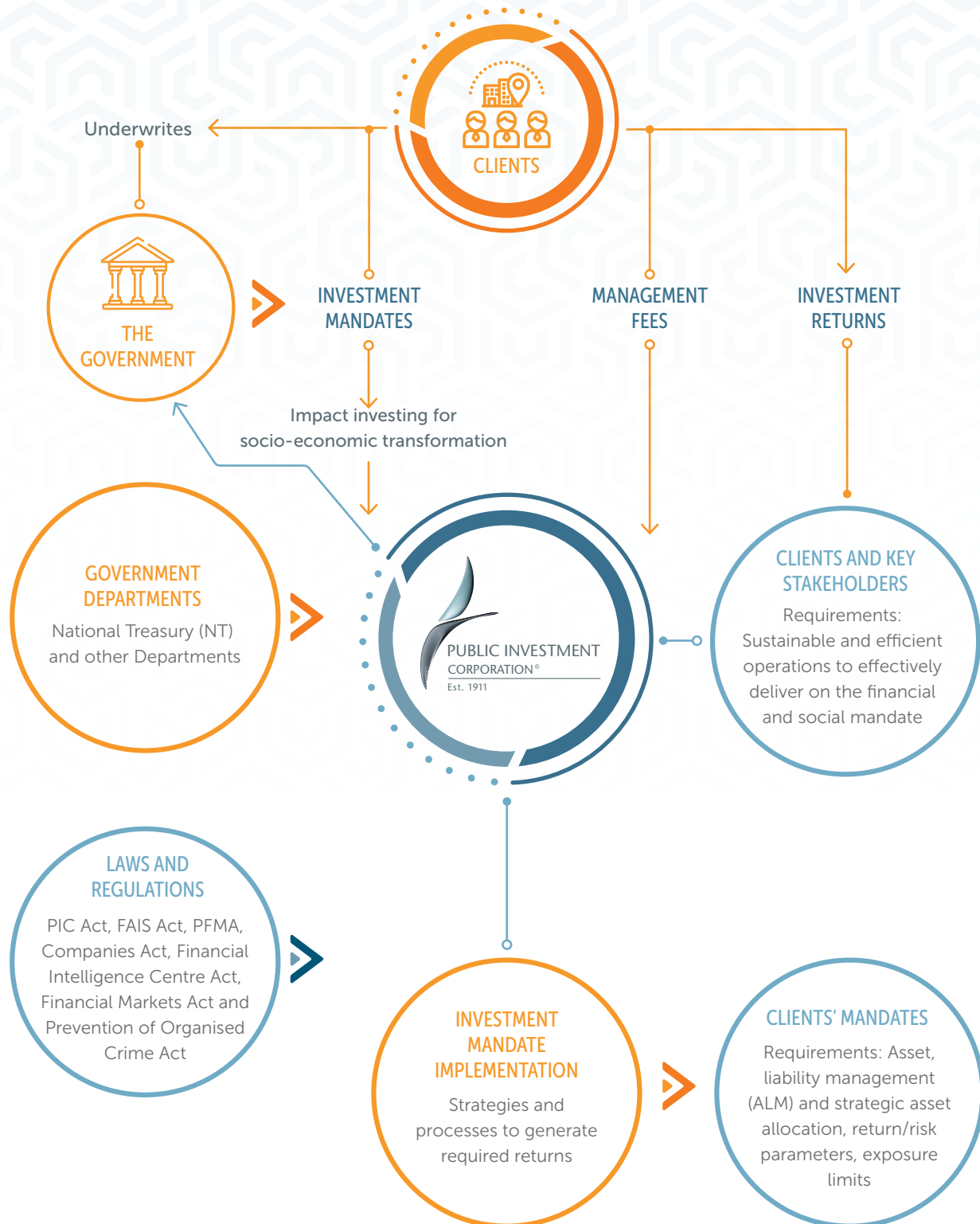
To be a key player, not only in the region, but also in the rest of the African continent, who consistently delivers on client mandates through direct investing for economic transformation, robust risk management, strategic partnerships and resource mobilisation.



GROUP STRUCTURE



OUR BUSINESS MODEL





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REPORT BY THE INTERIM CHAIRMAN

It is with painful realism that I present the PIC's Integrated Annual Report for the financial year ending 31 March 2020.

This report is presented at a peculiar time when most countries around the world have emerged from either a protracted lockdown or a complete shutdown, prompted by the global spread of the COVID-19 pandemic. COVID-19 no doubt caused considerable disruption to the global economy, and geopolitical and social relations.

• Dr Reuel Khoza

Chairman

OVERVIEW OF THE OPERATING ENVIRONMENT

Global environment

At the end of 2019, tentative signs and projections were that the global economy would rebound after the US and China signed a preliminary trade deal and a decisive UK election pronounced on Brexit. These prospects were stymied by the outbreak of COVID-19 in the Chinese city of Wuhan in late 2019. By February 2020, COVID-19 had spread to several countries, prompting the World Health Organization (WHO) to declare it a global pandemic. Consequently, the world is set to experience the worst recession since the Great Depression of the 1930s, with effects likely to surpass the debilitating impact of the global financial crisis on growth and international trade just over a decade ago.

COVID-19 has both spillover and latent ripple effects. Numerous countries, including South Africa, face a multi-layered crisis in public health services, domestic economic disruptions, plummeting external demand, capital flow reversals and a collapse in commodity prices. Growth in advanced economies is most adversely affected, given the widespread and rapid rise in infections and fatalities in Europe and the US during the first quarter of 2020. The impact on Africa is anticipated to be more severe. In addition to the slump in global demand, the oil price collapse and price volatility added further pressure to current fiscal balances, currencies, reserves of oil-dependent African countries as well as trade and economic growth forecasts.

Post-COVID-19, global GDP growth is likely to remain below the pre-COVID-19 period, with considerable uncertainty about the strength and timing of any rebound. Major central banks have responded to the crisis with a range of measures to stimulate their economies and to keep financial markets functioning. Global monetary policy is expected to remain accommodative for the foreseeable future. Synchronised policy actions across countries have generated some space for emerging markets to use monetary policy to respond to domestic cyclical conditions.

Domestic environment

Domestic growth slowed to its lowest rate since the financial crisis in 2009. Growth is now expected to further contract in 2020, as COVID-19 causes further decline in global demand for exports, a lockdown-induced drop in domestic production and a steep decline in foreign capital inflows. South Africa's unemployment rate continues to rise, with the pandemic likely to cause further job losses. Even in the absence of COVID-19, other structural domestic constraints would probably have kept GDP growth close to zero percent in 2020.

The deteriorating growth outlook for South Africa and the associated heightened fiscal risks saw sovereign downgrades from two rating agencies: Moody's and Fitch. These, together with a likelihood of further downgrades, added both pressure and urgency to government's structural reform programme. Most of the proposed interventions are directly aimed at the network industries and service enterprises and could see growth lift by between two to three percentage points, with the creation of much-needed jobs. The success of these reforms is highly dependent on the implementation of complementary reforms, such as addressing skills constraints in the economy and increasing savings. Institutions such as the PIC should strive to accelerate reforms to improve the economic growth outlook, more so in these trying times. Investment decisions should continue to be aligned to the country's structural growth reform agenda, and in that way support faster job creation and sustainable growth.

The JSE Index fell by almost 36% from its highest point in mid-January 2020 to its lowest point in mid-March, as COVID-19 fears and heightened global risk aversion gave rise to large selloffs in the market. This saw the PIC portfolio lose a significant portion in value in just one month, stemming from losses across all asset classes, with a larger negative impact on listed property and equities.

Performance

These developments have greatly impacted on assets under management (AuM). In January 2020, the value of the PIC's AuM was R2,164 trillion. When the financial year closed on 31 March 2020, the AuM value was R1,907 trillion, compared to R2,131 trillion at the close of the previous financial year. This is a decline of 10.84%. The local listed equities and property portfolios were most affected, recording losses of approximately 19% and 24%, respectively.

The offshore bond and equity portfolios gained by approximately 18% and 9% respectively, attributable to the depreciating Rand against the US dollar over the same period. Although the decline will adversely affect the PIC's financials, the organisation remains financially sustainable.

Strengthening governance and accountability

In the year under review, the Board introduced measures to strengthen corporate governance processes and accountability. The investment approval structures, policies and processes were reviewed and refined to entrench governance and accountability. To further our governance process, the Board, on the recommendation of the Human Resources and Remuneration Committee (HRRC), approved the revised organisational structure for the PIC, comprising the Chief Executive Officer, Chief Investment Officer, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer and Chief Risk Officer. The Investment Committee (IC), a subcommittee of the Board, is now the final approval authority for investments that are beyond management's delegated authority. Consequently, the three Fund Investment Panels that had approval powers for sector-specific transactions have been terminated. The Audit and Risk Committee has been split and each committee is now chaired by a different Board member.

Ethical behaviour and trust are paramount at the PIC. During the financial year under review, the Board commissioned The Ethics Institute to conduct an enterprise-wide ethics risk assessment survey. The survey sought to assess, *inter alia*, transparency or the lack thereof in decision-making processes, political interference in the affairs of the PIC, unfair treatment of employees, undue pressure by managers on employees to act unethically, and the overall work environment. The outcomes of the survey will help to build a culture of ethics within the PIC. To that end, we have created the position of Head of Ethics. The incumbent will be tasked

to promote an ethical culture, ensure that the organisation is compliant with laws and regulations, and regularly report to the Board and its subcommittees.

Commission of Inquiry and implementation of its recommendations

President of the Republic, Mr Cyril Ramaphosa, released the findings of the *Report of the Judicial Commission of Inquiry into allegations of impropriety at the Public Investment Corporation*. Before the Report was published, the Board had already begun to address issues of concern that were the focus of the Commission's work. Subsequent to the release of the Report the Board established an advisory panel, led by retired Constitutional Court judge Yvonne Makgoro, to assist with the implementation of recommendations and advise the Board on where to institute disciplinary and legal action against those implicated in intentional wrongful and unlawful conduct at and outside of the PIC. It is worth noting that disciplinary action has already been taken against some employees who were found to have been involved in or to have enabled malfeasance.

Human Resources

At the time of tabling this report, the Board had concluded the process to recruit a CEO for the PIC and Cabinet approved the appointment of Mr Abel Sithole. Advertisements for a CIO, Chief Risk Officer, Chief Technology Officer, Chief Operating Officer and Chief Ethics Officer have been published and appointments are still expected in the 2020/21 financial year. We believe that proper leadership at executive committee level will echo the tone already set by the Board, with pronounced emphasis on ethical behaviour and a sharp focus on delivering on clients' investment mandates.

Ms Matshepo More was the Chief Financial Officer of the PIC from 1 December 2012 until her appointment as Acting Chief Executive Officer on 23 November 2018. Ms More was placed on precautionary suspension on 20 March 2019. Mr Vuyani Hako was subsequently appointed Acting Chief Executive Officer and Mr Brian Mavuka was appointed Acting Chief Financial Officer on 26 November 2018.

The Board presented a new, revised Remuneration Policy to the Shareholder for approval. The Remuneration Policy, approved by the Shareholder, will bring certainty on how the PIC personnel are remunerated. The policy is a product of engagements with several stakeholders and has been benchmarked against industry best practices.

The Board also approved the review of the effectiveness of human capital interventions and provide recommendations for implementation. These include performance management, remuneration and rewards, staff morale, and management of employee relations processes.

Outlook

We expect difficult days ahead for the PIC, the investment industry and the domestic economy, as the world and our country contend with the devastating effects of COVID-19. Expected sluggish global economic growth will undoubtedly have a bearing on our country and – by extension – on the PIC-managed portfolio. Although we expect the portfolio to perform below initial projections, we remain optimistic that the diversified portfolio will provide a hedge and mitigate against further financial contagion. During the 2020/21 financial year, the Board will continue to strengthen governance, restore confidence in the organisation and drive ethical behaviour. We will maintain our emphasis on effective human capital management, which is central to the well-being and performance of the organisation. The task ahead is daunting, but not insurmountable. We believe that working with stakeholders, we can make the PIC great again!

It was Marcus Tullius Cicero who remarked: '*Gratitude is not only the greatest of virtues, but the parent of all others.*' I would be remiss not to express gratitude to people and institutions who continue to make meaningful contribution to the PIC's existence. Foremost, I thank my fellow directors, whose collective wisdom ensured that whatever any individual on the Board could have overlooked was covered. A special mention goes to the late Dr Xolani Humphrey Mkwana, who served on both the old and the interim Boards, ensuring continuity.

The *esprit de corps* displayed by the Executive Management and employees also deserves our profound sense of gratitude. We also express our gratitude for the wise counsel we received from our Shareholder Ministry. Last, and most importantly, our deepest appreciation goes to our clients.

South Africans, for your renewed confidence in the PIC, our gratitude to you defies limits.



Dr Reuel J Khoza
Chairman



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REPORT BY THE CHIEF EXECUTIVE OFFICER

I am pleased to present the report of the Chief Executive Officer for the financial year ended 31 March 2020.

This report broadly covers the operating environment, investment performance and other issues pertinent to the PIC.

• **Mr Abel Sithole**

Chief Executive Officer

OPERATING ENVIRONMENT

The financial year 2019/20 presented formidable obstacles for the global economy and for our developmental aspirations – with anaemic economic growth, shortfalls in tax revenue, a growing fiscal deficit and rising unemployment in South Africa.

Globally, with the signing of a preliminary trade deal between the US and China in January, the trade impasse was expected to be less of a constraint to global growth. While a recovery in the Global Manufacturing Purchasing Index (PMI) signalled positive prospects for growth due to accelerated manufacturing output and new orders by December 2019, the onset of the novel coronavirus (COVID-19) in early-2020 decimated any prospects for a global recovery.

Global growth slowed to 2.9% in 2019 before the COVID-19 pandemic emerged as a public health emergency for all nations. As a result, the global economy is likely to decelerate further throughout 2020. The International Monetary Fund (IMF) forecasts a contraction of 4.9% in global growth in 2020, with a gradual recovery, rebounding to 5.4% in 2021. Consequently, the worst global recession since the Great Depression in the 1930s and the global financial crisis in 2008, is expected over this period.

Following two downward revisions to our GDP – growth contracted by -1.4% (quarter-on-quarter) in the fourth quarter of 2019, and -0.8% in the third quarter – South Africa recorded its second technical recession. Data released by Stats SA early in 2020 showed that GDP contraction in the first quarter was not as severe as initially anticipated, bearing in mind that the economy was already in recession before the pandemic. The downward revision was caused, in part, by electricity supply failures and other structural constraints.

Before the global outbreak of COVID-19, 'serious risks' to our economic outlook were already identified, including the continued deterioration in the financial position of state-owned companies and its associated demands on the fiscus. Unreliable electricity supply, policy inertia and the slow implementation of structural reforms are additional risks. Growing financial distress at state-owned enterprises will further erode the country's fiscal position, raising borrowing costs and reducing confidence and investment.

The COVID-19-induced contraction in the second quarter of 2020 effectively wiped out 13 years of growth, taking real GDP back to the same level it was right before the onset of the Global Financial Crisis. The structural constraints faced by the domestic economy may hinder our ability to recover quickly, leaving us with a highly uncertain growth path.

Before the COVID-19 pandemic, the PIC had assumed potential GDP growth of between 1% and 1.5% and that structural reforms would be implemented to accelerate inclusive growth. The reality now, with a shock of this nature and with few reforms in place to increase productivity, is that the growth potential will be impaired further. Without urgent structural reform, the growth outlook for the medium- to long-term remains lacklustre, at best.

These developments adversely affected the PIC's portfolio since most investments are held domestically. Institutionally, the PIC experienced its own headwinds. For the year under review, the Commission of Inquiry into Allegations of Impropriety at the PIC, chaired by Justice Lex Mpati, concluded its public hearings and delivered its final report to President, Cyril Ramaphosa. The Commission's final report was published on 12 March 2020.

Although the PIC has been found wanting in several areas of corporate governance and ethics, it continued to deliver on key aspects of its core client mandates. To restore institutional integrity and its reputation, the PIC now needs to reinforce and build on its investment performance, continue to surpass client mandates and address the shortcomings and areas of improvement that have been identified by the Commission, the Shareholder and clients.

We must earn the trust, confidence and satisfaction of our clients, the Shareholder and the public. We will realise this by doing the right things, acting with integrity and making utmost use of our capabilities, training and experience, technical excellence, skill and competence. We want to strengthen the culture of compliance with structures, ethics, policies, processes and procedures, as well as client mandates. We want to focus on getting closer to and better understanding our clients, their mandates and expectations.

We need to strengthen the organisation's professional competence to cement its continental and global position of strategic thinking and execution in investment and investing, while recognising our country's national imperatives. The PIC also needs to re-establish its admirable record of clean, unqualified audits from the Auditor-General on its financial statements. Regrettably, this is not the case for the financial year under review.



WE MUST EARN THE TRUST, CONFIDENCE AND SATISFACTION OF
OUR CLIENTS, THE SHAREHOLDER AND THE PUBLIC.

INVESTMENT STRATEGY

The overall Listed Investments Portfolio outperformed the composite index over the three years to 31 March 2020, outperforming the benchmark by 0.81% on a cumulative basis. This was achieved, notwithstanding uncertainty in the global macro-economic and political landscape (the ongoing trade war between the US and China), as well as the downgrade to our country's investment grade.

Weak GDP reduced the ratings of listed companies that have a large exposure to the South African economy. This placed pressure on the share prices of local retailers, banks and industrial companies, despite trading at discounts to their intrinsic values. On the other hand, companies with large exposure to the global economy, such as resource companies, delivered strong returns. Still, by the financial year-end, the total value of assets under management (AuM) declined by 10.84% compared to the previous financial year. As the PIC's biggest client, the Government Employees Pension Fund portfolio, which represents just under 86% of AuM, was most affected and underperformed its benchmark by 11 basis points due to its huge exposure to the local listed equities assets class.

While inflation-linked bonds, listed equities (both local and foreign) and cash and money markets instruments outperformed the benchmark in other client portfolios, the decline in AuM resulted in a decrease in management fees. The PIC's financial sustainability is likely to be impacted more negatively in future. Ensuring that the PIC remains financially sustainable is a crucial priority for the Board and the Management team.

OUTLOOK

The investment environment is likely to remain risky and uncertain, both globally and domestically. The PIC remains focused and committed to its long-term investment philosophy, which has yielded sustainable results over the years.

The PIC remains committed to, and focused on, its long-term investment strategy. We are confident that this investment approach will continue to yield positive returns for our clients. The investment strategy focuses on building a diversified portfolio strong enough to withstand and absorb unanticipated market shocks. In addition to creating financial returns, our investments must also create jobs and expand the provision of infrastructure and social services.

The PIC should strive to support the government economic reform agenda to improve the economic growth outlook and the quality of lives, more so in these trying times. Investment decisions should continue to be aligned to the government's economic recovery plan, and in that way support faster job creation and sustainable growth.

I would like to thank the Board of Directors for the support it provided to me and my management team. Also, my gratitude goes to the Acting Chief Executive Officer, Mr Vuyani Hako, and all PIC employees for their resilience and commitment towards the organisation during difficult times. Finally, thank you to our clients for entrusting us with your investment mandates and for your continued support.



Mr Abel Sithole
Chief Executive Officer



ENSURING THAT THE PIC REMAINS FINANCIALLY SUSTAINABLE IS A CRUCIAL PRIORITY FOR THE BOARD AND THE MANAGEMENT TEAM.

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

	Strategic Intent Objective	Measure	Target 2019/20	
Financial – 20%				
1a	Maintain the PIC’s financial sustainability and going concern through efficient operations	Net income percentage	$x > 10\%$	
1b		Total staff costs ratio (cost to company, excluding PICeeds/ management fees)	$x \leq 70\%$	
1c		Total IT cost/management fees	$x \leq 16\%$	
1d		Total costs/management fees	$x \leq 90\%$	
Governance (National Treasury directive) – 20%				
2a	Irregular, unauthorised and fruitless and wasteful expenditure	No irregular, unauthorised, fruitless and wasteful expenditure	Classify 0.0% (R value) of expenses as irregular, unauthorised and fruitless and wasteful expenditure	
2b	Ethical behaviour	No findings on unethical behaviour by any staff member	No findings on unethical behaviour by any staff member	
2c	Compliance with the PFMA	Submit all PFMA submissions within the stipulated deadline	Submit all PFMA submissions within the stipulated deadline	
2d	Unqualified audit opinion	Achieve unqualified audit opinion without matter of emphasis	Achieve unqualified audit opinion without matter of emphasis	
Internal Business Processes / Operational Efficiency – 20%				
3a	Robust enterprise risk management practices	Reduction of risk through active enterprise-wide and operational risk management. Measured by reduction in risk index	0% – 10% risk index reduction and/or at least one highest risk reduced by 5% (where 0% indicates no deterioration in risk)	
3b	The PIC maintained a rating of good on the corporate governance matrix as at 31 March 2020	Assessment against the PIC’s corporate governance matrix ratings as per the PIC internally generated environmental, social and governance (ESG) assessment	Achieve an overall rating of 75%	

	Actual Performance 2019/20	Actual Performance (Achieved/Not Achieved)	Performance Commentary
Financial – 20%			
	17%	Achieved	Net income percentage was achieved as a result of disciplined cost-containment measures
	45%	Achieved	Staff costs were maintained in line with budgets
	11%	Achieved	IT spend was in line with targets
	66%	Achieved	Total costs target was achieved
Governance (National Treasury directive) – 20%			
	The irregular expenditure identified relates to four transactions that took place in the current year: totalling R40,000 due to non-compliance with the corporate procurement policy and R9,817,126 due to non-compliance with National Treasury SCM instruction Note 3. Irregular expenditure as a percentage of total expenditure is 3%	Not achieved	As of 31 March 2020, fruitless and wasteful expenditure and irregular expenditure have been identified in the audited Annual Financial Statements
	There were findings of unethical behaviour by certain staff members	Not achieved	One employee was found to have been dishonest and another to have misled and both were summarily dismissed
	PFMA submissions were done within the stipulated deadline	Achieved	During the year, all required PFMA submissions were done within the stipulated deadline
	The audit outcome is an unqualified audit opinion with findings on compliance	Not achieved	The audit outcome is an unqualified audit opinion with findings on compliance
Internal Business Processes / Operational Efficiency – 20%			
	-10%	Not achieved	Only 46% of the Corporate Risks are within the "Low and Balanced Risk Rating Category". The Residual Risk for one risk, namely "People Risk" deteriorated from "Low – Balanced Risk Rating" to "Medium Risk" due to increased staff turnover. The residual risk rating for other risks remained stable. A new risk, namely "Cyber Risk" was added to the Corporate Risk Register in January 2020. The risk is rated "High" residually. This risk mainly contributed to a deteriorating performance in the Corporate Risk Score. Three more risks were added in February and March 2020. One risk, namely "Ethics Risk" is rated in the "Critical" risk category
	74.3%	Not achieved	ESG score was below the acceptable rating of 75%

	Strategic Intent Objective	Measure	Target 2019/20	
CUSTOMERS / STAKEHOLDERS – 35%				
4a	Meet client benchmark portfolio returns and client risk parameters - (36-month rolling returns)	Listed investments		
		α is defined as: Total individual fund return for the top five funds – individual fund benchmark return	Individual top five funds α (meet or exceed benchmark returns)	
4b		α is defined as: Total fund return for other funds – other funds benchmark return	Other individual funds α (meet or exceed benchmark returns)	
4c	Meet client benchmark portfolio returns	Impact Investments (unlisted)		
		Legacy Portfolio – hurdle rate (IRR) at exit = 8% (X)	8%	
4d		Fund I (including UIF and CC SRI portfolio and unlisted debt) IRR at exit = 8% (X)	8%	
4e		Fund II (including UIF and CC SRI portfolio and unlisted debt) IRR at exit = 8% (X)	8%	
		Private Equity and SIPs (unlisted)		
4f		Legacy Portfolio IRR at exit = 8% (X)	8%	
4g		Fund I (including unlisted debt) IRR at exit = 10% (X)	10%	
4h		Fund II [3] (including unlisted debt) IRR at exit = 10% (X)	10%	
4i	Meet client benchmark portfolio returns (as per IPD returns calculation, customised for the PIC Unlisted Properties Portfolio structure)	Property investments (unlisted)		
		Total return (capital and income) = Investment Property Databank (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	

	Actual Performance 2019/20	Actual Performance (Achieved/Not Achieved)	Performance Commentary
CUSTOMERS / STAKEHOLDERS – 35%			
	$\alpha = -0.13\%$	Not achieved	The underperformance is attributed to allocation effects to some of the asset classes (listed properties, Africa Equity, global bonds, money markets and cash), mainly in the GEPF portfolio
	$\alpha = 0.04\%$	Achieved	In this composite, there is a small portion of other asset classes that did not perform well compared to STEFI. However, the main asset class (money market) contributed more to the outperformance of the composite
	IRR = 6.33% (based on valuation data at 31 March 2020)	Not achieved	Returns dragged down by impairments on non-performing assets
	IRR = 3.02% (based on valuation data at 31 March 2020)	Not achieved	Returns dragged down by impairments on non-performing assets
	IRR = 5.19% (based on valuation data at 31 March 2020)	Not achieved	New fund, assets at early stages. Some assets impaired
	IRR = 4.02% (based on valuation data at 31 March 2020)	Not achieved	Returns dragged down by impairments on non-performing assets
	IRR = 0.00% (based on valuation data at 31 March 2020)	Not achieved	Returns dragged down by impairments on non-performing assets
	IRR = 0.00% (based on valuation data at 31 March 2020)	Not achieved	New fund, assets at early stages. Some assets impaired
	Total return = 2.78% vs benchmark of 9.19%. Based on 31 March 2020 valuations	Not achieved	Due to low economic growth and performance, demand in the office space is lower, thereby increasing vacancies in the Directly Held Portfolio dominated by office buildings. The Indirectly Held Portfolio, which is dominated by retail, also suffered due to low retail performance. As a result, independent valuers adjusted cap rates and discount rates upwards as space demand risk and possible tenant failures increases and adopted cautious approach due to COVID-19. This resulted in lower market valuations in both the directly held and indirectly held portfolios. ACSA also contributed significantly due to closure of airports as a result of COVID-19. The IPD benchmark was calculated prior to the COVID-19 pandemic and downgrade, thus the underperformance is attributable (in part) to the timing difference

	Strategic Intent Objective	Measure	Target 2019/20	
Customers / Stakeholders – 35%				
4j	Contribute towards the growth and transformation of the economy through impact investments	Impact Investments (unlisted) Measured by the amount of the approved transaction	Annual approved transactions = R3 billion	
4k	Contribute towards the growth and transformation of the economy through private equity investments and structured investment products (SIPs)	Private equity (unlisted) and SIPs Measured by the amount of the approved transactions	Annual approved transactions = R4 billion	
4l	Contribute towards the growth and transformation of the economy through unlisted property investments	Property investments (unlisted) Measured by the amount of the approved transactions	Annual approved transactions = R2 billion	
4m	Facilitate African regional integration through investments on the rest of the African continent	All asset classes – rest of Africa (Listed equities, impact investments, properties and private equity) measured by the amount of the approved transaction	Annual approved transactions = US\$250 million	
4n	Drive and facilitate transformation through investment activities in both listed and unlisted investments	Listed Investments Externally Managed Portfolio		
		Maintaining a minimum of X % (percentage) of the total AuM of the Listed Investment Externally Managed Portfolio should be managed by transformed managers at BEE levels 1 to 4 and with at least 51% black ownership; and at least 30% black management control	At least a minimum of 50% of AuM managed by external managers should be managed by BEE managers with at least 51% black ownership; and at least 30% black management control	
		Listed investments – dealing (broker allocation)		
4o		Percentage of brokerage allocated to designated BEE broker firms used as a percentage of total brokerage paid. (BEE brokers must have BEE level 1 to 4 certification by an independent rating agency. At least 51% black ownership and at least 30% black management control)	90% of brokerage spend shall be to brokers on levels 1 to 4 BEE rating	
4p			60% of total brokerage shall be paid to brokers with 51% ownership by historically disadvantaged individuals (HDIs) and 30% management control by HDIs	

	Actual Performance 2019/20	Actual Performance (Achieved/Not Achieved)	Performance Commentary
Customers / Stakeholders – 35%			
	R3.966 billion value of transactions was approved at 31 March 2020	Achieved	Majority of the Funds concluded transaction
	R2.093 billion value of transactions was approved at 31 March 2020	Not achieved	No SIPs transactions were concluded due to moratorium set by client
	R2.973 billion value of transactions was approved at 31 March 2020	Achieved	Two redevelopments of existing properties and three transactions
	US\$63.3 million value of transactions was approved at 31 March 2020	Not achieved	The market has been difficult, given inflated valuations and lack of investment grade assets over the period
	59.2% of the AuM managed by external managers is managed by BEE managers with at least 51% black ownership and at least 30% black management control. (At 29 February 2020 – latest available provisional data)	Achieved	The target was met. The majority of the Listed Investment Externally Managed Portfolio AuM is managed by transformed managers
	97.25% of brokerage was paid to brokers on a level 1 to 4 BEE rating	Achieved	The target was achieved. The PIC continues to drive and facilitate transformation in the broking community
	75.82% of total brokerage was paid to brokers with 51% ownership by HDIs and 30% management control by HDIs	Achieved	The target was achieved. We shall continue to drive and facilitate transformation in the broking community

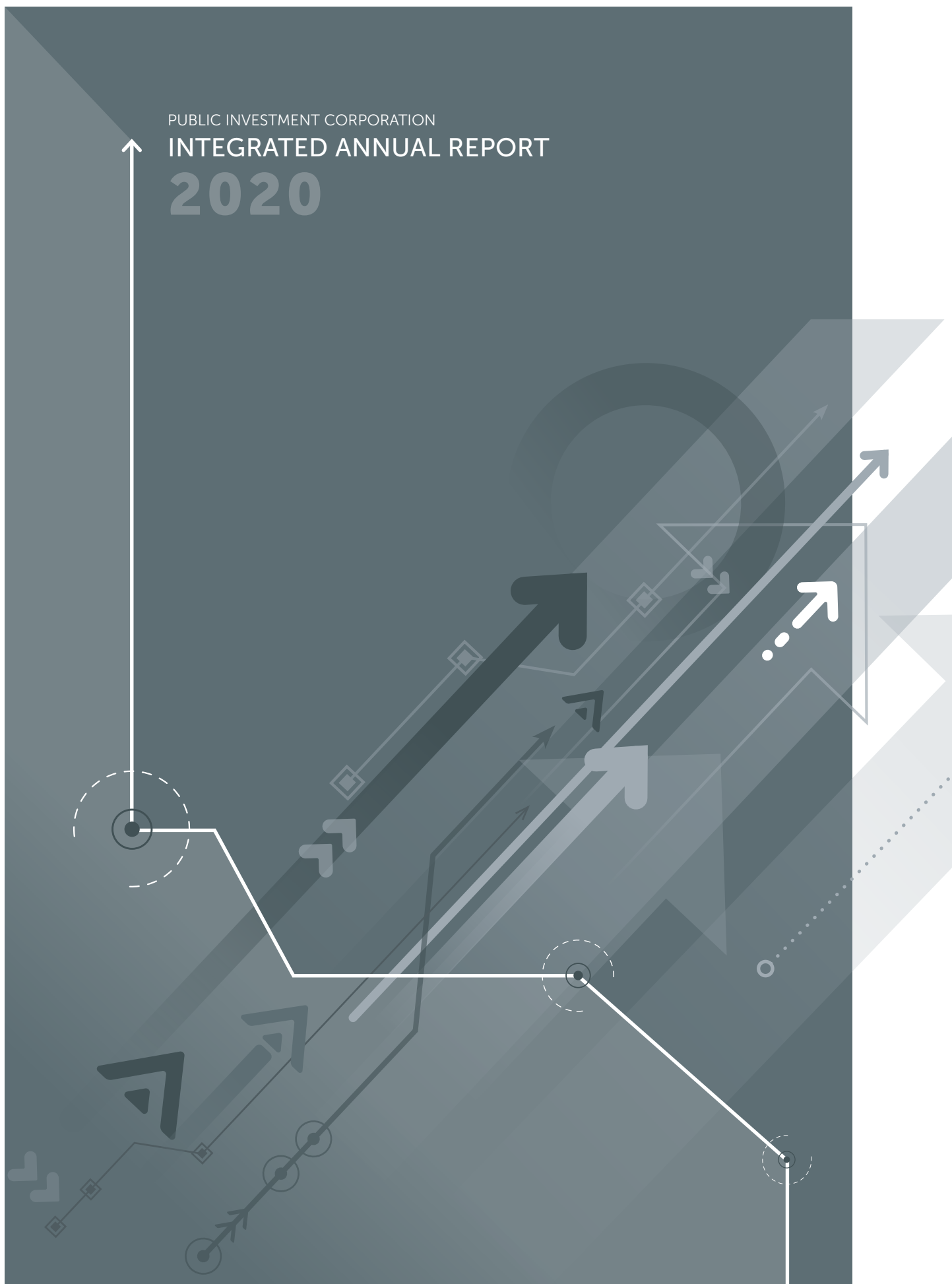
	Strategic Intent Objective	Measure	Target 2019/20	
Customers / Stakeholders – 35%				
4q	Drive and facilitate transformation through investment activities in both listed and unlisted investments	Impact Investments and Private Equity (Domestic Portfolio)		
		Measured by X% (percentage) of the approved funds during the financial year allocated towards to BEE-transformed external managers (to qualify as a BEE asset manager, the service provider must have at least 51% black ownership and 30% management control by HDIs)	Minimum of 60% of all the approved funds is allocated to BEE Managers	
		Unlisted property investments		
4r		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	
4s	Between 10% and 50% of the approved BEE transactions must be allocated to women participants (the BEE shall have at least 40% black ownership)			
Learning and Development (Human Resources) – (5%)				
5a	The PIC staff demographics are reflective of the skilled segment of South Africa’s economic active population	Percentage of staff defined as black, according to the Employment Equity Act, aligned with the skilled segment of the economic active population	Staff demographics to be reflective of the skilled segment of the economic active population	
5b			Maintain a minimum of 30% of females at senior management level based on the Paterson grading scales	
5c			Maintain a minimum of 1% of people with disabilities as a percentage of overall total staff	

	Actual Performance 2019/20	Actual Performance (Achieved/Not Achieved)	Performance Commentary
Customers / Stakeholders – 35%			
	100% of funds approved were towards External Managers who qualify as a BEE Asset Manager, with at least 51% Black Ownership and 30% Management Control as at 31 March 2020	Achieved	The target was achieved. The PIC continues to drive and facilitate transformation in the broking community
	100%	Achieved	100% of qualifying transactions met the threshold (excl redevelopments of owned property and state-owned entities)
	100%	Achieved	100% of qualifying transactions met the threshold and were allocated to women participants
Learning and Development (Human Resources) – (5%)			
	93.5% against the national employee assistance programme (EAP) of 91.3%	Achieved	PIC is ahead of the national EAP with 2.2%
	36.3% of females constitute senior management levels (grades E and F)	Achieved	The aim is to continue to maintain and improve % of female in senior management roles
	1.9% of the staff are people living with disabilities	Achieved	The aim is to improve the percentage to more than 2% in line with Employment Equity Plan

PUBLIC INVESTMENT CORPORATION

INTEGRATED ANNUAL REPORT

2020



An abstract graphic featuring several arrows of different sizes and colors (dark grey, light grey, and white) pointing in various directions. A large, bold '02' is prominently displayed in the center. A dotted line connects a circular icon with two right-pointing arrows to the '02'.

02

A circular icon with a dashed border, containing two dark grey right-pointing arrows.

CONTENTS DELIVERING ON CLIENT EXPECTATIONS

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Investment Philosophy

The PIC satisfies its clients' investment mandates through an investment philosophy based on two key pillars that are anchored by robust risk management processes. These pillars are financial returns and sustainable investing, which are premised on environment, social and governance (ESG) considerations.

THE FINANCIAL RETURNS/ESG APPROACH

FINANCIAL RETURNS

ALPHA GENERATION

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

DIRECT INVESTMENT APPROACH

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

SOCIAL ECONOMIC TRANSFORMATION

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

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

SUSTAINABLE INVESTING ESG

ENVIRONMENT

Protecting the environment to sustain the creation of wealth.

SOCIAL

Sharing the wealth is an insurance for sustained wealth creation.

GOVERNANCE

Good governance enhances financial performance.

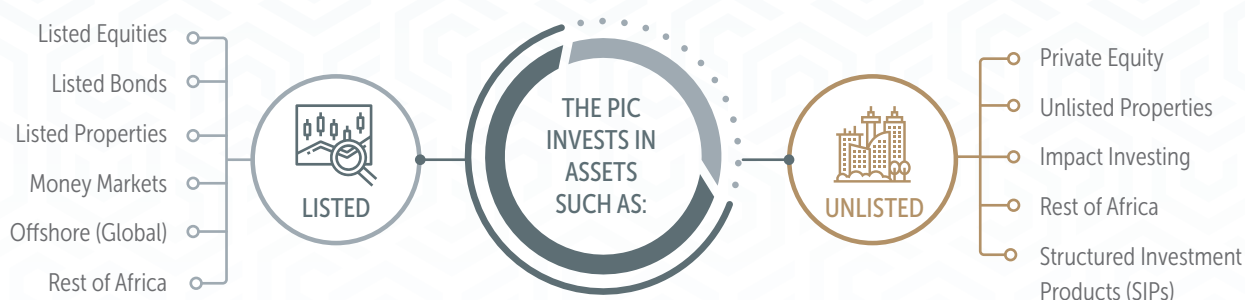
SUPPORTED BY ROBUST RISK MANAGEMENT (PEOPLE, SYSTEMS AND PROCESSES)

RISK MANAGEMENT	DIVERSIFICATION	TIME HORIZON	MARKET EFFICIENCY	VALUATION AND ANALYSIS	COST
Efficient use of risk budget by avoiding risks that do not provide commensurate returns, yields low volatility portfolio.	Well-diversified portfolios produce stable distribution of returns.	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.	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 based upon fundamentals generally produce superior return/risk results. Investment strategies will focus on fundamentally-based processes.	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.

Clients Expectations

CLIENT INVESTMENT MANDATE

Each client's investment objectives are expressed in a detailed investment mandate, which is based on actuarial asset and liability studies and approved by the FSCA. The complexity of managing these mandates differs and is a function of factors such as portfolio size, risk parameters and strategic asset allocation.



Investments in these assets assist clients to realise their financial goals and social returns, whilst contributing to inclusive growth. Social returns include, *inter alia*, job creation, empowerment, transformation as well as contributing to affordable education and healthcare services.

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

Listed Investment Asset Classes

Client	Listed Equities	Listed Bonds	Money Markets	SIPS	Listed Properties	Offshore (global)	Rest of Africa
GEPF	✓	✓	✓	✓	✓	✓	✓
UIF	✓	✓	✓		✓	✓	
CC	✓	✓	✓				
CP	✓	✓	✓				
AIPF		✓	✓				

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

Unlisted Investment Asset Classes

Client	Private Equity	Unlisted Property	Impact Investing	Offshore (global)	Rest of Africa
GEPF	✓	✓	✓		✓
UIF		✓	✓		
CC			✓		
CP			✓		
AIPF					

Investment Process

POLICIES AND FRAMEWORKS

All transactions go through a rigorous investment process, which is underpinned by and subject to various policies and frameworks, based on international best practices and aligned to legislation and regulations. Each role-player in the investment process derives its power and authority from the Delegation of Authority (DoA) Framework. The DoA delegates responsibilities to a variety of role-players in the investment divisions (i.e. Listed, Unlisted and Property Investments) and employees in Risk Management, Legal, Compliance, Corporate Affairs and Investment Management. The DoA also outlines the powers of the Board and its committees as well as those of the Executive Directors.

GOVERNANCE

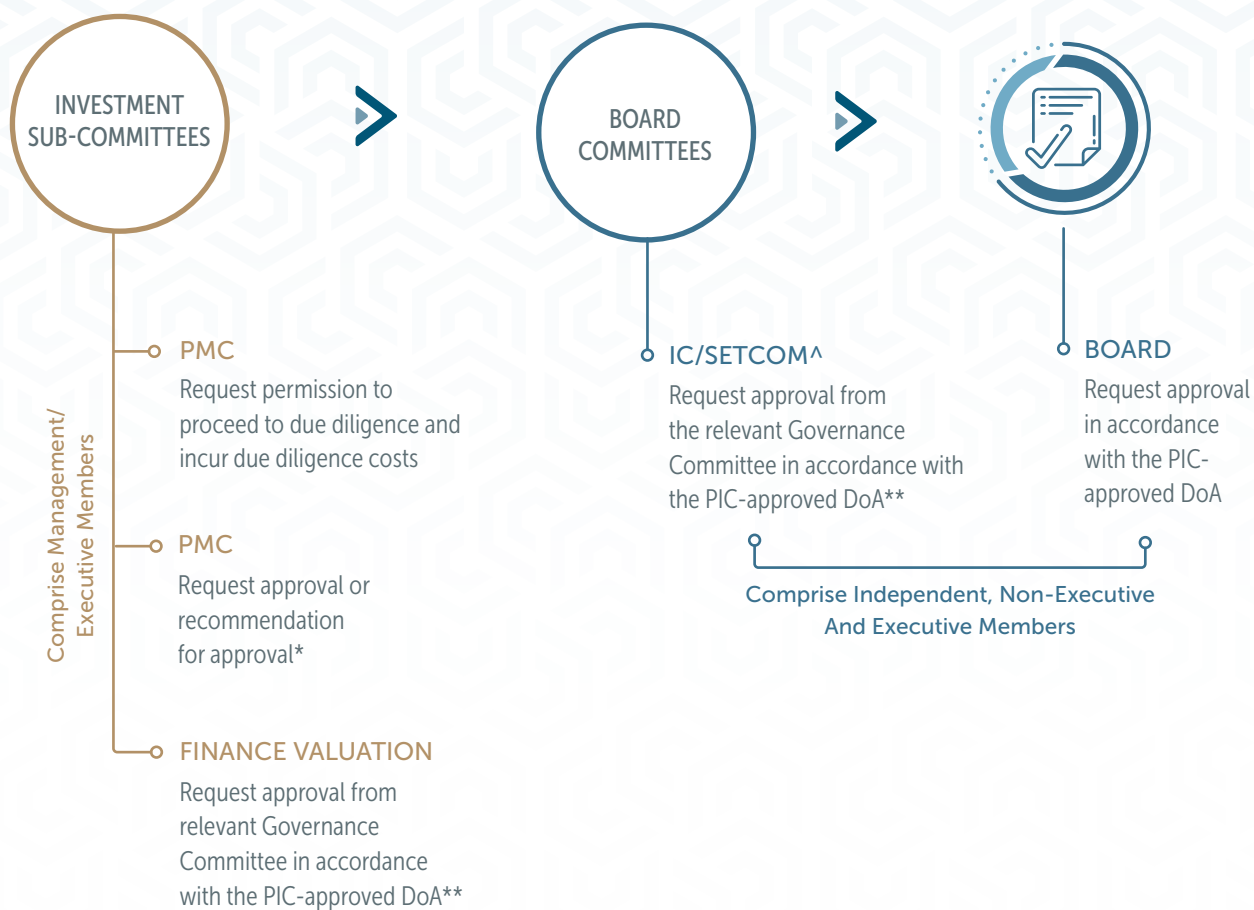
Each investment under consideration is subjected to rigorous interventions as it goes through various stages to its conclusion.



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



The Investment Committee Approval Process



* In line with DoA where PMC is delegated to approve

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

[^] Transactions with the potential for reputational risk are referred to Social, Ethics and Transformation Committee (SETCom) for consideration

Risk Management

The effective management of risk is essential for any business to function well. Ethical, responsible and sustainable business conduct is fundamental to a well-functioning PIC. The PIC is required to maintain high ethical and governance standards, and to ensure full compliance with all applicable laws and regulations. Equally important is the expectation from stakeholders and clients that the PIC delivers value within the risk parameters contained in the investment mandates they have entrusted the institution with.

The Board is responsible for ensuring that risks are identified and managed effectively. It has delegated the responsibility for overseeing risk management to the Risk Committee (RC) and the Risk Division. The RC was previously part of the Audit and Risk Committee (ARC) and the decision to establish a risk-focused committee, demonstrates the Board's commitment to addressing risks within the PIC environment.

Risk management involves the identification, assessment, prioritisation and response to risks that may impact on achieving strategic, investment and operational objectives. Monitoring and reporting these risks minimise the probability of negative events and maximise the potential of credible opportunities. The PIC identifies and measures strategic risks associated with its role. Thereafter, the PIC develops appropriate responses, which are continuously updated and enhanced as the business environment and landscape change. Objectives of the risk management function remain grounded in the following:

- Identify and manage risks within organisational risk appetite and risk tolerance parameters, which are aligned to the Board's strategy and objectives, as well as client mandates;
- Integrate risk concerns into the Corporation's daily decision-making and implementation processes;
- Improve and effectively monitor the Corporation's ability to prevent, detect, correct, escalate and respond to critical risk issues by executing risk management plans and recommendations;

- Comply with risk management standards and best practices, including corporate governance guidelines and the King IV Code; and
- Create risk awareness to ensure that a risk-based approach is embedded in decision-making at operational and strategic levels of the Corporation.

ENTERPRISE-WIDE RISK MANAGEMENT FRAMEWORK

The PIC recognises that in a complex financial services environment, risk management processes and strategies are evolutionary and subject to ongoing review and modification. The organisation has adopted an enterprise-wide approach to risk management. This approach is encapsulated in its Enterprise Risk Management Framework (ERMF), which is predicated upon the principles contained in the King IV Code, ISO 31000 and COSO frameworks.

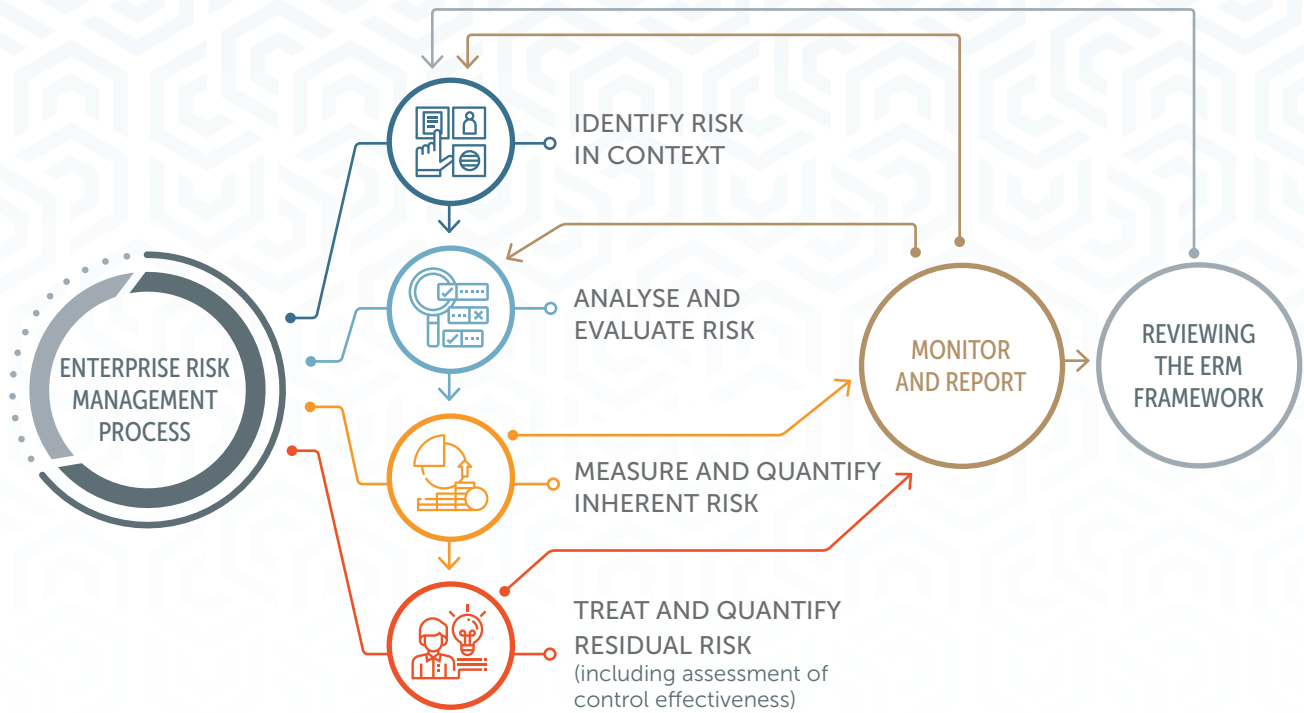
The ERMF assists with the identification, measurement, management, reporting and monitoring of risks throughout the institution. It further guides the PIC to define risk appetite and risk tolerance levels; inculcate a risk-awareness culture; and develop and implement risk-related policies and processes.

The PIC uses both a top-down and bottom-up approach to risk identification, assessment and mitigation to execute the ERMF. The top-down approach entails risk workshops with the Executive Committee (EXCO), the Risk Committee, other Board sub-committees and the Board. The bottom-up approach entails risk assessment in every department and function.

The focus of these approaches is to identify the key risks that may preclude the PIC from achieving its strategic objectives.

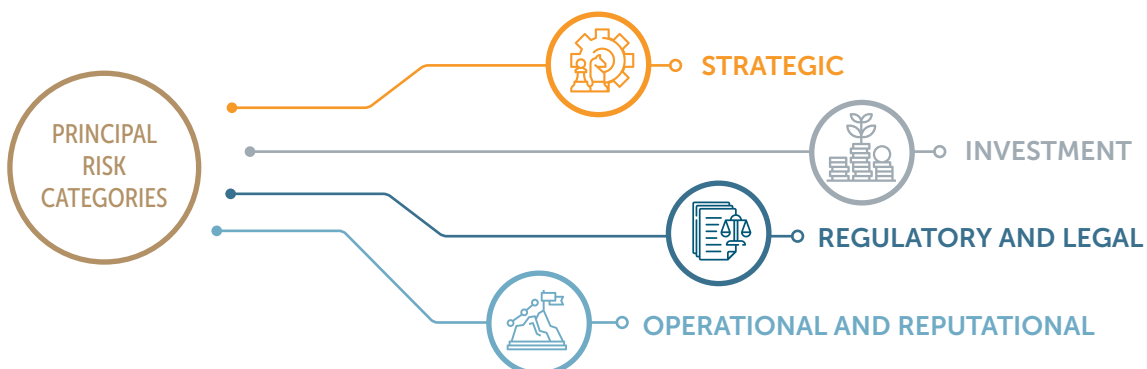
The process adopted under the ERMF follows that of the ISO 31000 standard.

Enterprise Risk Management Process



PRINCIPAL RISKS

The PIC has identified principal risk categories that are significant to the Corporation, namely strategic; investment; regulatory and legal; operational and reputational. Throughout the Corporation, controls to manage the principal risks are embedded within the business units and functions to ensure that strategic objectives are met.



The principal risks and key mitigations implemented are as follows:

PIC PRINCIPAL RISK MITIGATIONS

Risk	Definition	Management and mitigation
Investment performance	The risk of loss due to participation in investments and financial markets. At the PIC, this risk includes market and credit risks in both internally and externally managed portfolios	<ul style="list-style-type: none"> • The PIC governance framework, client investment mandates, risk management and regulatory compliance frameworks. • Robust investment process, underpinned by a strong investment philosophy. • Risk management embedded in the investment process. • Highly skilled investment professionals, with experience and extensive understanding of financial markets. • Sound asset selection and allocation, research and intelligence embedded in the investment process. • Ongoing post-investment management. • Performance management systems for measurement, attribution and monitoring. • Environmental, social and governance (ESG) factors embedded in the investment process.
Strategic	The risk that the Corporation makes inappropriate strategic choices or is unable to successfully execute selected strategies or adapt to changes in the internal/external business, political or socio-economic environment	<ul style="list-style-type: none"> • Adhere to client-approved investment mandates. • Board-approved investment strategy. • Shareholder compact and corporate plan aligned to national priorities. • Governance to monitor implementation and reporting. • Board-approved delegation of authority to ensure decisions are carried out appropriately. • Quarterly reporting to the Board, National Treasury and other stakeholders. • Employee value proposition designed to ensure attraction and retention of talented employees. • Development of talent management and succession planning.
Reputational	The risk of losing credibility due to internal or external factors. This is often related to or results from other categories of risk	<ul style="list-style-type: none"> • Focus on conduct and culture through a number of risk indicators and measurement tools. • All forms of media are regularly monitored to enable proactive approaches to reputational risk management. • Conduct ethics survey and develop ethics risk management strategy. • Provide timeous, high-quality information to enable transparency in reporting. • Embed high standards of governance, high-performance culture. • Screen counterparties. • Reputational key risk indicator monitoring in place to assess reputational risk trends. • Implementation of the Stakeholder Management Framework. • Material events that may adversely impact the Corporation are immediately escalated to the CEO and the Board for consideration. • Achieving an unqualified audit in the next audit cycle.

Risk	Definition	Management and mitigation
Operational	Risk of loss resulting from inadequate or failed internal process, people, systems or external events	<ul style="list-style-type: none"> • Adoption and implementation of a robust Operational Risk Management Framework (ORMF). • Operational risk policies and procedures. • Adoption and implementation of a business continuity (BC) management framework and business unit BC plans. • Regular disaster testing of disaster recovery plans. • Data management reviews and enhancements. • Development and implementation of an anti-fraud and corruption prevention plan and policy. • Development and implementation of the Information Technology (IT) Strategy, IT Security Framework, and IT governance and risk management principles. • Adoption of IT governance tools. • Cyber-security measures.
Legal and regulatory	The risk of loss due to actual or proposed changes to legislation and/or non-compliance with applicable laws, rules, mandatory industry practices, and internal policies and procedures	<ul style="list-style-type: none"> • Capacitated and fully-fledged legal, governance and compliance division to support compliance by the organisation. • Conduct periodic regulatory universe reviews and monitor to ensure adherence and/or implementation. • Perform periodic regulatory compliance monitoring to ensure adherence and/or corrective action. • Maintain effective ongoing relationships with the regulators. • Ongoing training on legislation and internal policies. • Appropriate remedial action and consequence management where applicable.

PIC COMMISSION OF INQUIRY (MPATI COMMISSION) – RISK MANAGEMENT-RELATED FINDINGS AND REMEDIAL ACTIONS

For the period under review, the PIC experienced much change and increased scrutiny by its internal and external stakeholders. This culminated in elevated reputational risk levels. During this period, the PIC was the subject of a commission of inquiry into allegations of impropriety. Led by Judge Lex Mpati, the Commission's findings highlighted weaknesses in the risk management process.

In light of the findings, the Board intervened to improve and strengthen governance as well as the internal control environment. These are some of the interventions:

- Establishment of a standalone Risk Committee;
- Development and approval of terms of reference for the Risk Committee;
- Development of new and review of old risk management policies;
- Ongoing improvement of risk management processes to assess risks to both AuM and PIC Corporate;
- Resource capacity in the risk management function being addressed; and
- Procurement of external service provider to benchmark the Risk Division against companies similar to the PIC and provide recommendations for improvement.

On the next page are some of the Mpati Commission's findings and the work underway to address them.

PIC COMMISSION REPORT – RISK MANAGEMENT-RELATED FINDINGS AND MITIGATIONS

	Commission of Inquiry findings	Management and mitigations
1.	Cumulative investments in various transactions with a single individual have resulted in significant exposure to reputational risk and financial losses	Single Issuer and Counterparty Limits Guidelines have been developed and submitted for approval. PIC policies, guidelines and standard operating procedures (SOPs) have also been developed to ensure that this aspect is considered and embedded in the investment process.
2.	With risks associated with any single party, single counterparty limits should be determined and adhered to by the PIC	Single Issuer and Counterparty Limits Guidelines have been developed and submitted for approval. PIC policies, guidelines and SOPs have also been developed to ensure that this aspect is considered and embedded in the investment process.
3.	Restrict funding from the Isibaya Fund to counterparties to a maximum of two projects (businesses). Also, limit the cumulative monetary amount of exposure to a single counterparty or unlisted investment	Number of projects (businesses) being funded by the PIC will be limited by the implementation of the Single Issuer and Counterparty Limit Guidelines. In addition, the guidelines limit the cumulative exposure to a single counterparty. The PIC has also introduced match funding to ensure that prior to increasing its exposure, adequate risk-sharing mechanisms are in place. The PIC also limits taking 100% exposure on transactions.
4.	Inadequacies in the due diligence process and reporting	The rigour and thoroughness of risk due diligence continue to be enhanced to ensure that all material risks are identified at the inception of the transaction. Assurance providers are developing risk-rating mechanisms aligned to the ERMF, which will inform how risks are assessed. PIC employees will undergo continuous training and attend workshops on risk assessment and management.
5.	Assessing the risk of conducting business with politically exposed people	The Politically Exposed Persons (PEP) Policy has been reviewed and is being implemented. The policy takes a more stringent and onerous approach than the Financial Intelligence Centre Amendment Act, 2017. Amongst others, the policy has no distinction in treatment of domestic and foreign PEPs, provides for enhanced due diligence of all PEPs and prescribes written declarations of beneficial ownership. Furthermore, the PIC requires PEP declarations from investee companies. Investments that are likely to expose the PIC to reputational risk are referred to the Social, Ethics and Transformation Committee (SETCO) and the Investment Committee (IC) or Board for further scrutiny. The Corporation is to appoint a Head of Ethics to improve ethics management.
6.	Monitoring of investments – paper-based and spreadsheet-based systems were identified as weaknesses	In addition to monitoring investments by the Portfolio, Monitoring and Valuations (PMV) Division the PIC has procured and implemented a credit risk system to enhance credit risk management processes, including proactive, ongoing monitoring from on-boarding throughout the life cycle of the portfolio.
7.	Structural capacity – inadequate capacity within the Risk Division	Although there are still several vacancies, significant improvement has been made and the PIC continues to address capacity constraints in the Risk Department.
8.	A comprehensive review of the PIC approach to risk measurement and management as an investment manager. This needs to consider, at the least, risk measurement pre-deal portfolio risk and model risk	An external service provider has been appointed to assist in benchmarking and recommending improvements.

RISK COMMITTEE

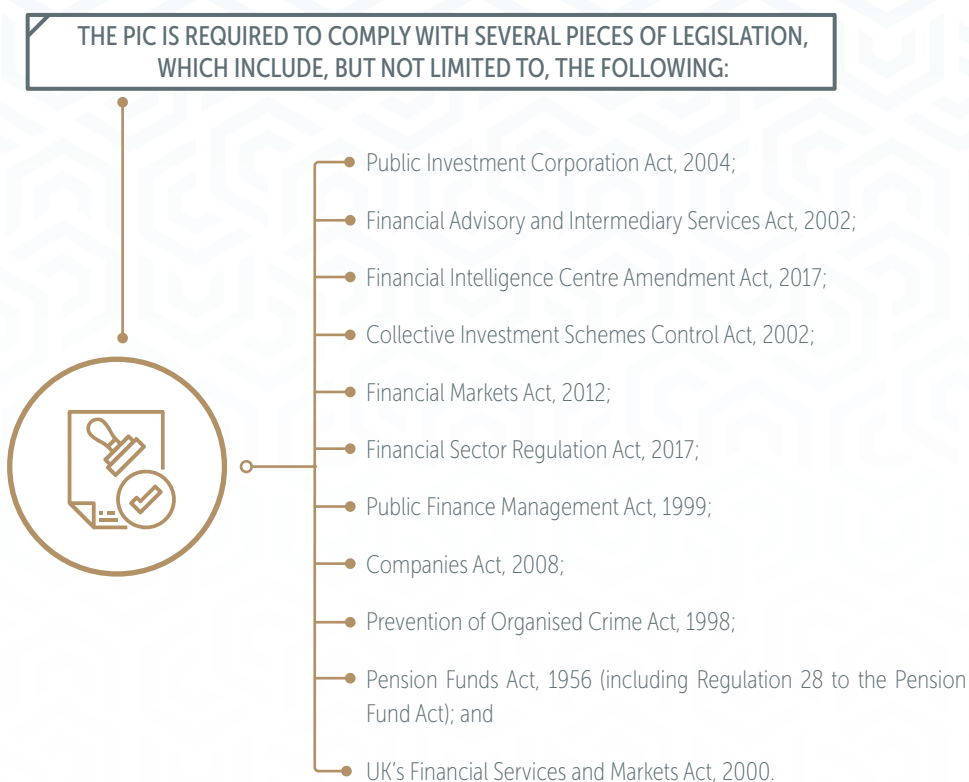
The recently formed Risk Committee (RC) is an independent sub-committee of the Board responsible for the oversight of risk management within the PIC. It comprises five Non-Executive Directors, all of whom are members of the Board, with the CEO, the CFO and Executive Heads as permanent invitees. The RC escalates all material risk matters to the Board.

The responsibilities of the RC are to:

- Help set the tone and develop a culture of risk management, promote open discussion on the integration of risk management into the organisation's goals and create a corporate culture in which people at all levels manage risk rather than reflexively avoid or heedlessly take it;
- Provide input to management and advise the Board on the PIC's overall risk appetite, tolerance and strategy, taking into account the current and prospective macroeconomic and financial environment and drawing on financial stability assessments such as those published by industry and regulatory authorities, including National Treasury, SARB and FSCA and other authoritative sources that may be relevant for the PIC's risk policies;
- Oversee and advise the Board on the current risk exposures of the PIC and future risk strategy;
- Monitor the PIC's risk profile by reviewing management's capability to identify and manage new risk types;
- Ensure the integration of risk into the PIC's decision-making process and execution of its duties;
- Assist the Board to set direction for how risk should be approached and addressed;
- Review reports on any material breaches of risk limits and the adequacy of proposed action;
- Where required, escalate material risk concerns as they arise to the PIC Board and/or external stakeholders, including regulatory bodies;
- Monitor all enterprise risks. In doing so, the committee recognises the responsibilities delegated to other committees by the Board and understands that the other committees may emphasise specific risk monitoring through their activities;
- Review and approve the risk management infrastructure and the critical risk management policies adopted by the PIC;
- Annually review and evaluate the PIC's risk assessment and risk management policies and practices;
- Continually monitor risks and risk management capabilities within the PIC, including communication about escalating risk, and crisis preparedness and recovery plans;
- Continually obtain reasonable assurance from management that all known and emerging risks have been identified and mitigated or managed;
- Discuss with the PIC management the Corporation's major risk exposures and review the steps management has taken to monitor and control such exposures, including the PIC's risk assessment and risk management policies;
- Review and assess the effectiveness of the PIC's enterprise-wide risk assessment processes, recommend improvements and, where appropriate, review and address the effectiveness of corrective actions taken by management against deficiencies;
- Assess compliance or the risks of non-compliance emanating from the Regulatory Compliance function;
- Establish and implement business continuity plans that allow the organisation to operate under conditions of volatility, and to withstand and recover from acute shocks;
- Exercise oversight of the effectiveness of the Safety, Health and Environment (SHE) Committee and the SHE function as it relates to monitoring, managing and reporting of health and safety-related risks; and
- Review systems, including the whistleblower programme that enables employees and other stakeholders to raise concerns about possible improprieties, including fraud.

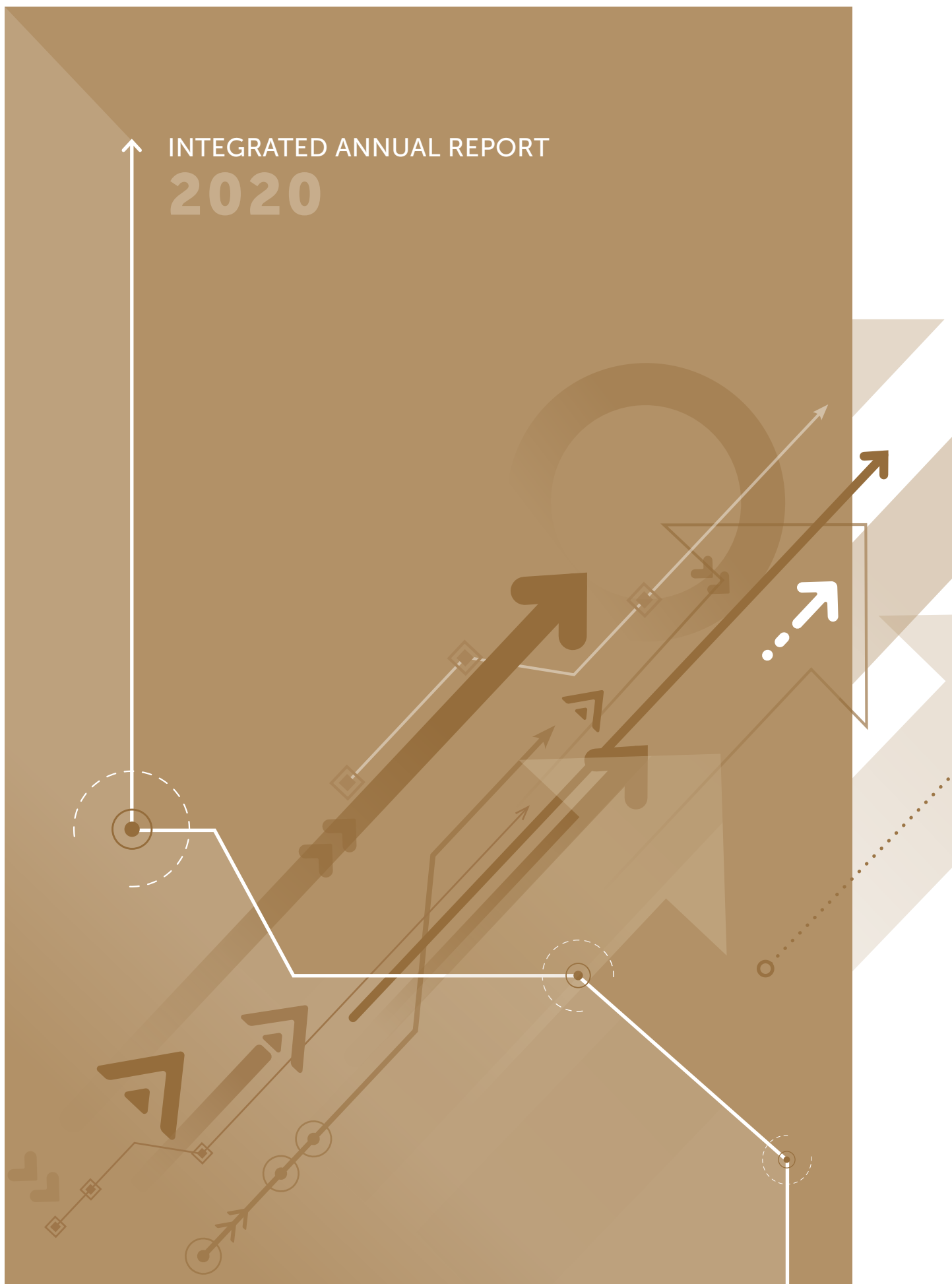
Regulatory Compliance

The PIC considers compliance with applicable laws, regulations, industry codes, its internal policies and ethical standards an integral part of its business operations. The Compliance Division monitors compliance with legislation and provides independent and objective assurance on the PIC's level of compliance to management, the Board and regulators.



Whilst the PIC Board and Management remain ultimately responsible for compliance with legislation, the Regulatory Compliance Division provides advice on legislation and reviews the effectiveness and adequacy of the controls.

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03

A circular icon with a dashed border, containing two right-pointing arrows.

CONTENTS GENERATING LONG-TERM SUSTAINABLE RETURNS

Generation of Financial Returns

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Generation of Social Returns: Social Impact of
Unlisted Investments

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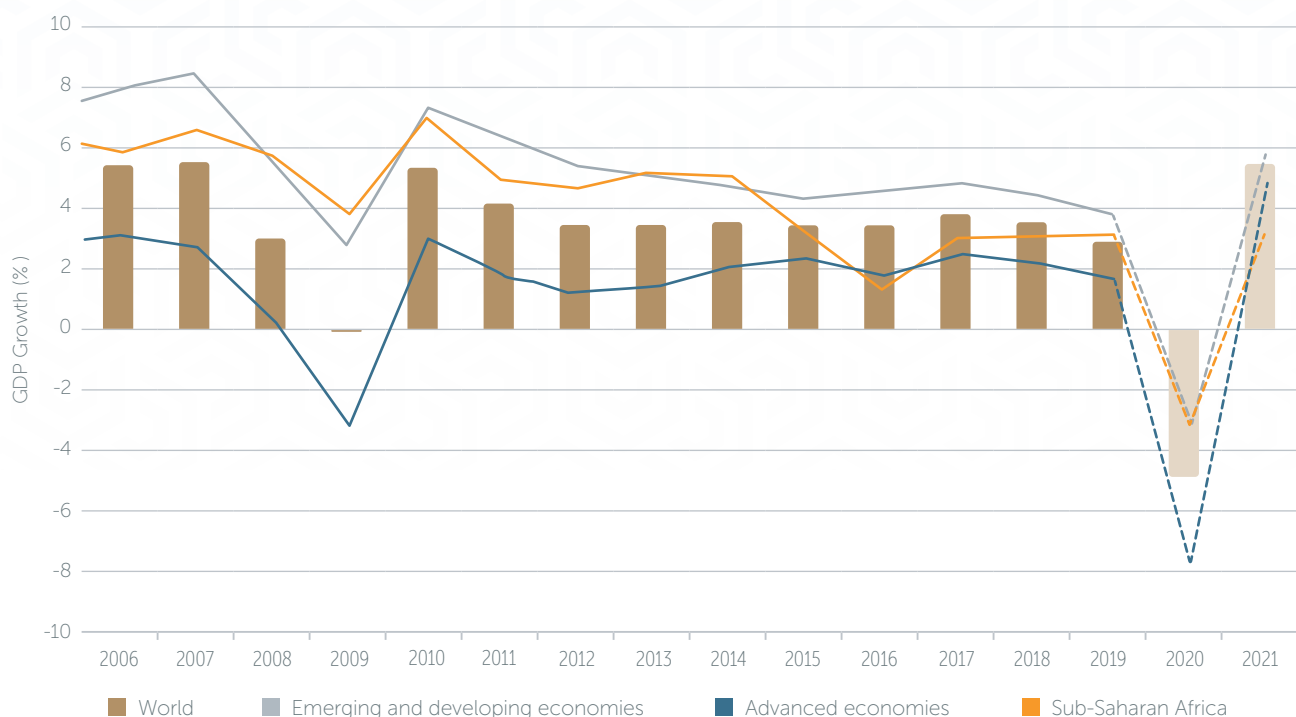
Generating of Financial Returns

ECONOMIC REVIEW: 2019/2020

The Global Economy

Global growth slowed to 2.9% in 2019 before the COVID-19 pandemic emerged as a global threat to public health. By the end of 2019, with the US and China agreeing to a preliminary trade deal – and with some Brexit uncertainty resolved through a conclusive UK election – the global economy appeared to be poised for a rebound. In January, the International Monetary Fund (IMF) forecasted growth of 3.3% in 2020, followed by 3.4% in 2021. These prospects, however, imploded with the COVID-19 outbreak in late 2019, which accelerated to a global pandemic by February 2020. The IMF now expects global economic activity to contract by 4.9% in 2020. This will be the worst global recession since the Great Depression in the 1930s and the Global Financial Crisis (GFC) more than a decade ago.

Growth forecast by major grouping



Source: IMF, PIC Research

Although the COVID-19 pandemic has imposed a single theme on the global economic narrative, it appeared against a backdrop of diverse economic performance in different jurisdictions. The US performed relatively well, while the Euro Area was weaker, with many major emerging markets already struggling with protracted low growth. The IMF signifies that this crisis is like no other. It is a huge shock, and the output loss associated with the emergency and containment

measures will likely dwarf the losses triggered by the GFC. In addition, there is severe and continued uncertainty about the duration and intensity of the pandemic, which informs the deteriorating outlook for global growth. Many countries face a multi-layered crisis that will adversely affect public health and cause domestic economic disruptions, plummeting external demand and capital flow reversals, and collapsing commodity prices.

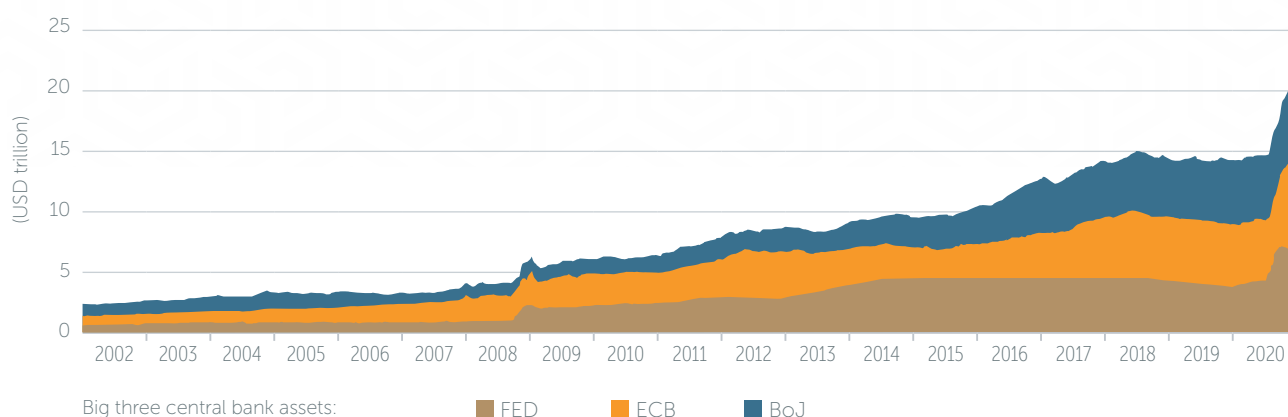
Major central banks have responded to the crisis with measures to stimulate their economies and keep financial markets functioning. The US Fed completely unwound the interest rate normalisation of 2015 to 2018 and reduced its policy rate to approximately 0%, and reintroduced quantitative easing (QE) with US\$700 billion of asset purchases. The Fed also opened various borrowing facilities to improve liquidity in exchange for an expanded range of collateral. Following two years of consultations, the Fed announced changes to its inflation framework ahead of its September sitting. The changes, albeit slight, were unanimous and according to the Fed, the new framework “seeks to achieve inflation that averages 2% over time”. As a result, “following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time.”¹ Essentially, inflation overshoots will be tolerated during the period of recovery.

Similarly, the European Central Bank (ECB) expanded its QE programme and two bank lending programmes. The ECB increased its Pandemic Emergency Purchase Programme for government bonds to €1,350 billion as the bank’s staff

sharply raised its estimate for the drop in economic output and inflation in response to the global measures taken to limit the spread of the COVID-19 pandemic. The ECB’s stimulus measures come as its interest rates are already at the lower bound, with the benchmark refinancing rate at 0.0% and the lending rate at 0.25% since March 2016. The deposit rate is at minus 0.50% since September 2019. President of the ECB, Ms Christine Lagarde, confirmed the ECB’s guidance that it expects to maintain rates “at their present or lower levels until it has seen the inflation outlook robustly converge to a level sufficiently close to, but below 2% within its projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.”²

The Bank of Japan (BoJ) scaled-up purchases of government and corporate bonds, commercial paper and exchange-traded funds. In China, policymakers implemented an economic stimulus programme worth approximately 1.2% of GDP through liquidity measures, tax cuts and other interventions, supplemented by an interest rate cut. The Bank of England (BoE) cut the bank rate to just above zero, released its counter-cyclical capital buffer and launched a new bank lending scheme.

Quantitative easing in advanced economies restarted amid crisis



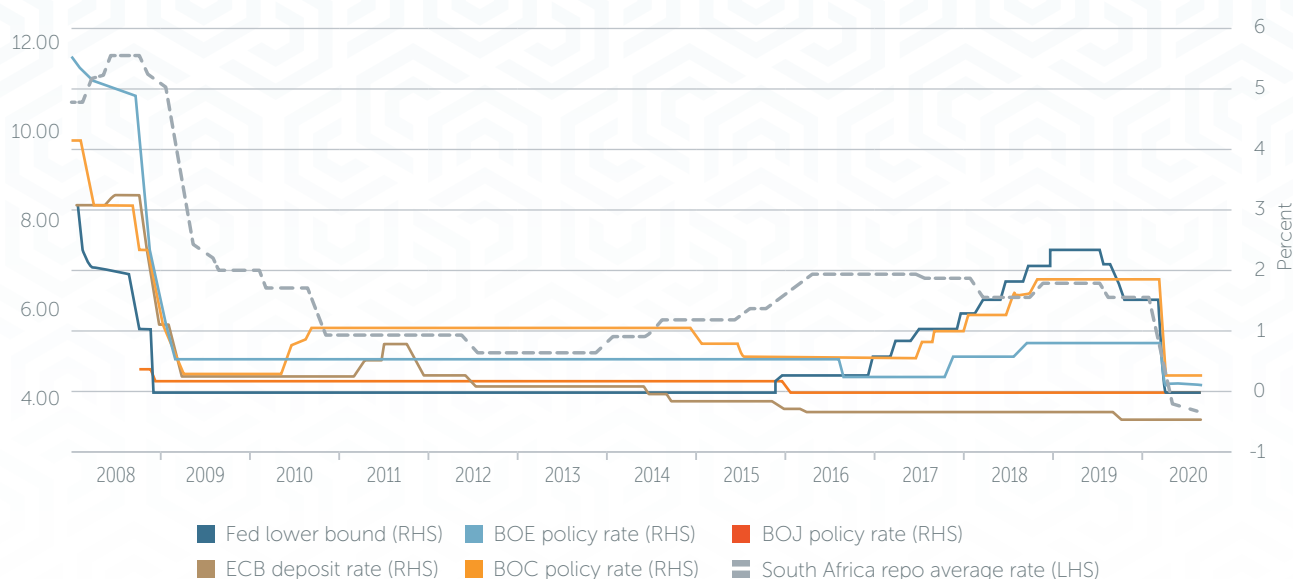
Source: Bloomberg, PIC Research

1 <https://www.federalreserve.gov/monetarypolicy/review-of-monetary-policy-strategy-tools-and-communications-statement-on-longer-run-goals-monetary-policy-strategy.htm>.

2 <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.mp200604~a307d3429c.en.html>.

Central banks in advanced economies again face the zero-lower bound, which prevents interest rates from being lowered too far into negative territory. In emerging markets, by contrast, interest rates have not dipped to zero and inflation has persistently remained in respective target ranges, leaving these central banks with more policy space. These synchronised actions by central banks can amplify their impact on individual economies and will also allow emerging markets to benefit from monetary policy interventions in responding to cyclical conditions in their domestic economies.

Scope for monetary policy action limited in advanced economies



Source: Bloomberg

Advanced Economies

Growth in advanced economies is projected at -8.0% in 2020 due to rapid, widespread COVID-19 outbreaks and emergency containment measures. In parts of Europe, the pandemic, judging by mortality rates, has been more severe than in China's Hubei province. Although it is essential to contain the virus, lockdowns and restrictions on mobility are extracting a sizable toll on economic activity. Low levels of business and investor confidence are likely to further weigh on economic prospects.

Unlike China, in the Euro Area and the US, the effects of COVID-19 became widespread only towards the end of the first quarter of 2020. In the US, growth remained steady at around 2.3% in 2019. US unemployment figures registered 3.6% in January 2020, a 51-year low, and job growth was

unexpectedly robust, with net job gains averaging more than 200,000 in the second half of 2019 and reaching 273,000 as late as February 2020. In the wake of the pandemic, 16.78 million people registered for unemployment benefits in the US over three weeks, signalling a sharp deterioration in the US labour market. The IMF projects that the US economy will contract by 8.0% in 2020 and rebound to $+4.5\%$ in 2021.

Euro Area growth was just 1.3% in 2019, a seven-year low. The IMF sees the Euro Area contracting by 10.2% in 2020 and then recovering to $+6.0\%$ in 2021. Japan and the UK also lagged behind US growth levels, with growth of 0.7% and 1.4% respectively during 2019. Japan is projected to decelerate by 5.8% in 2020, before growing by 2.4% in 2021. The IMF expects the UK economy to contract by 10.2% in 2020 and rebound to $+6.3\%$ in 2021.

Economic growth in selected countries

	Pre-crisis	Post-crisis	Estimate	Average GDP forecast	
	2000-2008	2010-2018	2019	2020	2021
World	4.3	3.8	2.9	-4.9	5.4
Advanced Economies	2.4	2.0	1.7	-8.0	4.8
United States	2.4	2.3	2.3	-8.0	4.5
Eurozone	2.0	1.4	1.3	-10.2	6.0
United Kingdom	2.5	1.9	1.4	-10.2	6.0
Japan	1.2	1.3	0.7	-5.8	2.4
Emerging and developing economies	6.4	5.1	3.7	-3.0	5.9
China	10.5	7.7	6.1	1.0	8.2
Brazil	3.8	1.4	1.1	-9.1	3.6
Russia	7.0	2.0	1.3	-6.6	4.1
India	6.8	7.0	4.2	-4.5	6.0
Sub-Saharan Africa	5.8	4.1	3.1	-3.2	3.4
Nigeria	8.3	3.8	2.2	-5.4	2.6
Ghana	5.3	6.7	6.1	1.5	5.9
Kenya	3.4	5.9	5.6	1.0	6.1
South Africa (IMF forecast)	4.2	1.7	0.2	-8.0	3.5

Source: IMF World Economic Outlook, June 2020

Emerging Markets

Emerging markets (EMs) growth disappointed again in 2019, slowing to an estimated 3.7% from 4.5% in 2018. The global pandemic has and will present severe external demand shocks, dramatic tightening in global financial conditions, and a deterioration in commodity prices, which will have a severe impact on economic activity for commodity exporters. Overall, EM growth is projected to contract by 3.0% in 2020 and rebound by 5.9% in 2021.

Excluding China, the growth rate for the EM group is expected to decline to -5.0% in 2020. The significant downward revision to the 2020 growth projection by countries that did not experience widespread detected outbreaks of COVID-19 by end-March 2020 reflects large expected domestic disruptions to their economic activity. Growth may be even lower if more stringent containment measures are needed if the virus spreads within these countries.

In China, where the outbreak began, the expected economic contraction in quarter-on-quarter terms at the start of 2019 is now recovering. China's slowdown persisted in 2019, with

growth of 6.1% for the year against 6.7% the year before. The IMF expects China's economy to grow by 1.0% in 2020 before recovering by 8.2% in 2021.

India's slowdown intensified in 2019, with growth falling to 4.2% in the year, from 6.1% in 2018. The IMF expects India to contract by 4.5% in 2020 before rebounding to 6.0% in 2021. Other major EMs, having stagnated through much of the past decade, once again failed to accelerate meaningfully (Brazil grew 1.1%, Mexico -0.3% and Russia 1.3%). These economies face severe contractions in 2020.

The impact of the COVID-19 pandemic on Africa is expected to be more severe than in advanced economies. In sub-Saharan Africa, growth is expected to contract by 3.2% in 2020 and rebound by 3.4% in 2021. Compounding the global slump in demand is the oil price war, which caused oil prices to plummet to under US\$30/barrel in the first quarter of 2020. The impact of the oil shock and COVID-19 is likely to be significant on oil-dependent African economies. Severe pressure is expected on their current and fiscal balances, currencies, reserves as well as trade and economic growth.

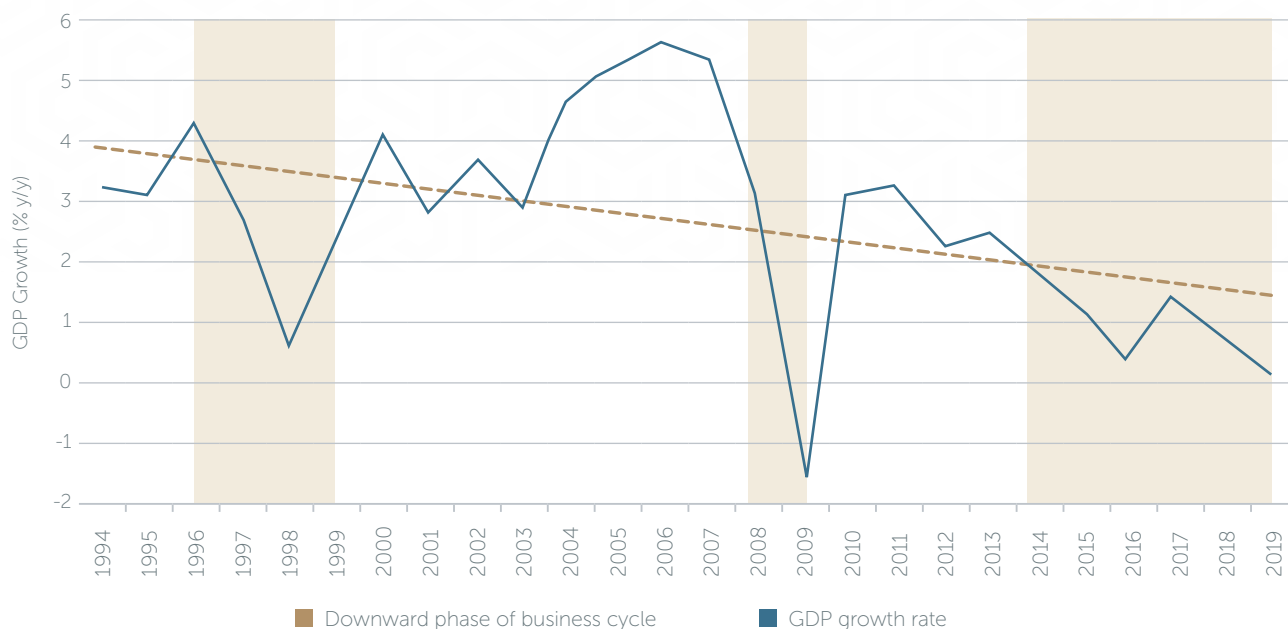
Synopsis

Amid the COVID-19 pandemic, the global economy is headed for the worst recession since the Great Depression in the 1930s. Advanced economies are expected to be hardest hit, with a projected contraction of 6.1% in 2020, while EMs are expected to shrink by 1% on average. Africa will feel the effects on growth, debt sustainability, trade and investment, with critical spill-over effects to key African sectors, foreign exchanges and supply chains. The IMF states that world GDP will remain below the pre-virus trend, with considerable uncertainty about the strength of the rebound. Thus, global central banks are expected to maintain very accommodative monetary policies for the foreseeable future.

The South Africa Economic Review and Outlook

South Africa's growth rate slowed significantly, from a high of 3.3% in 2011 to only 0.2% in 2019 – the lowest growth rate since the sharp contraction in 2009 following the GFC. Annual growth in real GDP averaged only 1% in the current downward phase of the business cycle compared with 2.8% during the previous short upward phase. A further moderation in annual real GDP growth in 2019 reflected contractions in output in three of the four quarters in both the primary and the secondary sectors, along with a slowdown in the tertiary sector. Growth is expected to contract in 2020, primarily because of the impact of COVID-19. Other domestic constraints would, nonetheless, have kept growth low this year, even in the absence of this shock. Accordingly, the South African Reserve Bank (SARB) estimates that potential growth is also very low and will remain at under 1%. The economy is not likely to fully recover in 2021, while from 2022 onwards growth of around 1% may occur given an assumption that the global economy rebounds and domestic circumstances improve.

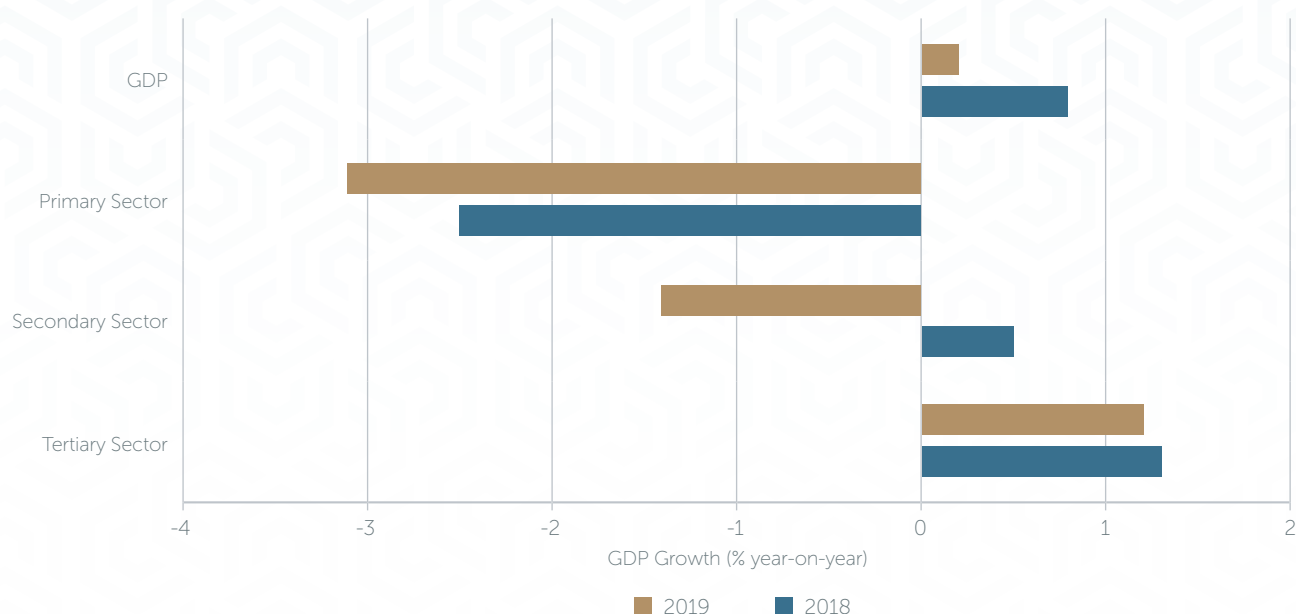
Real GDP growth



Source: Stats SA, PIC Research

Annual growth in the primary sector contracted further, by 3.1% in 2019, following a decrease of 2.5% in 2018. Agricultural output decreased by 6.9% in 2019. This was the second consecutive annual contraction as output decreased in all four quarters of the year. The underperformance in the sector was due primarily to insufficient rainfall. There may be a rebound this year given better growing conditions and, therefore, larger crop estimates. Mining activity contracted for a second successive year: by 1.7% in 2018 and 1.9% in 2019. During the past decade, the real gross value added (GVA) of the mining sector expanded only in four years. The expansion was amid low levels of fixed investment, electricity supply constraints, increased operating costs, labour unrest, subdued global demand and declining profitability, especially at deep-level gold mines.

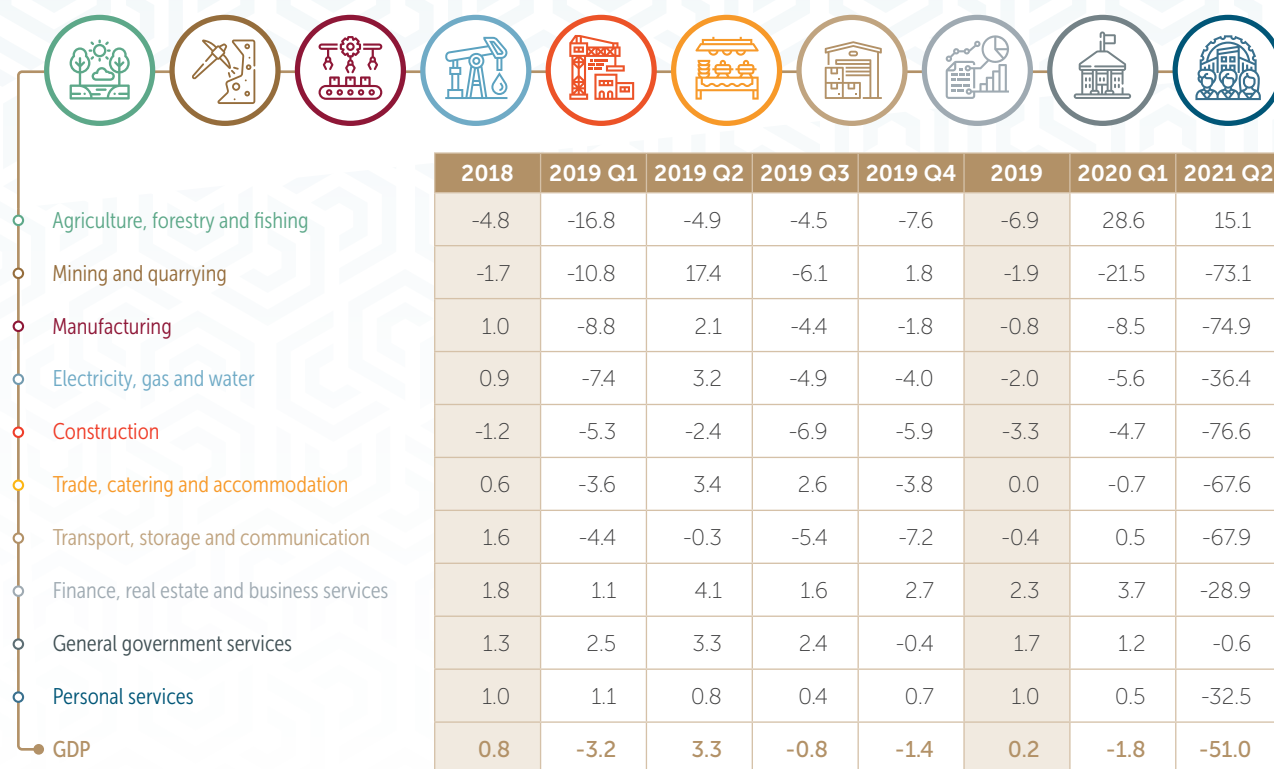
Sector growth rates 2018 vs 2019



Source: Stats SA, PIC Research

The real GVA by the secondary sector contracted to 1.4% in 2019, from 0.5% in 2018. The real GVA by the manufacturing sector contracted in all but one of the four quarters of 2019 and resulted in an annual decrease of 0.8%, which was the weakest performance in the past decade. Activity continued to be impeded by factors such as electricity supply shortages, higher energy costs, subdued global demand and lower world trade, following heightened US-China trade tensions in 2019. Annual electricity GVA decreased by 2% in 2019 after increasing by 0.9% in 2018. The renewed implementation of load-shedding (which for the first time went to stage 6) and the sluggish economic activity in the electricity-intensive mining and manufacturing sectors weighed on both electricity production and consumption. Electricity generation capacity was further constrained by delays in the return-to-service of power plants due to planned maintenance, as well as coal supply shortages and the failure of coal-supplying conveyor belts. Real construction output contracted further by 3.3%, in 2019, following a contraction of 1.2% in 2018, reflecting a significant decrease in non-residential building activity alongside further contractions in both residential building and civil construction activity.

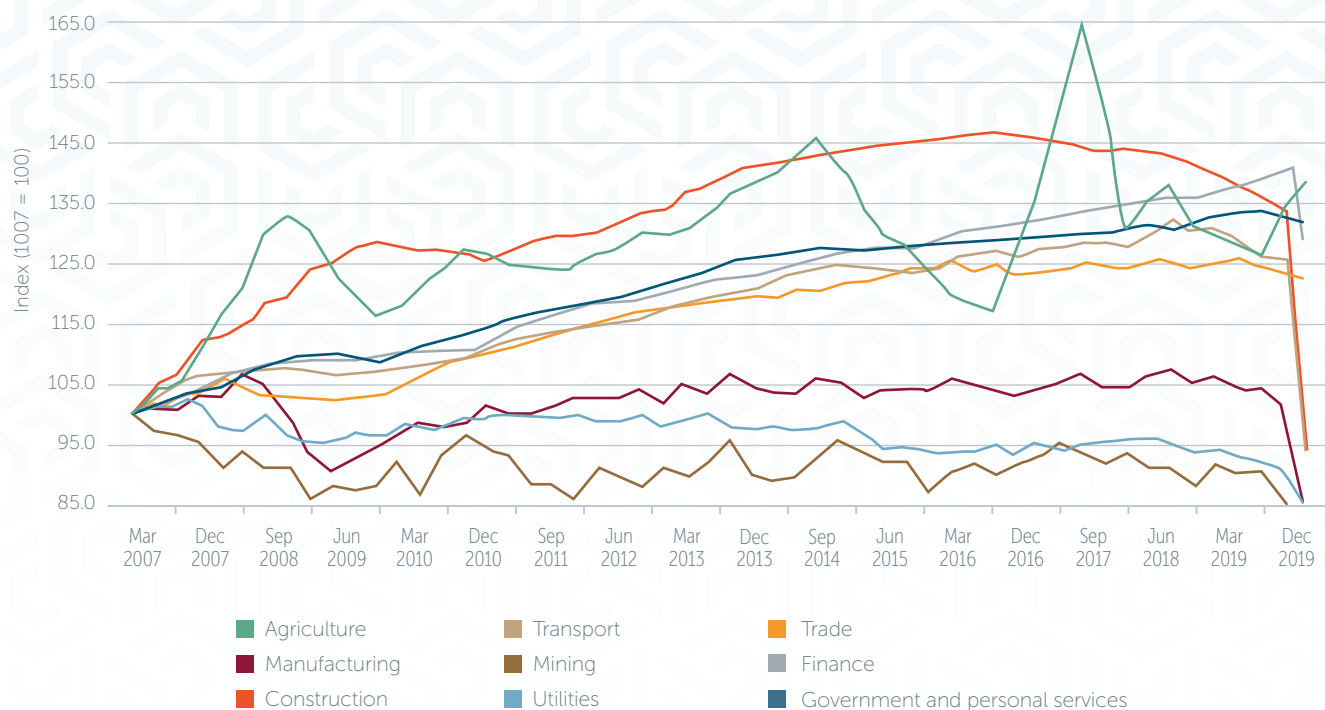
Growth trends in components of GDP



Source: Stats SA, PIC Research

The real GVA by the tertiary sector moderated to 1.2% in 2019, from 1.3% in 2018. Real growth was flat in the trade sector after increasing by 0.6% in 2018. The subdued business and consumer confidence, weak consumer demand and rising input costs constrained the real output of the wholesale trade sub-sector. Motor trade activity was negatively impacted by lower sales of new and used vehicles as disposable household income remained under pressure. This outweighed an increase in retail trade activity boosted by Black Friday specials in November 2019. Consistent with the fall in mining and manufacturing activity, transport also declined in 2019, by 0.4%, after increasing by 1.6% in 2018. The decrease in activity in inland freight transportation plausibly related to offline power stations not needing coal. These sectors are likely to remain under pressure in an environment of ongoing load-shedding and low electricity availability.

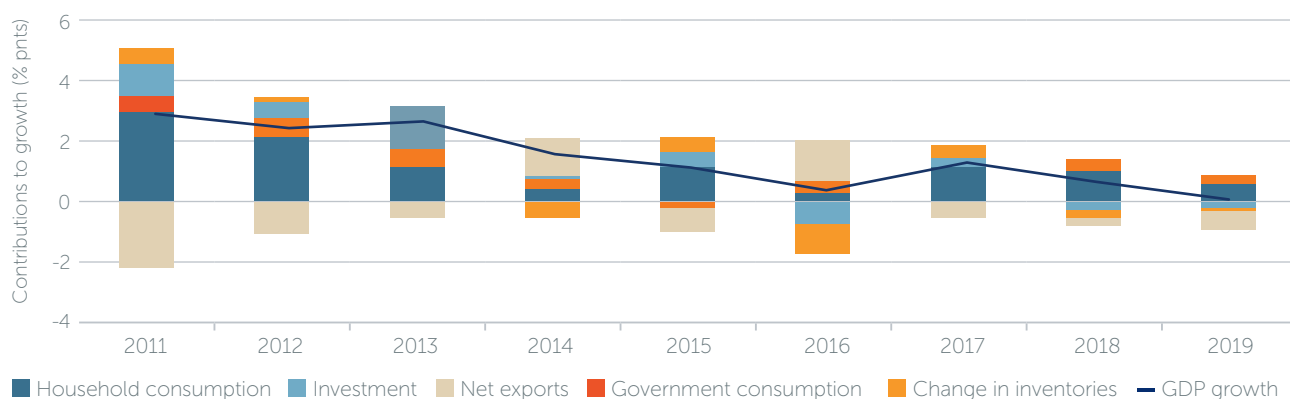
Sector growth trends



Source: Stats SA, PIC Research

From the demand side of the economy, real final consumption expenditure by households contributed the most to growth in real GDP in 2019. Demand added 0.6 percentage points, while net exports subtracted from GDP growth to the same extent.

Demand-side contribution to GDP growth

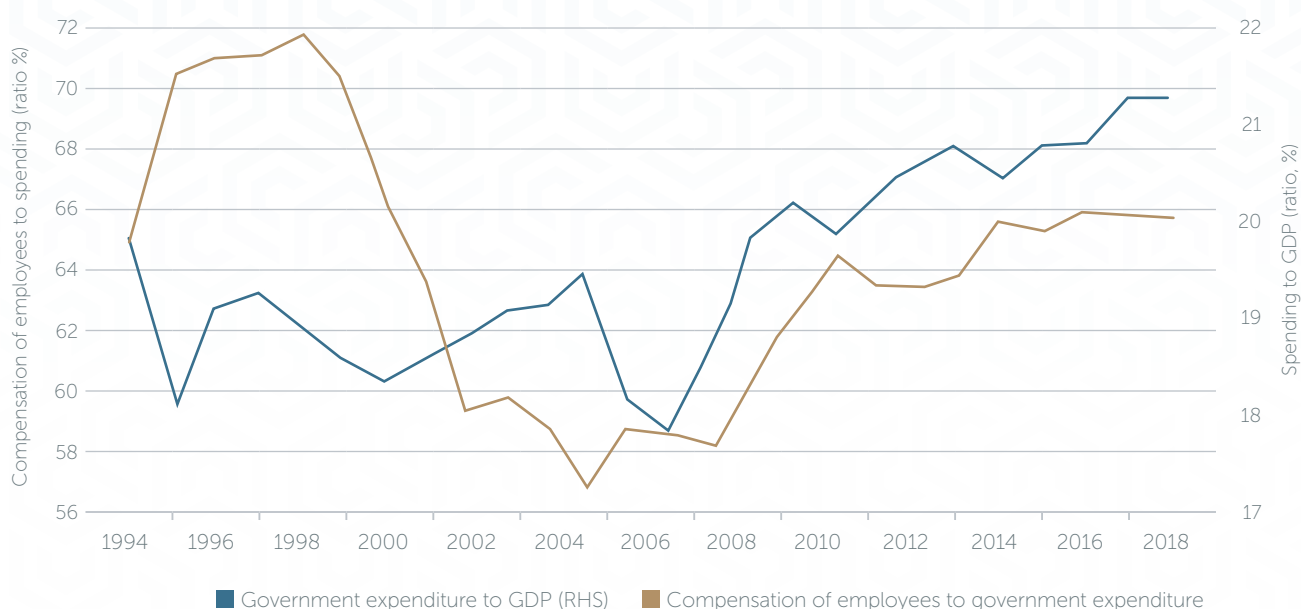


Source: Stats SA, PIC Research

Growth in household consumption expenditure moderated from 1.8% in 2018 to 1% in 2019. Consistent with the adverse impact of rising unemployment, slower growth in households' real disposable income, a lack of consumer appetite for large purchases and weaker consumer confidence, the pace of the increase in real outlay on durable goods, semi-durable goods and services slowed. By contrast, growth in the real purchases of non-durable goods accelerated slightly over the period.

Real final consumption expenditure by general government increased by 1.5% in 2019, slightly less than the increase of 1.9% in 2018. Growth in real spending on non-wage goods and services decelerated. Temporary appointments by the Electoral Commission of South Africa in preparation for and during the national elections in May 2019, temporarily elevated spending on compensation.

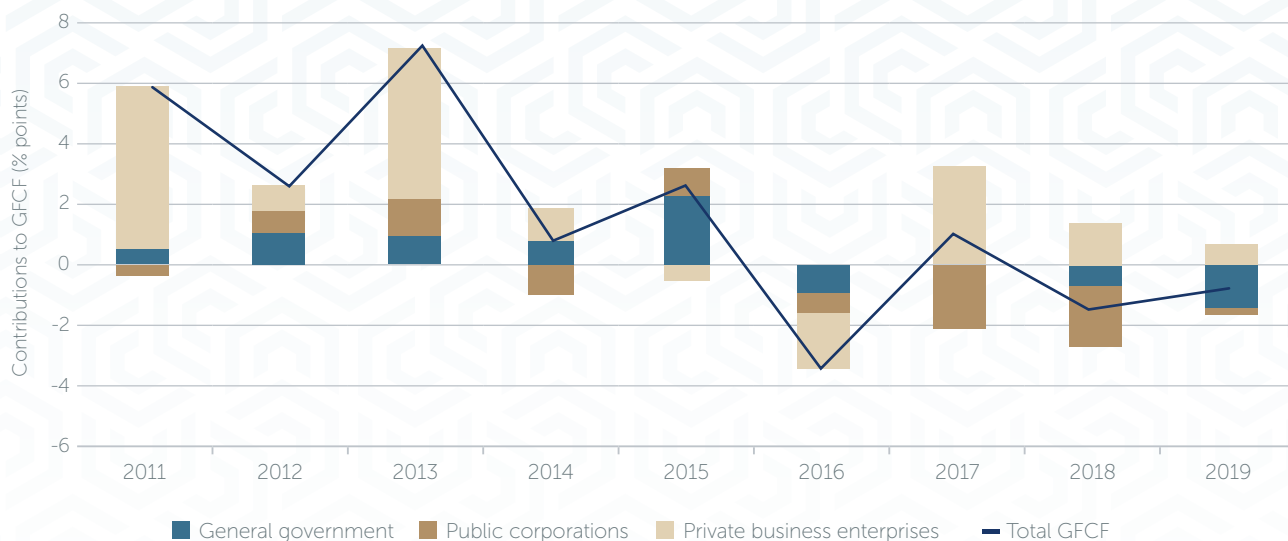
Nominal government expenditure



Source: Stats SA, PIC Research

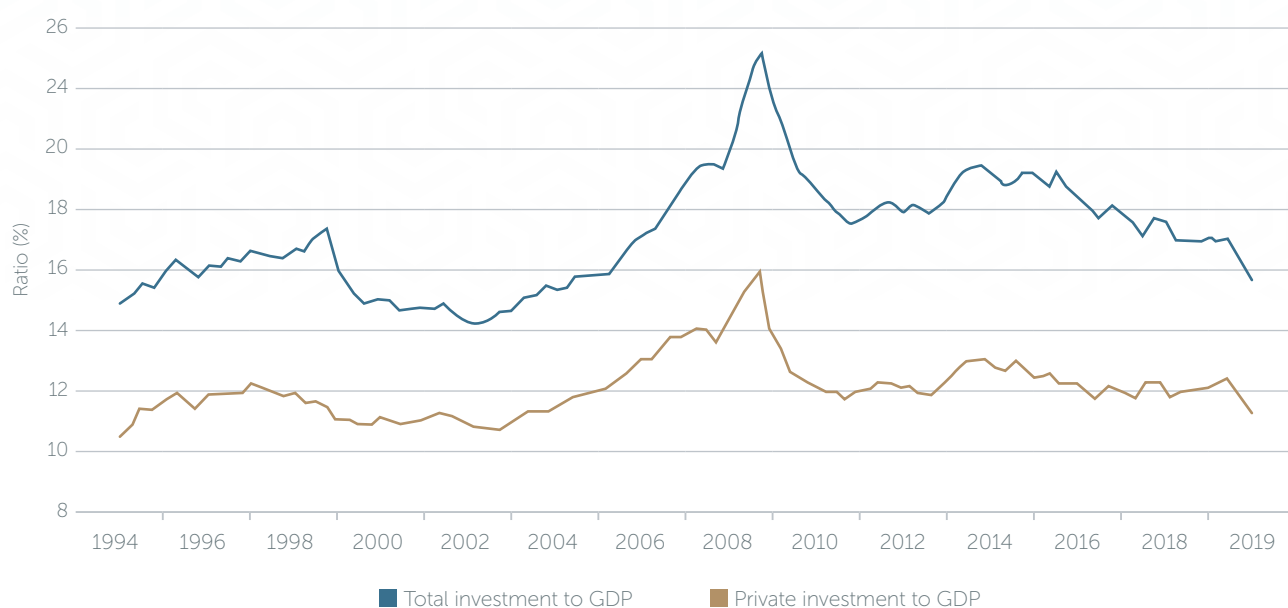
Real gross fixed capital formation (GFCF) declined by a further 0.9% in 2019, constrained by fiscal pressures, lacklustre real economic activity and weak private sector business confidence. Consequently, the ratio of nominal fixed capital formation to nominal GDP declined to 17.9% in 2019 – the lowest level since 2005.

Contributions to GFCF



Source: Stats SA, PIC Research

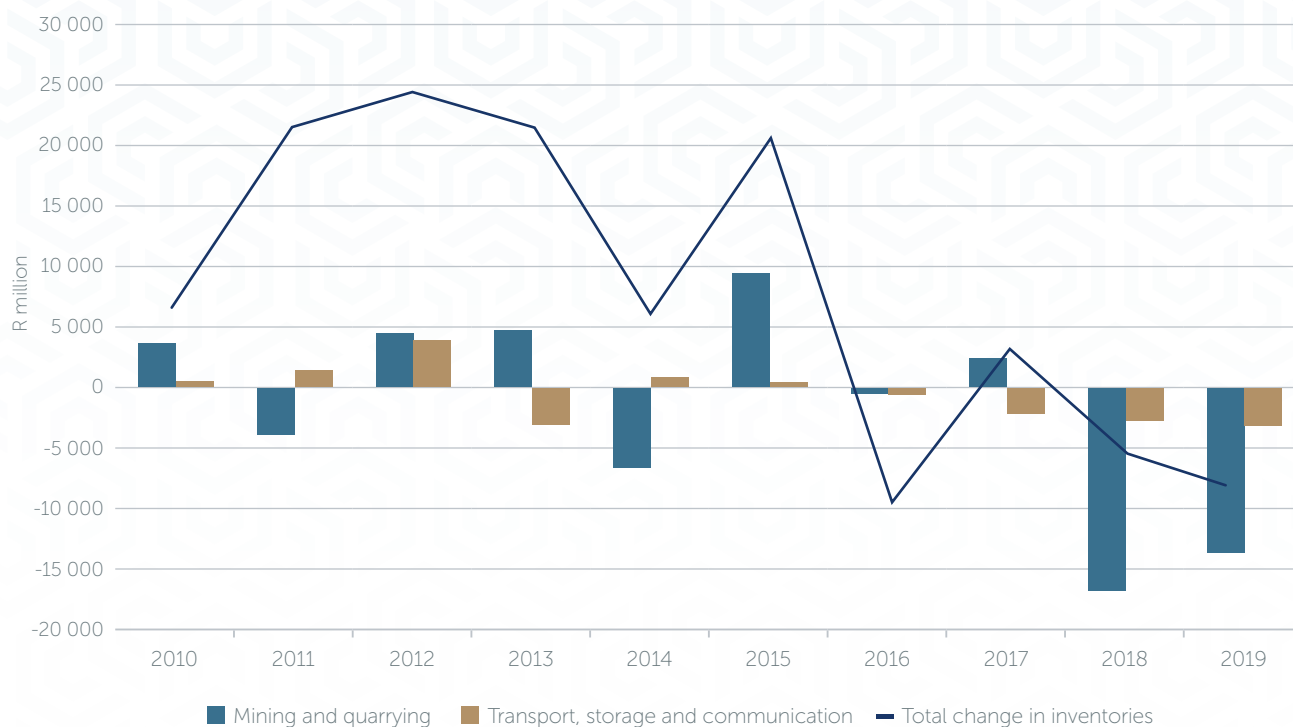
Nominal investment



Source: Stats SA, PIC Research

Real inventory holdings depleted further, by R9,1 billion in 2019, similar to the lower inventory holdings in previous downward phases of the business cycle. Investment spending in 2020 is likely to be driven more by low inventory levels as businesses restock rather than by other productive investment spending, particularly in sectors that saw a large drawdown in inventory levels in 2019.

Inventory drawdown may necessitate some investment spending



Source: Stats SA, PIC Research

Overall, South Africa is experiencing a triple sudden stop: A massive decline in global demand for its exports, a lockdown-induced plunge in domestic production (and demand), and a steep decline in foreign capital inflows. One of these sudden stops at a time would have been bad enough, but three simultaneously are both rare and particularly damaging. The severe economic fallout from the COVID-19 pandemic is likely to see a deep contraction in GDP growth in 2020, only moderately rebounding over the medium term. After the severe contraction in 2020, potential GDP growth is expected to average at around 1% between 2021 and 2024.

As a ratio of GDP, the deficit on the current account declined from 3.5% in 2018 to 3% in 2019. This outcome marked a deterioration from 2017, when it had moderated to 2.5%, due mainly to import compression. However, the current account narrowed sharply in the fourth quarter of 2019,

to just 1.2% of GDP. The current account deficit typically fluctuates with swings in the trade balance, which tends to follow movements in the business cycle.

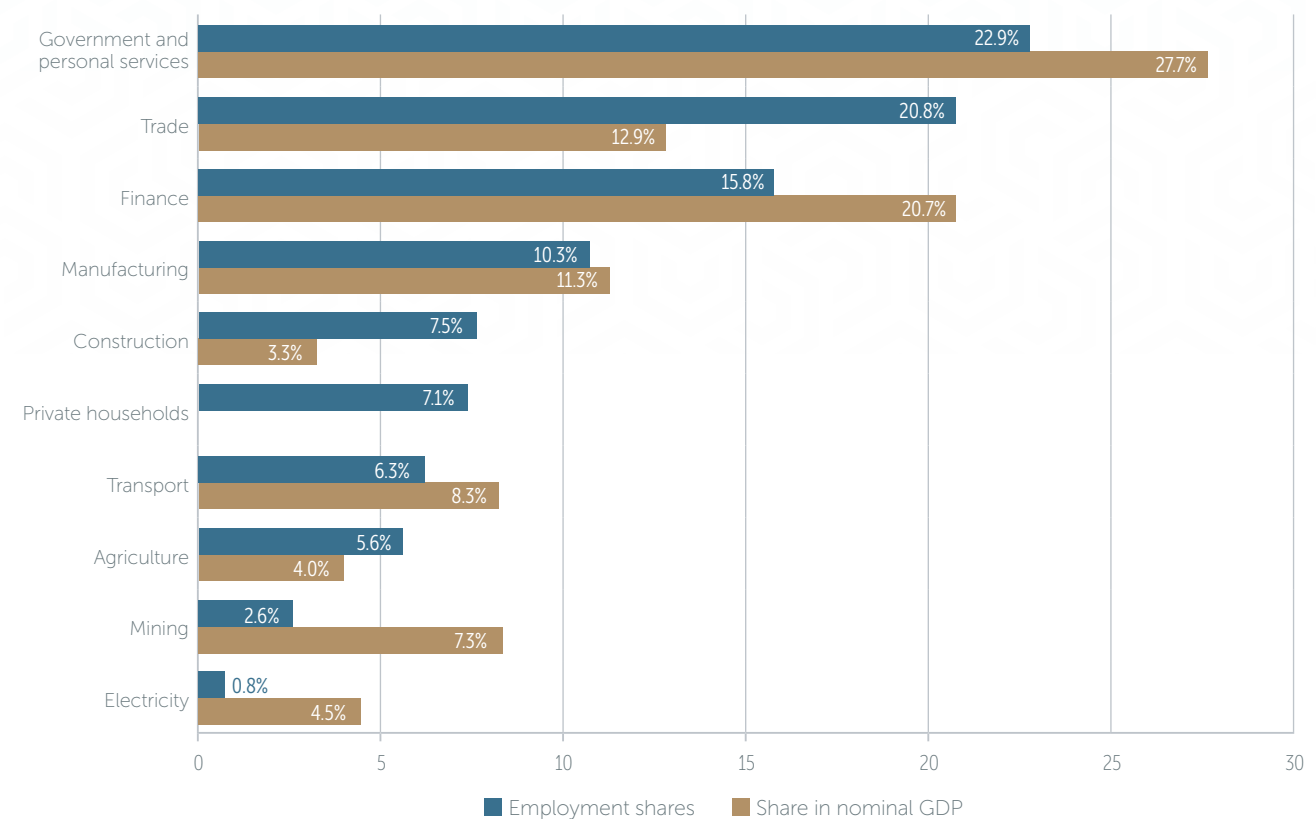
Meanwhile, the services, income and current transfers account contributes steady deficits, in the region of 3% to 4% of GDP, which ensures that the overall current account remains consistently in deficit. This also explains why South Africa has such a large current account deficit even when the economy is weak, imports are subdued and the trade balance is in surplus. Given the more subdued growth outlook, the current account is likely to average around 3% of GDP over the medium term. This implies persistent trade surpluses. It is difficult to narrow the current account deficit much further, as foreign demand has been from the major purchasers of government debt, thus producing a large stream of outgoing interest payments. Unlike dividends, interest costs are not responsive to local business conditions, so they do not help

the current account rebalance when growth is slow. South Africa's high current account and budget deficit reflect high external financing needs.

South Africa's official unemployment rate remained at a record high of 30.1% in the first quarter of 2020 (total unemployed in the first quarter of 2020: 7.1 million). The second quarter Quarterly Labour Force Survey revealed that 2.2 million people lost their jobs in the second quarter, with employment down 13.3% year-on-year to 14.2 million, out of a working-age population of over 39 million people. The job losses were broad-based, with retrenchments across all sectors. The data show that COVID-19 related job losses were mainly concentrated in the lower end of the wage spectrum, with over half of all the job losses taking place in the tertiary sector given the one-off lockdown that permitted very little end-retail or end-service activity. A recent National

Income Dynamics Study – Coronavirus Rapid Mobile Survey (NIDS-CRAM) report found an 18% decline in employment between February and April 2020, amounting to a staggering three million jobs. It found that one in three income earners in February did not earn an income in April – either through losing their jobs or being furloughed – and that there was a 40% decline in "active employment" through workers being laid off, furloughed or placed on paid leave. This will also have an associated effect on inequality and hunger. Of further concern is the increase in structural unemployment (the proportion of people unemployed for one year and longer), relative to short-term (or cyclical) unemployment, remained high at 71.7% in the first quarter of 2020. The majority of unemployed youth falls into this category, which reflects the inability of the South African labour market to absorb the growing pool of largely unskilled labour, necessitating urgent and appropriate policy interventions.

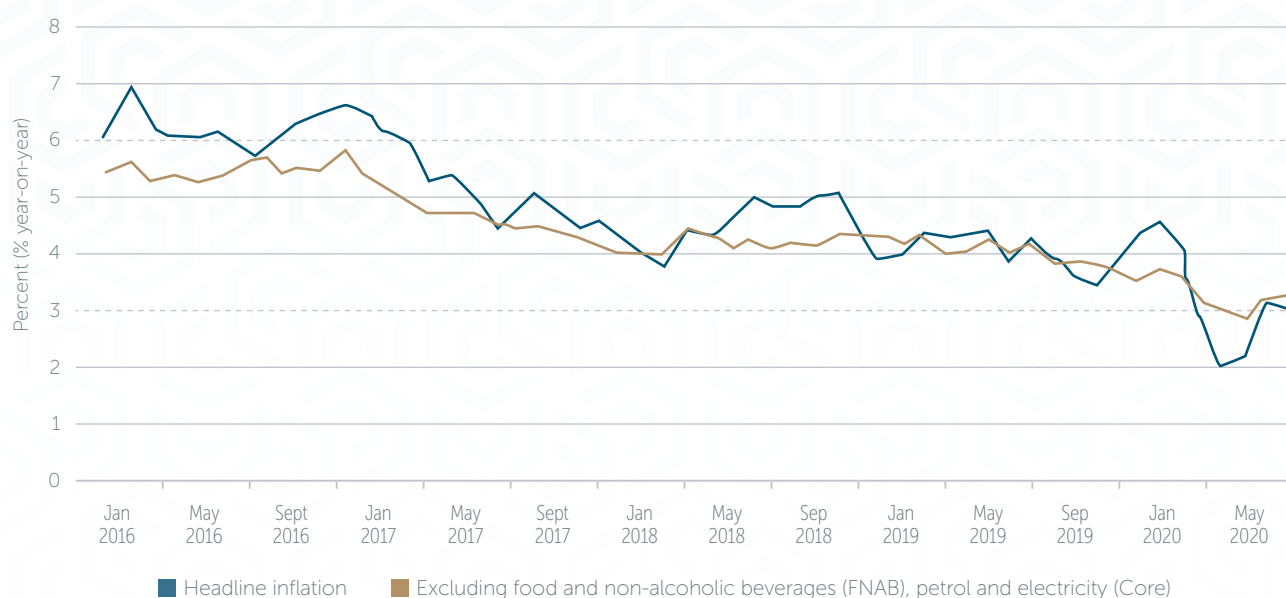
Employment and GDP share per industry, second quarter of 2020



Source: Stats SA, PIC Research

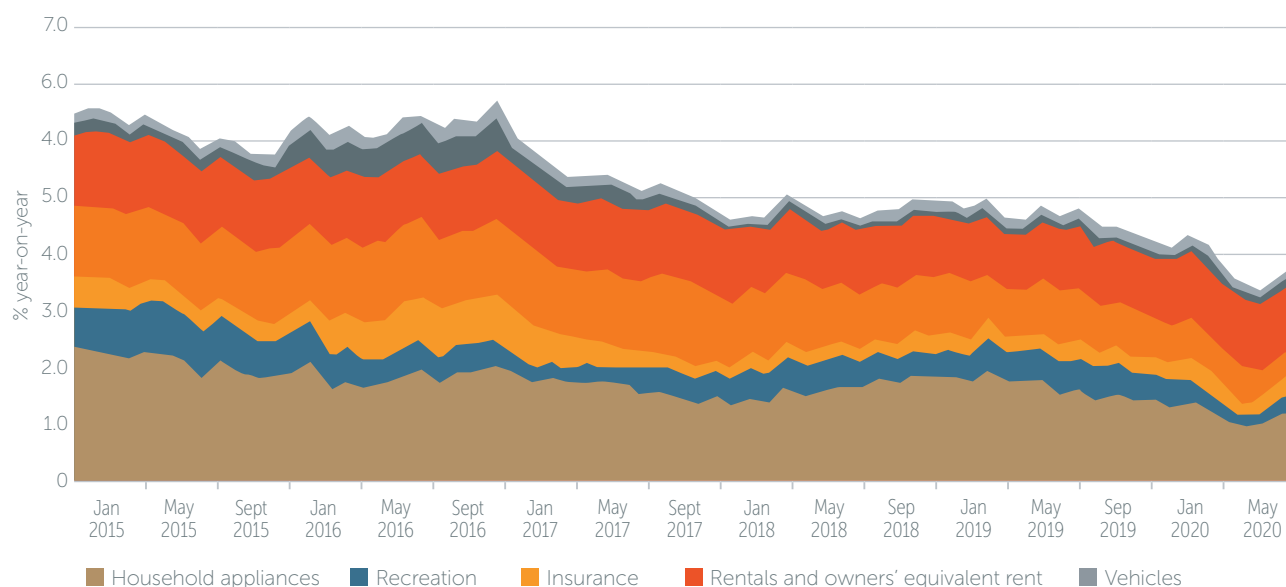
Headline consumer inflation dipped below the target midpoint in 2019, averaging 4.1% for the year. It returned to 4.5% at the start of 2020 but dipped below the 3%-6% target band in May and June 2020, before coming out at the lower end of the band in July due to significantly lower fuel prices and weak demand. The moderation in inflation throughout 2019 was driven mostly by the marked deceleration in fuel price inflation from a high of 12% in April 2019 to -6.6% in November and, to a lesser extent, by persistent muted food price inflation, throughout the year. Most measures of underlying inflation also slowed further in 2019. Inflation is expected to increase towards the middle of the target band in 2021.

Headline and core inflation



Source: Stats SA, PIC Research

Selected components of headline inflation



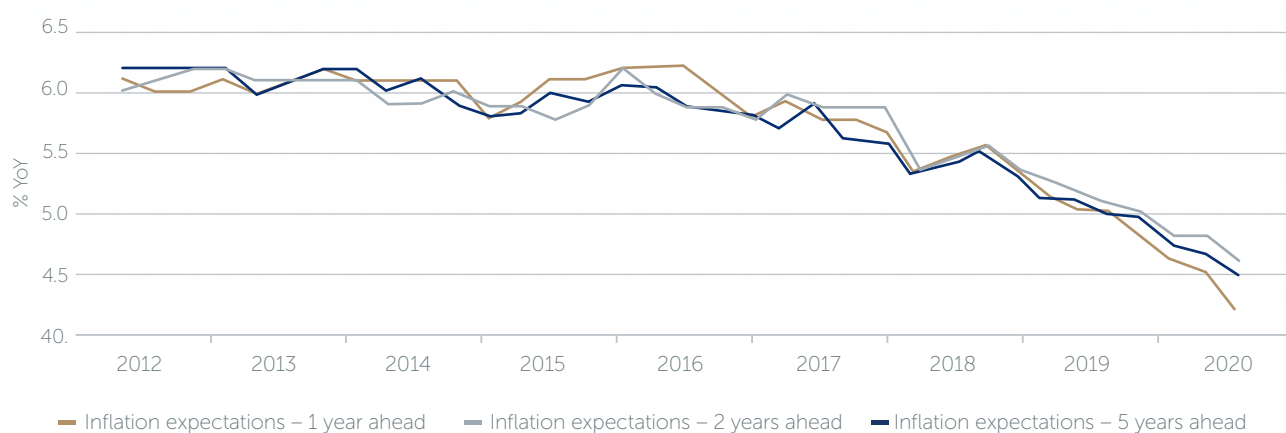
Source: Stats SA

Underlying inflationary pressures receded further in 2019 in an environment of weak domestic consumer demand. Core inflation (which strips out food and non-alcoholic beverages, fuel and energy) remained below the midpoint of the inflation target range throughout 2019 and averaged 4.1% for the year, the lowest rate since 2011. It has remained below the midpoint of the target band for some time now, and both headline CPI and core inflation continue to signal the degree of weakness in the economy and how a wide output gap continues to weigh on consumer inflation.

The SARB's Monetary Policy Committee (MPC) has cut the repo rate by a cumulative 300 basis points since the start of 2020, with two 100 basis points COVID-19 related cuts taking place in March and April, a 50 basis points-cut at its May meeting and a further 25 basis points cut at its July meeting. These cuts have taken the repo rate to a record low of 3.50%. This was on the back of a prolonged lockdown and a slower recovery, which created downside

risks to inflation and allowed further space for a monetary policy response to the virus-induced demand shock to the economy. At its last MPC meeting in September, the SARB left its inflation outlook largely unchanged, citing "balanced risks", while lowering its growth forecast for 2020, owing to weaker global growth and the COVID-19 shock lowering domestic potential growth. SARB continues to warn that downside risks remain as the COVID-19 pandemic and the lockdown efforts would likely to have a long-term impact on supply chains as well as potential permanent changes to consumer behaviour. Offsetting the inflationary consequences of a weaker currency has been the collapse in crude oil prices, although the deal to cut production reduces this risk somewhat. The MPC has indicated that inflation sits below the middle of the target range, which gives it further monetary space to react to the crisis if needed. The SARB has indicated that in the long term, structural growth issues remain and require policy reforms, rather than monetary policy interventions.

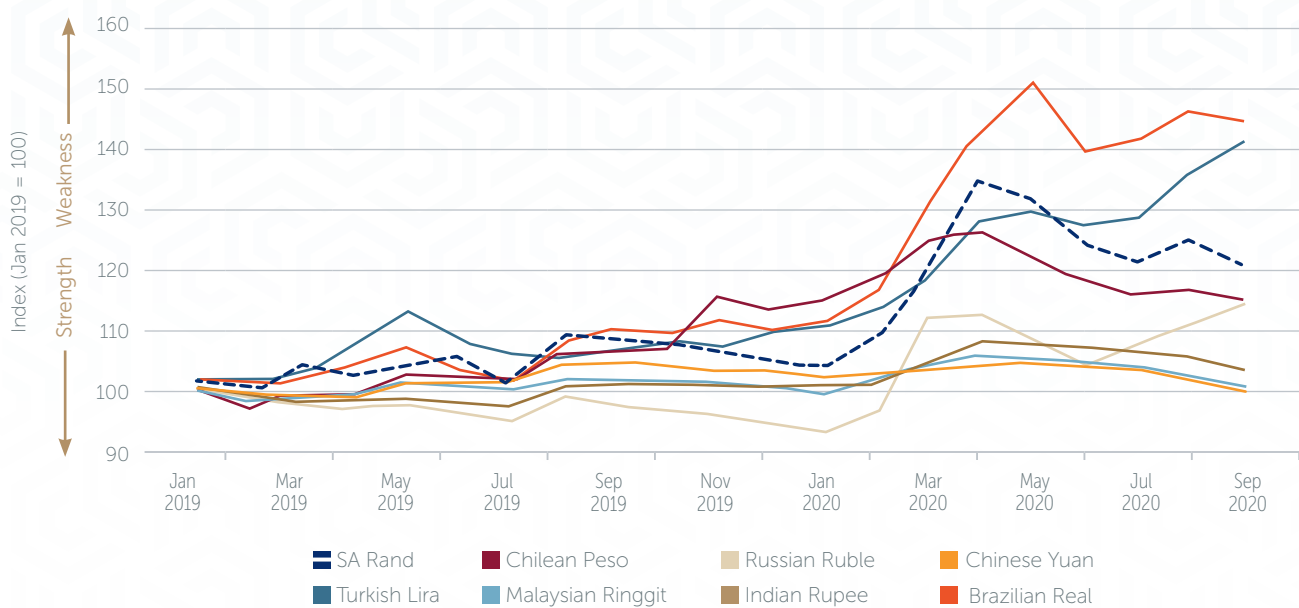
Easing inflation expectations take pressure off SARB to hike rates



Source: BER, PIC Research

The Rand traded in a wide range in 2019 owing to both local and global events. These include the pivot in global monetary policy to be more accommodative, load shedding, geopolitical risks (e.g. trade wars between the US and China), ratings agency news flows, the national elections and weaker growth outcomes. The Rand averaged R14,45/US\$ in 2019 before weakening drastically to average R15,39/US\$ in the first quarter of 2020 amid heightened global risk aversion on COVID-19 risks. Looking ahead, higher global risk premia in the face of a global recession will put further pressure on high-yielding currencies such as the Rand, while easy global monetary policy may be supportive. The narrative, however, remains one of long-term US dollar strength. It is also believed that there will be a high degree of heterogeneity among emerging market currencies, premised on macro-economic quality differentials.

Emerging market currencies



Source: Bloomberg, PIC Research

National Treasury published its long-awaited Economic Policy Paper proposal on 27 August 2019, outlining the necessary structural reforms for economic growth. The paper is the result of two years of work, after a long consultation process, with the economic impact first quantified in the February 2018 budget. The paper focuses on specific and detailed reforms to enable higher, long-term, sustainable economic growth. This leaves the policy paper fitting neatly into the President's Economic Stimulus and Recovery Plan announced in September 2018.

Summary matrix of proposed reforms

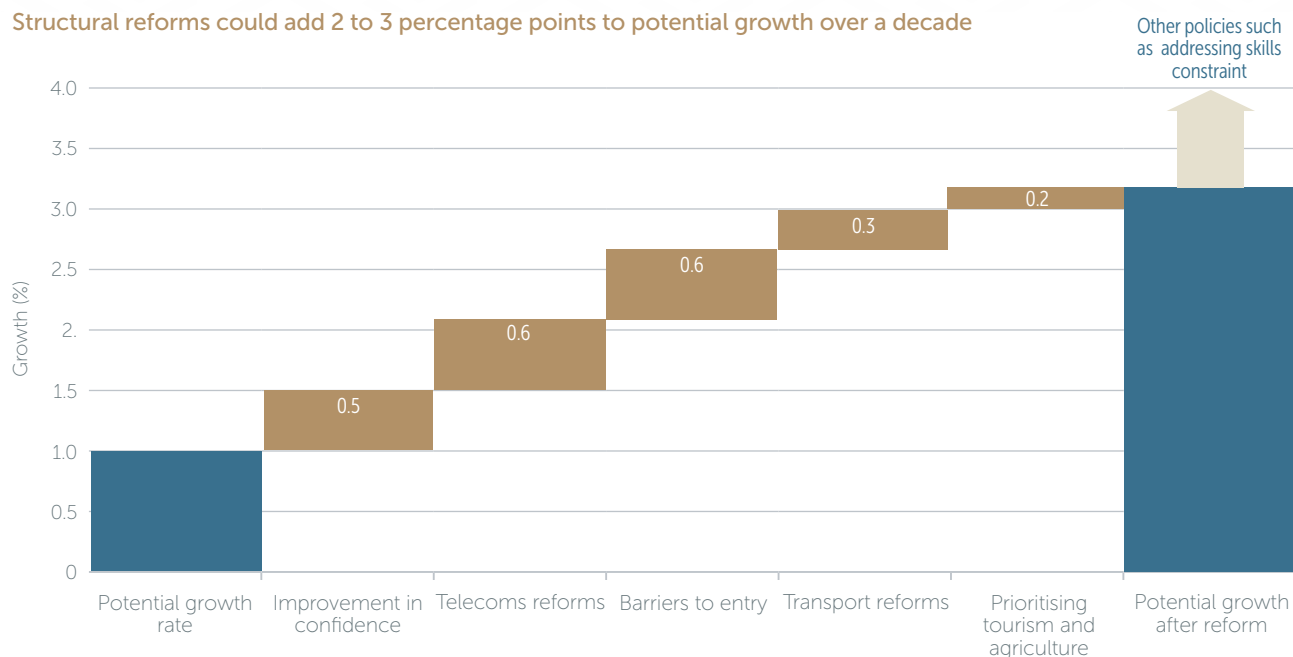
Reform		Targeted area			
1. Modernising network industries	1.1 Electricity	Planning (speaks to the Integrated Resource Plan)	Pricing	Eskom's sustainability	
	1.2 Telecommunications	Competition	Spectrum allocation	Broadband rollout	
	1.3 Transport	Regulation	Pricing	Competition	
	1.4 Water	Infrastructure	Regulation	Institutional models	
2. Lowering barriers to entry through increased competition and small business growth	2.1 Reduce concentration and address distorted patterns of ownership	Competition policy in new regulations	Development finance, venture capital and patient capital	Government support	
	2.2 Promote the growth of small, micro, and medium enterprises	Leverage the role of public procurement	Reduce red tape	Broaden financing options	
3. Prioritising labour-intensive growth	3.1 The role of agriculture in promoting labour-intensive growth	Innovative joint ventures to boost agricultural production and promote agrarian transformation			
	3.2 Create an enabling environment for investment in agriculture	Implement innovative financing solutions required by farmers	Introduce adequate and affordable agriculture insurance	Improve extension services for smallholders and emerging farmers	Enhance trade promotion, market access and access to water for irrigated agriculture
		Invest in establishing innovative market linkages for smallholders	Prioritise infrastructure maintenance and development	Focus on research and incentivise environmentally sustainable farming practices	
	3.3 Harnessing a growing services sector to boost economic transformation	Greater budgetary support for tourism agencies in navigating the highly regulated business environment	Support for tourism firms in navigating the highly regulated business environment	Coordinated planning by state	
		Amend visa regulations	Tourism safety initiative	Improved data	

Reform		Targeted area			
4. Implementing focused and flexible industry and trade policy					
5. Promoting export competitiveness and harnessing regional growth opportunities	5.1 Implement cross-cutting interventions to boost the export competitiveness of firms	Improve quality of and access to infrastructure	Increase awareness of South African export products abroad	Access to export credit and credit insurance	More coordinated and agile trade policy
	5.2 Leverage regional opportunities to promote export growth				
	5.3 Harness regional opportunities: Transport, energy and construction	Intraregional transport towards the integration of markets	A regional approach to energy systems	Deepening regional industrialisation through construction	Develop supply chains

Source: National Treasury

The plan emphasises several of the reforms highlighted by National Treasury in the 2018 Budget Review. The Budget Review argued that the mining charter should be finalised to provide certainty to investors, advocated telecommunications reforms, including the release of spectrum, reforms to lower barriers to entry and anti-competitive practices, and expressed support for labour-intensive sectors such as agriculture and tourism. The Treasury estimates that these reforms could lift growth by 0.8 percentage points within the first three years of implementation, 1.8 percentage points within six years and 2.3 percentage points on average over the next decade. The stimulus plan was echoed in the February 2020 State of the Nation Address, with urgent tasks identified to support growth prospects. The urgency of implementation was emphasised following the rating downgrades by Moody's and Fitch in 2020.

Structural reforms could add 2 to 3 percentage points to potential growth over a decade



Source: National Treasury

Most of the proposed interventions are aimed directly at network industries and service enterprises. These will probably see a change in the structural composition of the economy away from the primary sector towards the services sector. The telecommunications and transport interventions benefit the tertiary sector relatively strongly. Similarly, initiatives to encourage business development are expected to improve the performance of the business services sector. In the presence of scarce resources, there will be a reallocation of capital and labour. The positive and broad-based impact of these reforms on the economy is highly dependent on the implementation of complementary reforms, such as addressing the skills constraint in the economy and increasing savings. As a significant player in the South African economy, the PIC would do well to be strategically aligned to the reform agenda.

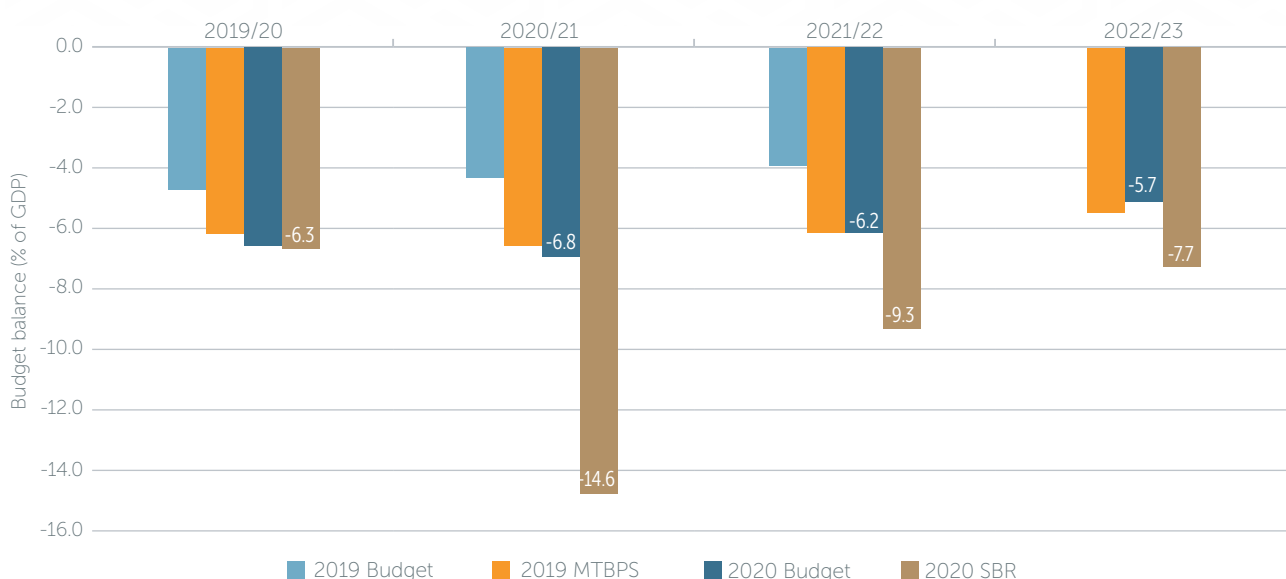
The COVID-19 pandemic erupted when South Africa was already in a weak fiscal position. The 2020 Budget Review, released a few weeks before the President declared a national state of disaster, noted that gross government debt was projected to increase from 65.6% in the current year to 71.6% of GDP by 2022/23. At the time of the Supplementary Budget Review published in June, National Treasury projected that the consolidated deficit would increase to 15.7% of GDP in 2020/21. If this trend is not reversed, South Africa is likely to face a sovereign debt crisis. Beyond 2020/21, government has considered two scenarios: a "passive approach", which

is published for illustrative purposes and is recognised as an "unviable option" in which South Africa continues on its current trajectory and debt spirals out of control; and an "active scenario", in which major reforms and fiscal consolidation are implemented rapidly to stabilise debt in 2023/24. Cabinet has adopted the "active" approach. It has endorsed the target of a primary surplus by 2023/24, meaning revenue will exceed non-interest expenditure. This will require spending reductions and revenue adjustments amounting to approximately R250 billion over the next two years.

Since the February budget, two changes have been announced that will address the current crisis, namely tax increases totalling R40 billion over the next four years and bold spending reductions amounting to about R230 billion in 2021/22 and 2022/23, followed by further reductions in 2023/24. This is in addition to the R160,2 billion in public sector wage bill cuts outlined in the 2020 Budget. If successful in implementing fiscal measures in the "active" scenario adopted, debt-to-GDP would stabilise at 86.8% in 2024/25 and begin to decline thereafter. However, failure to adopt the proposed consolidation measures would see debt-to-GDP skyrocket to 114.1% in 2024/25 in the "passive" scenario.

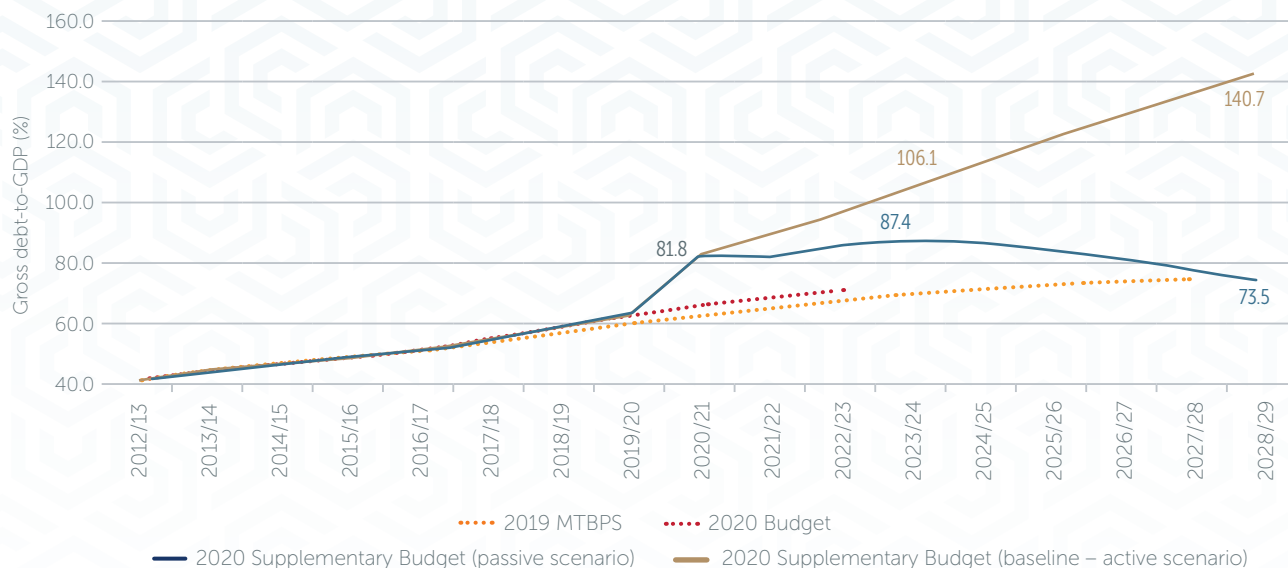
COVID-19 continues to put pressure on the fiscus and debt is likely to balloon even further and the deficit reach double digits.

Budget deficits – MTBPS vs budget review and supplementary budget review (SBR)



Source: National Treasury

Gross debt-to-GDP – MTBPS vs budget review and SBR



Source: National Treasury

Moody's downgraded South Africa's foreign and local currency sovereign credit rating to Ba1, one notch below investment grade, at its scheduled ratings review on 27 March 2020. The main reason for the downgrade was "structurally very weak growth" and limited capacity to stimulate the economy during crises. The agency cited unreliable electricity supply and weak business confidence as reasons why the South African economy is expected to struggle to recover meaningfully after an expected deep recession caused by COVID-19. A further reason for the downgrade was the "inexorable rise" in government debt over the medium term, which would happen even if the government manages to cut back spending on wages (which the agency thinks is unlikely, at least in 2020).

Worryingly, even after the downgrade, the outlook on the ratings is negative, due to downside risks around economic growth and the fiscal metrics. This means that a further downgrade is likely down the line should the country not implement the structural reforms required to lift economic growth. The implication for the country after losing its final investment-grade rating (Moody's) is that government bonds

are excluded from the FTSE World Government Bond Index as from the end of April 2020. It remains difficult to judge how much of this (not necessarily the decision, but the timing) has already been priced into domestic asset prices and how large the expected capital outflows and the resulting hit on bond yields and the Rand exchange rate will be. The move also comes amid unprecedented measures by global central banks to inject liquidity in financial markets, which may somewhat cushion South Africa.

A week after the Moody's announcement, Fitch downgraded South Africa's sovereign credit rating by another notch to push it deeper into sub-investment grade terrain. Fitch stated that the downgrade was due to "the lack of a clear path towards government debt stabilisation" with a further shock to government finances and COVID-19. Worryingly, the rating agency kept a negative outlook on the ratings as it foresees further significant upside pressure on government debt. Both Fitch and S&P Global now have South Africa's foreign currency rating two notches below investment grade with a negative outlook.

South Africa's long-term sovereign credit rating

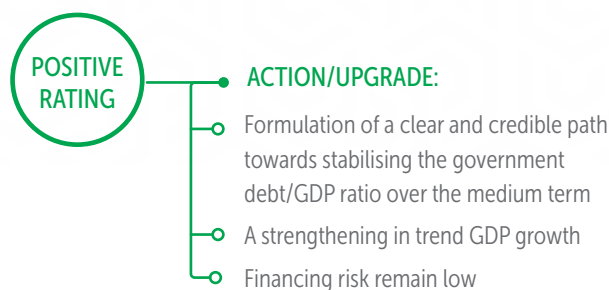
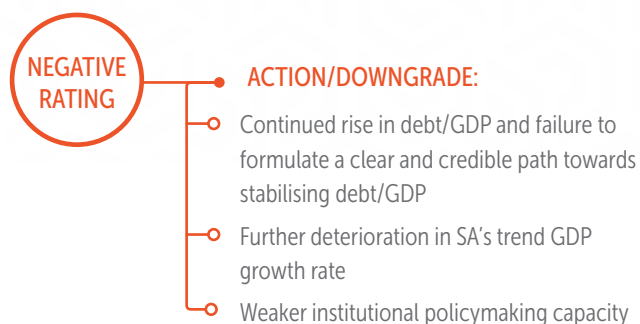
	Moody's	S&P Global	Fitch
Investment grade	Baa1	BBB+	BBB+
	Baa2	BBB+	BBB+
	Baa3	BBB-	BBB-
Sub-investment	Ba1 (LC and FC)	BB+	BB+
	Ba2	BB (LC)	BB (LC and FC)
	Ba3	BB- (FC)	BB-
Outlook	Negative	Stable	Negative
Rating as of:	27 March 2020	29 April 2020	3 April 2020
Next review:	20 November 2020	20 November 2020	N/A

Source: Moody's, Fitch, S&P

S&P Global downgraded South Africa's rating further into sub-investment grade on 29 April 2020 and commented that the fiscal metrics published in the Supplementary Budget Review (SBR) are a downgrade risk. This begs the question: Is South Africa falling into a spiral of further downgrades or can it recover from this? The challenge is that as the sovereign moves deeper into sub-investment grade territory, it becomes

more difficult to "climb out". Added to this challenge is the external shock that COVID-19 presents to the economy. All the rating agencies have so far signalled that an "upgrade" is unlikely, but that the country can move to a stable outlook if the government undertakes its structural reform programme, which will see a slow but durable pick-up in growth and debt-to-GDP stabilising on the back of fiscal consolidation.

Downgrade and stable outlook triggers



Source: Fitch, Moody's, PIC Research

Synopsis

The last decade has seen the slowest rate of growth on record. In 2020, South Africa is experiencing a triple sudden stop: A massive decline in global demand for exports, a lockdown-induced plunge in domestic production (and demand), and a steep decline in foreign capital inflows to South Africa. This is likely to see a deep contraction in GDP growth in 2020, only moderately rebounding in the medium term. Rating agencies have downgraded South African credit on structurally weak growth and heightened fiscal risks. This has highlighted the urgency for the structural reform agenda that should be implemented alongside complementary reforms, such as addressing the skills constraint in the economy and increasing savings.

South Africa's strength lies in its strong institutions and deep financial markets. The PIC would do good to support the reform agenda to improve the economic growth outlook and the quality of lives, more so in these trying times. Investment decisions should continue to be aligned to the country's structural growth reform agenda, in that way supporting faster job creation and sustainable growth.

LISTED INVESTMENTS PORTFOLIO

The Listed Investments Division supports the PIC's vision *"to be the leader in developmental investing for sustainable financial prosperity of our stakeholders"* and contributes to inclusive growth by, among others:

- Aligning with the objectives of the National Development Plan (NDP), with specific focus on infrastructure projects undertaken by other state-owned companies;
- Driving transformation through broad-based black economic empowerment principles contained in the External Manager Programme, which aims to grow sustainable black-owned asset management businesses; and
- The integration of environmental, social and governance aspects across investment processes as well as direct engagement and active proxy voting.

Listed Equities

DIVISIONAL HIGHLIGHTS FOR 2019/20

- Delivered positive returns for our clients;
- 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;
- Enhancing the quality research portal on the top 60 listed companies on the JSE; and
- Continued investments on the African continent in sectors with a broad socio-economic impact.

ACHIEVEMENTS

Notable transactions concluded during the 2019/20 financial year:

ANIREP

BACKGROUND

ANIREP, Alpha Namibia Industries Renewable Power Ltd is a capital pool company listed on the Namibian Stock Exchange. ANIREP's interest is in companies in renewable energy, which includes power generation and the energy infrastructure sector, which focuses on transmission and distribution in sub-Saharan Africa. The PIC invested in ANIREP's initial public

offering alongside the Namibian Government Employee Pension Fund and other investors.

VALUE PROPOSITION

ANIREP plans to take advantage of the lack of equity funding in the Namibian renewable power generation sector and the inclination of Engineering, Procurement and Construction (EPC) firms to exit renewable energy investments early. The company aims to purchase assets at a discount to fair value and to generate value by operating the assets over the life of the power purchase agreement with NamPower. Currently, Namibia has a combination of internally generated power and imports from its neighbours, including South Africa. This investment was an opportunity for the PIC to participate in growing Namibia's ability to generate its power from renewable sources.

OTHER DEVELOPMENTS

In April and June 2020, ANIREP acquired majority shareholdings in two viable assets, Hopsol Africa (Pty) Ltd and Hopsol Power Generation (Pty) Ltd. All transaction conditions have been fulfilled.

DIVISIONAL PERFORMANCE AGAINST THE PIC CORPORATE PLAN

The Listed Equities Division set out to achieve the following key strategic objectives:

- Deliver returns that exceed client benchmarks, while complying with clients' risk parameters. This goal was achieved for the 2019/20 financial year;
- Growing the economy through listed investments in Africa (non-domestic); and
- Facilitate broad-based black economic empowerment (BBBEE) and skills development through its investment activities. The PIC achieved this objective by allocating a minimum of 55% of total brokerage fees to brokers certified as levels one to level four black economic empowerment contributors, based on the new BBBEE codes, those who are 51% owned by historically disadvantaged individuals (HDIs) and those who are 30% management controlled by HDIs.

The objective to exceed client benchmarks was achieved by the generation of high-quality research on the JSE All Share Top 60 companies in the form of valuation models, deep-dive research and periodic updates that are covered on our

research portal. High-quality research is a cornerstone of our investment decisions.

PORTFOLIO PERFORMANCE

The Listed Investments Portfolio outperformed the composite index over three years to 31 March 2020. It outperformed the benchmark over the period by 1.44% cumulatively. There was also a significant improvement on a risk-adjusted basis, due to portfolio positioning in key sectors. However, the Listed Property Portfolio underperformed against the benchmark over this period by 1.69% cumulatively.

The portfolio performance was achieved in spite of uncertainty in the global macro-economic and political landscape characterised by the ongoing trade war between the US and China as well as the downgrade of South Africa's investment rating. The declaration of the national state of disaster and imposition of lockdown regulations following the outbreak of COVID-19 made investment decision-making difficult. Emerging markets and South Africa returned -17.4% and -36.8% in dollar terms respectively over the 12 months to 31 March 2020. The biggest fall was in the first quarter of 2020, which saw share prices plummet on the back of global lockdowns in economic activity due to the pandemic.

The weak GDP print reduced the ratings of listed companies that have a large exposure to the South African economy. This placed pressure on the share prices of local retailers, banks and industrial companies, in spite of trading at discounts to their intrinsic values. On the other hand, companies with a large exposure to the global economy, such as resource companies and Naspers, delivered strong returns. Our goal remains to deliver sustainable equity returns for our clients over the medium- to long-term. We recognise that events beyond our control occur periodically and, if these fundamentally change the outlook for our investments, we make appropriate interventions. Our approach to unexpected "negative events" is to look for opportunities to buy more of certain stocks or sectors if prices drop.

CONTRIBUTION TO B-BBEE, TRANSFORMATION AND JOB CREATION

The PIC shares general concerns about the slow pace of transformation in the financial services sector. To address this, the PIC stipulated in its internal policies, that at least 55% of the equities brokerage allocation be channelled to brokers whose black economic empowerment (BEE) credentials are in line with the PIC's requirements.

Over the last five financial years to March 2020, the PIC has increased the percentage of brokerage spend to B-BBEE brokers from 40.9% to 75.82%.

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

The PIC's participation in rights issues and IPOs, supports expansion of businesses and contributes to job creation across different sectors of the economy.

OUTLOOK

Increased volatility is anticipated, marked by uncertainty about the duration of the COVID-19 pandemic, a slowing global economy and the non-resolution of trade war talks between the US and China. As a result of the pandemic, the IMF projects global growth to contract sharply by -4.9% in 2020, much more than during the 2008/09 financial crisis. In a baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.4% in 2021, as economic activity normalises, helped by policy support. Many countries face a multi-layered crisis comprising health shocks, domestic economic disruptions, declining external demand, capital flow reversals and a continued collapse in commodity prices.

Listed property companies will be negatively affected as rentals come under further pressure, reducing asset values and increasing balance sheet risk.

The JSE All-Share Index (ALSI) one-year forward price to earnings multiple, is currently trading at its historic mean of 14.8x, which suggests the market is fairly valued. Consensus numbers suggest the ALSI will return 0.79% over the next 12 months, driven by earnings growth of -2.61%, a dividend yield of 3.4% and no changes to the price-to-earnings ratio.

Due to the COVID-19 pandemic, consensus earnings forecast is at risk of significant downward revision and recent guidance given by companies is that earnings will be significantly down from 2019, and dividends will be cut to preserve cash.

The focus will continue to be 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 on selective investments into the rest of Africa. The PIC will also continue to build capability to invest in global equity markets.

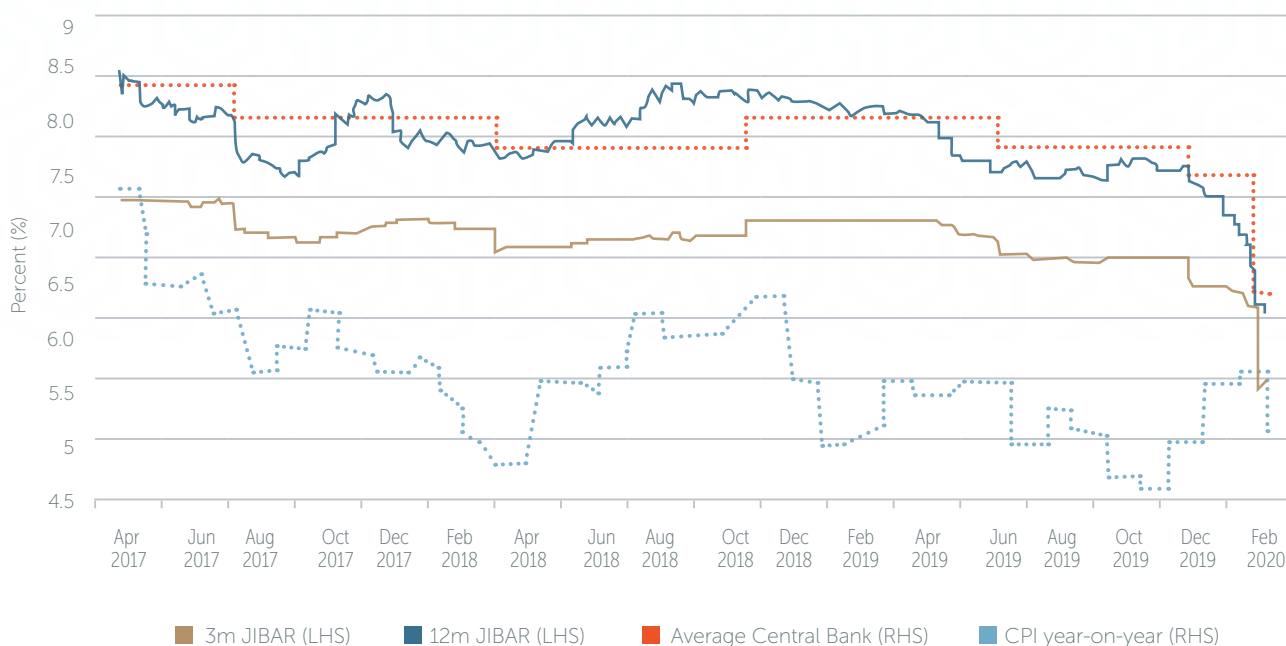
FIXED INCOME

Money Market

Short-term interest rates repriced lower during 2019/20, due partly to inflationary measures with the Consumer Price Index (CPI) that printed below expectation. The CPI was closer to the SARB Quarterly Projection Model figure of 4.5%. SARB's MPC cut the repo rate in July 2019 by 25 basis points and again in January 2020 by 25 basis points. These cuts were on the back of downward revisions to domestic growth expectations and a subdued inflationary outlook.

Globally, central banks cut interest rates amid the economic havoc wreaked by COVID-19 on global demand. Many countries went into lockdown. SARB's MPC cut the repo rate by 100 basis points in March 2020, bringing the total domestic repo rate cut to 150 basis points for the year under review. The developed and emerging market monetary policy outlook is likely to remain accommodative in the near- to medium term, this as global markets respond to the effects the pandemic may have on economies and demand.

Money market rates



Source: Bloomberg, PIC

Pricing in the short-term interest rate environment came under tremendous pressure, with the 12-month JIBAR rate having repriced lower by 192 basis points, ending 2019/20 at 6.28%. The CPI (year-on-year) for February 2020 came in at 4.1%, which implies a real return on the 12-month JIBAR of just over 2%.

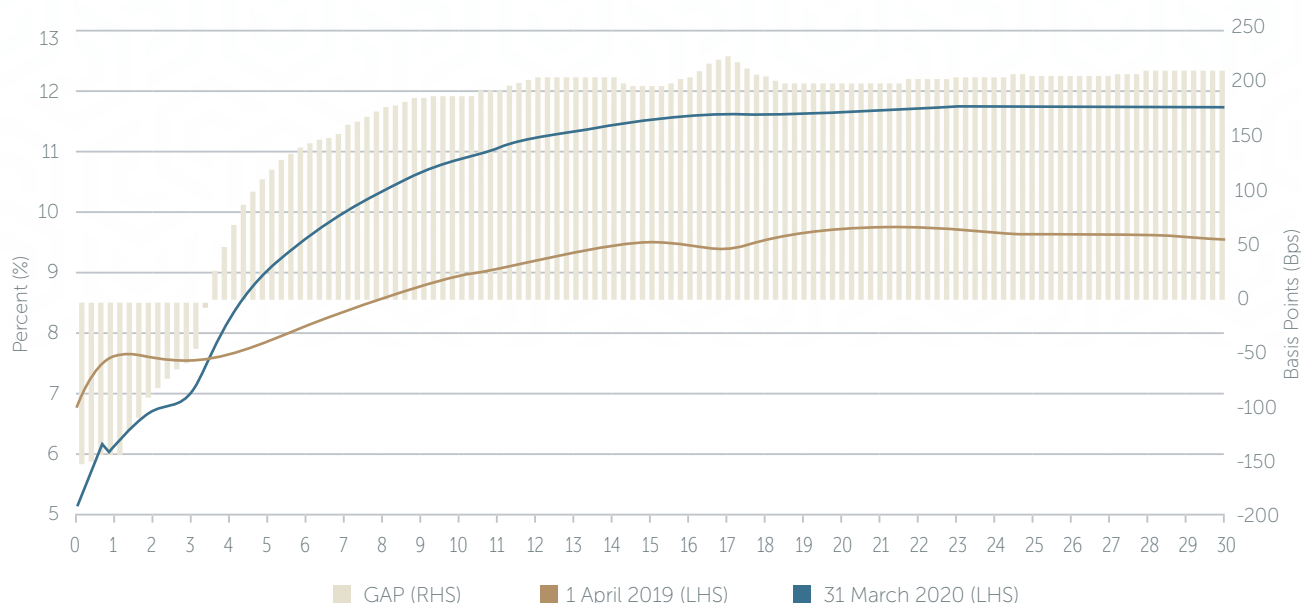
Bonds

Domestic fiscal consolidation proved challenging against a backdrop of anaemic economic growth, a high unemployment rate and a shrinking revenue base. The Medium-Term Budget Policy Statement (MTBPS) was mostly a negative for domestic yields. Local yields initially sold off aggressively post the MTBPS in October 2019. In addition, Moody's and S&P announced credit ratings outlook updates that ranged from stable to negative. Talks of a possible trade deal between the US and China inspired relief for emerging-market assets. This saw South African government bonds (SAGBs) pull back in support of the "risk-on" sentiment in developed capital markets.

The national budget tabled in February 2020 was positive for local yields but not without implementation risk, a key concern for markets and investors. COVID-19 developments overwhelmed domestic bonds and resulted in a significant sell-off in local yields. March 2020 alone saw net-sales of SAGBs by foreign investors amount to R55 billion. At the end of the financial year under review, foreign holdings of SAGBs stood at 34% from a holding of 39.2% in April 2019.

Moody's downgraded South Africa's sovereign credit rating to sub-investment grade in March 2020, implying the exclusion of SAGBs from the FTSE World Government Bond Index. The announcement seemed lost on the market due to the global COVID-19 pandemic. The impact of exclusion from the World Government Bond Index may be fully realised when the index is reconstituted.

Nominal yield curve



Source: JSE, PIC

The Impact of COVID-19 on South African capital markets will be far-reaching. Discontinued economic activity, due to the extended lockdown, may require a revised budget, with a wider funding requirement for financial years 2020/21 and 2021/22.

Performance and Brokerage

Money Markets returned 7.25% for the year ending 31 March 2020. Conventional and inflation-linked Bonds returned -2.95% and -4.66% respectively.

Asset Class	Benchmark	Year-on-Year
Money Market	STeFI	7.25%
Conventional Bonds	ALBITR	-2.95%
Inflation-linked Bonds	CILITR	-4.66%

Source: Bloomberg, PIC

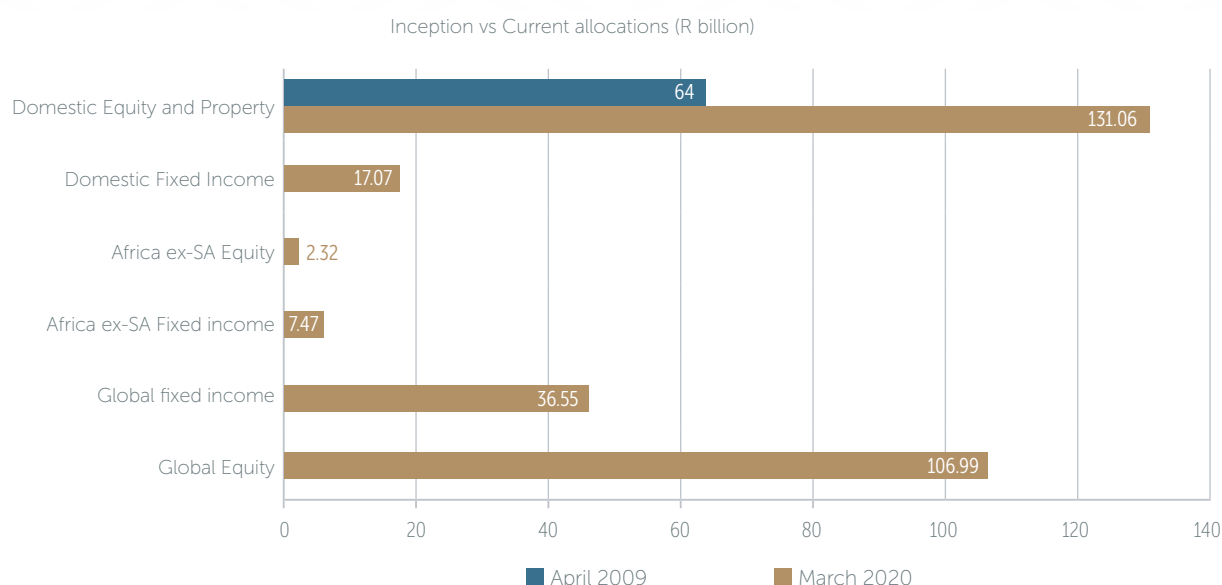
EXTERNALLY MANAGED FUNDS PROGRAMME

The PIC allocates funds for management by asset managers through the Externally Managed Funds Programme. The main objective of the programme is to enable external asset managers to contribute to delivering sustainable returns to client portfolios.

Along with this programme, the PIC introduced a B-BBEE Developmental Programme with the aim of transforming the South African asset management industry. This programme has seen increased participation of black asset managers in the savings and investments industry. This includes a marked increase in the number of black investment professionals in the asset management industry, while we continue to engage on the number of black women in investment roles.

The PIC has increased allocations to black asset managers over the years. As an anchor investor in many black firms, the PIC has created the opportunity for experienced black professionals to build track records. Large, established firms that are supported by the PIC are also held to account for transformation targets within their businesses.

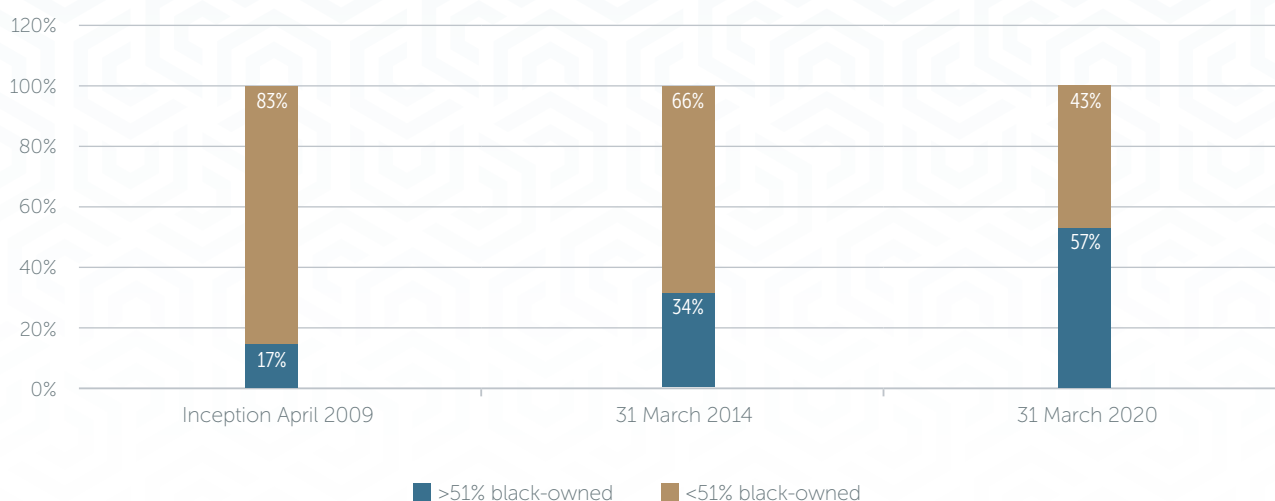
Asset size (domestic and non-domestic)



Previously, these asset managers predominantly managed domestic equity and property assets. In addition to domestic assets, the PIC has externalised assets on the African continent and has allocated capital to global managers with global fixed income and global equity mandates managed on behalf of clients.

By the end of the 2019/20 financial year, externalised assets managed by domestic managers had increased to R150,5 billion through market movement and additional flows. Black-owned entities with more than 51% black ownership and 30% black management control, managed R86 billion (57%) of externalised assets held by domestic firms.

Allocation of externalised assets to domestic managers



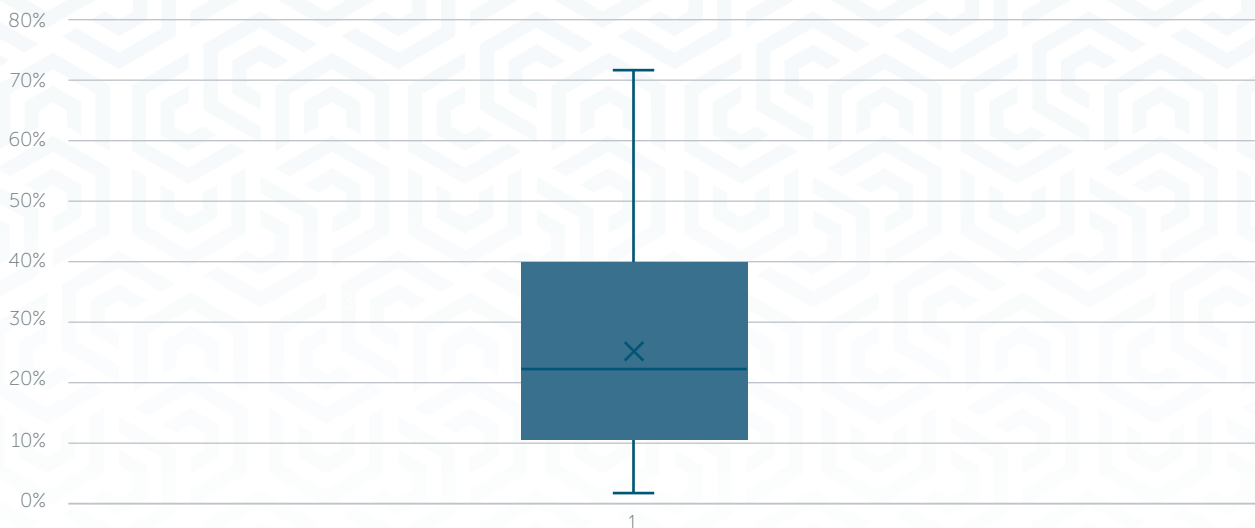
The Government Employees Pension Fund and Unemployment Insurance Fund external manager programmes include 17 black-owned asset managers appointed between April 2009 and June 2017. These external managers manage domestic equity, fixed income, listed property and the Africa equity mandates, excluding South Africa. Five of these managers are currently in the developmental programme, with nine having graduated.

External managers have successfully contributed to the performance of client portfolios, continued AuM growth and have seen improvement in their business sustainability

measures. To illustrate this point, at the time when these asset managers were mandated, the PIC percentage of their AuM was 49% on average. By March 2020 this had changed to 22.8%, as managers have diversified and acquired new clients.

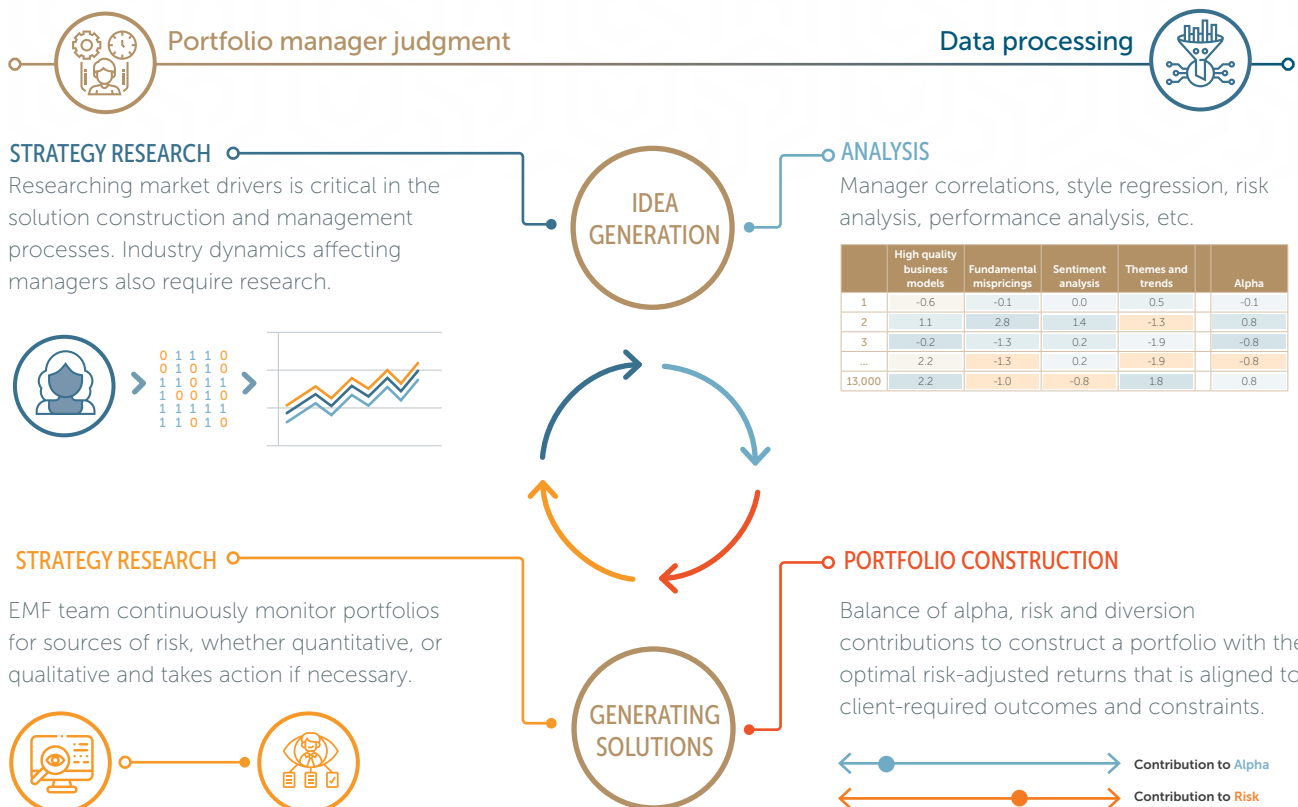
The PIC management fees and the impact on revenue have allowed managers to increase their staff complement to ensure that their businesses run optimally and maintain sound operational platforms. The graph below indicates the significance of the PIC's support by estimated percentage of revenue, particularly to BEE managers.

PIC fees as a percentage of manager revenue (estimate)



The externally managed funds team continues to research global markets and strategies to optimise client outcomes on a risk-adjusted basis. Analysing the opportunity set from strategy and manager perspectives remains crucial in the management and monitoring of global fixed income, global equity managers and client solutions.

The team delivers on client objectives across asset classes through a clear, recurring process with portfolio construction principles that are applied consistently.



Environmental, Social and Governance – Listed Portfolio

The PIC has a long-standing commitment to responsible investing, in line with environmental, social and governance (ESG) principles. In 2019, the Responsible Asset Allocator Initiative (RAAI) awarded the PIC with the leadership award for responsible investing, in recognition of its application of ESG principles in investment analysis and decision-making.

THE ESG PHILOSOPHY

The PIC's commitment to ESG is demonstrated by signing up for the UNPRI, the UNGC, and the endorsement and support for both the Code for Responsible Investing SA (CRISA) and the Sustainable Development Goals (SDGs).

ESG principles are embedded in PIC investment processes and assist in monitoring, measuring and reporting on investee companies' performance. The PIC supports the country's developmental agenda by embracing transformation as an investment driver.

The PIC's responsible investing activities, driven mainly by and integrated with its investment process, include:

- Proxy voting – exercising voting rights as a shareholder in investee companies; and
- Regular engagements with the leadership of investee companies.

The PIC engages with each investee company and votes at all investee company meetings.

THREE KEY THEMES OF ACTIVE OWNERSHIP DURING THE YEAR UNDER REVIEW ARE:

Remuneration

The PIC supports executive remuneration, which is informed by and based on approved, transparent and key performance metrics that are in the interests of long-term investors.

These metrics must distinguish between the impact of macro-economic factors on the company and individual company performance.

The executive remuneration should be guided by a comprehensive and substantiated remuneration policy.

It should provide evidence of a company's commitment to financial and non-financial key performance indicators, with fair weightings that provide measurability. The PIC's view is that a policy that does not disclose these targets fails to demonstrate a balance between the company's aspirations and those of long-term shareholders such as the PIC.

External auditor's tenure

Auditors lend credibility to the financial standing of investee companies, through an independent opinion addressed to shareholders on the veracity of company's financial statements. The PIC considers auditors with a tenure exceeding 10 years to be non-independent. If the PIC knows of any information, situation or relationship that reasonably brings the auditor's independence into question, it considers voting against the re-appointment of external auditors.

Independence of Non-Executive Directors

All companies should be headed by an effective board that both leads and exercises effective oversight. The PIC prefers a unitary board, consisting of Executive and Non-Executive Directors.

The PIC assesses the effectiveness of a Board of Directors by looking at the following factors:

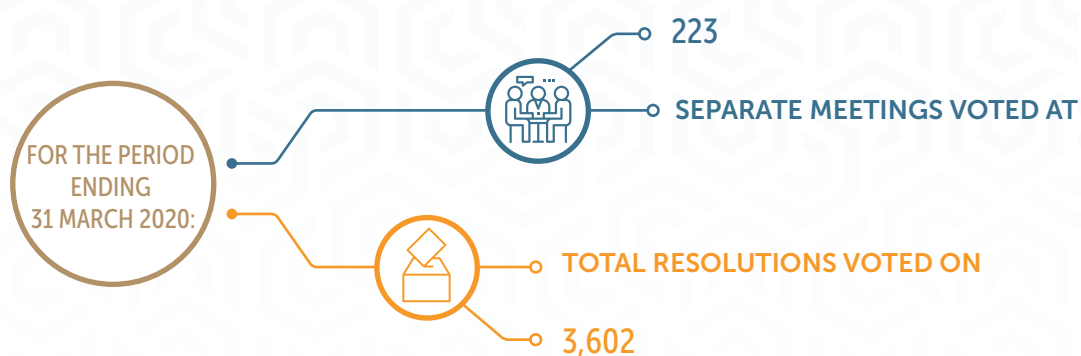
- The composition of the Board: The PIC's view is that the Board should comprise Executive and Non-Executive Directors, the latter being in the majority and most of these must be independent of Management;
- The independence of the Board: Amongst others, the PIC uses directives contained in the King IV Report on corporate governance, or its successor, as updated from time to time to assess independence of the Board. Other directives considered include indicators in similar, analogous reports or guidelines in other jurisdictions and requirements for corporate governance under any applicable law;
- The size of the Board: The number of Directors should be appropriate for the size and complexity of the business;
- The Board's balance of power: The authority and expertise of directors are important as no single individual, or block of individuals, should dominate the decision-making process;

- The fit-and-proper credentials of Non-Executive Directors;
- Board diversity in respect of race and gender; and
- Dedication of Non-Executive Directors to their responsibilities and fiduciary duties.

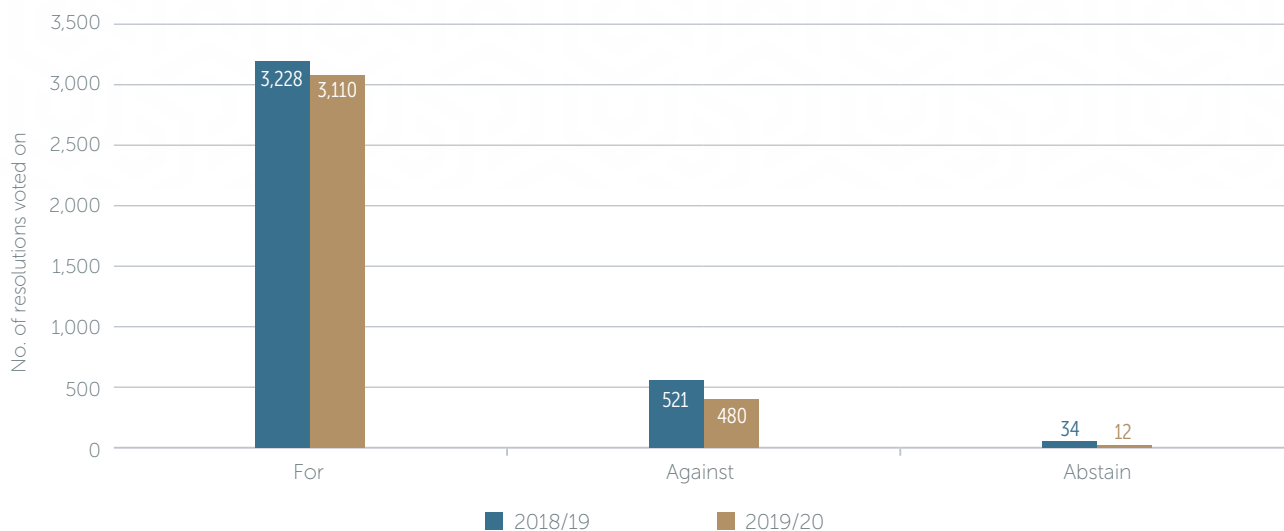
Proxy voting

Proxy voting is a key component of active ownership. In line with proxy voting policies and guidelines, the PIC votes in a consistent, independent and responsible manner, conveying its views on investee companies' corporate governance practices.

Below is a summary of voting in the 2019/20 financial year:



Analysis of total voting summary for the 2019/20 financial year



Total voting summary per sector for the 2019/20 financial year.

	Meetings	Annual General Meeting	General Meeting	Resolutions	For	Against	Abstain
Banking	7	7	0	161	141	20	0
Consumer	44	40	4	836	697	135	4
Financial services	13	7	6	136	112	24	0
Healthcare	10	10	0	186	170	16	0
Industrial	33	25	8	551	499	48	2
Information technology	2	1	1	20	9	11	0
Insurance	10	9	1	208	176	32	0
Investment services	16	11	5	204	158	46	2
Property	47	33	14	711	606	101	4
Resources	37	27	10	528	484	44	0
Telecommunication	4	4	0	61	58	3	0
TOTALS	223	174	49	3,602	3,110	480	12

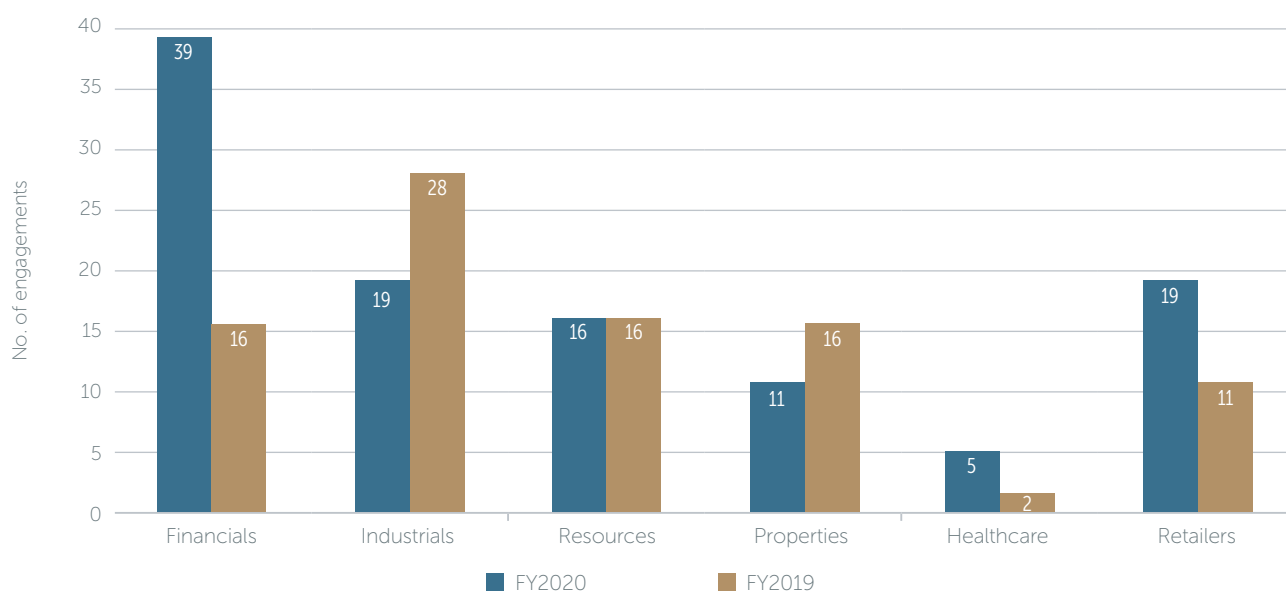
Engagement

The PIC's ESG Listed Team, in partnership with the investment teams, meet with Boards and Management of investee companies on an ongoing basis, which is another key component of active ownership. Following these meetings, the PIC gives feedback to investee companies, develops greater understanding of the investee company's ESG matters and explains in detail its position on responsible investing. These engagements are crucial as they facilitate informed voting decisions that are aligned to clients' long-term interests.

Engagement depends on a number of factors, including issues specific to an investee company, the company and its shareholding, and the country of incorporation.

There were 109 investee company engagements in 2019/20 compared to 89 in 2018/19.

Breakdown of engagements by sector



Climate Change Risks

The PIC recognises the significant risks and opportunities that climate change presents and its impact on the long-term sustainability of investee companies. As a responsible corporate citizen, the PIC proactively considers climate change risks in its investment philosophy to safeguard the interests of clients. The PIC engages all investee companies on the impact of their activities on the environment. During the year under review, engagements focused on the financial services companies. These companies are particularly vulnerable to climate change risks, given that they are involved in project financing. The purpose of the engagements was to understand their exposure to climate change risks and readiness to address these risks.

For the first time, the PIC voted on a climate change-related resolution. It conducted a vigorous independent assessment of the company's current disclosures on climate change, and its historic and current environmental performance and -management. The vote was based on independent engagement with the Management and Board of the investee company, and the results of an internal assessment. Where there is agreement on the merits of the resolution but not on the methods proposed to fulfil the resolution, the PIC votes against the resolution and a tangible commitment is sought from Management and the Board to address the issues.

UNLISTED INVESTMENTS PORTFOLIO

The Unlisted Investment Portfolio comprises Impact Investing, Private Equity and Structured Investment Products and excludes Property investments. These investments seek to earn good financial returns, whilst supporting positive, long-term economic, social, transformative and environmental sustainability outcomes in South Africa and the rest of the African continent.

About Impact Investing

The Impact Investing Portfolio provides loan and equity funding to new and established companies wishing to commence, preserve and/or expand their operations. The portfolio seeks to diversify by sector, stage of development and asset class. The funds create new capacity while balancing the portfolio with brownfield opportunities, which retain existing capacity and jobs. Key sectors of focus are economic, environmental and social infrastructure; energy;

small and medium enterprise; and priority sectors that create higher numbers of jobs, such as agriculture, tourism, manufacturing and mining beneficiation.

About Private Equity

The Private Equity Portfolio invests in companies that can generate good financial returns and promote transformation. The PIC invests funds in well-managed businesses, with established business models, poised for regional and national growth. The funds are sector agnostic and pursue areas with attractive growth trajectories, including consumer goods and services; resource and infrastructure services; financial services; and industrials.

The Portfolio Performance

The portfolio continued to grow, albeit at a slower pace than in previous years. Approvals during the year under review totalled R6,55 billion (2019: R10,1 billion), a decrease of 35% from the prior year. A decline in approvals was due to the moratorium placed on the structured investment products mandate. The disbursements amounted to R10,91 billion (2019: R12,6 billion), a drop of 13%. The portfolio value grew from R69,4 billion in the previous year to R73,9 billion at 31 March 2020.

The advent of the novel coronavirus in the last quarter of 2019/20 had a significant impact on the portfolio, with the year-end valuations reflecting a depressed short- to medium-term outlook. It is expected that the real impact of the pandemic will materialise in the year ending March 2021. The PIC implemented several interventions to support investee companies during this difficult time.

Notable Transactions Approved During The Year Under Review

BUSAMED

Busamed (Pty) Ltd is a majority black-owned South African private hospital group operating seven hospitals with more than 900 beds. The PIC previously invested in one of Busamed's hospitals, Modderfontein Private Hospital (Pty) Ltd. During the financial year, the PIC approved a restructuring proposal in which its current facilities in Modderfontein were rolled over into the Busamed group. It further provided Busamed with a mezzanine loan facility of R250 million to mitigate the financial impact of the restructuring. The

transaction diversifies PIC's exposure from a single asset to a broader group of assets, promotes competition in the concentrated private healthcare industry and advances transformation in the sector.

TRUST FOR URBAN HOUSING FINANCE FUND HOLDINGS (TUHF) (PTY) LTD

The PIC approved a R300 million facility for TUHF. TUHF is a specialist property financing company focusing on low- to moderate-income rental housing in inner-city areas. TUHF's 16-year track record of lending and profitability growth is based on its best-practice loan cycle management processes; good governance and regulatory compliance; and specialisation in its market niche.

PIC funding is on-lent to entrepreneurs to acquire, convert or refurbish buildings in inner-city areas to create residential properties for renting to grow the affordable housing market. The funding is expected to create 30 permanent and 150 temporary jobs and will provide support, guidance and risk management for new entrepreneurs.

MAZWE FINANCIAL SERVICES (PTY) LTD

The PIC approved an investment of R300 million in Mazwe Financial Services (Pty) Ltd. Mazwe is a 100% black female-owned financial services institution licensed to offer long-term and short-term insurance products. It provides micro-loans to gap market and public sector employees for housing, general home improvement, small business support, education and healthcare. The funding aims to improve access to developmental finance for the previously disadvantaged, for small business development and to enhance job creation and job preservation.

ALZU ENTERPRISE (PTY) LTD

Alzu Enterprise (Pty) Ltd is an integrated agricultural business established in 1968 in Kwaggafontein, Middelburg. It specialises in pork production, pig genetics, maize production, animal feed, cattle farming as well as production of caged and free-range eggs. The PIC approved a R392 million investment to expand the poultry and piggery business. This supports the agriculture sector, a significant contributor to the South African economy, whilst addressing unemployment in urban and rural disadvantaged communities. The project aims to facilitate black emerging farmers' participation in agriculture through the Alzu supply chain and to create about 100 new jobs.

AFRICAN BANK

The PIC participated in African Bank R8 billion shareholder support and assistance arrangement to facilitate the bank's formal re-entry into the South African wholesale funding market.

African Bank began operations in April 2016, after the successful restructuring of the legacy African Bank. As part of the restructuring, the existing liabilities were restructured and extended for three years and eight months. These were subsequently transferred with the better-quality customer loans, related assets and other liabilities, to the new African Bank.

The bank was recapitalised by its shareholders, as follows: South African Reserve Bank (50%); Government Employees Pension Fund (25%); and commercial banks (25%).

The bank has shown positive year-on-year growth for the past three years, due primarily to prudent risk management of the core loans business.

CASE STUDY:**Ilanga: A case of empowerment in the renewable new energy sector**

Karoshhoek Solar, also known as the Ilanga Project, is an R11 billion 100MW concentrated solar power plant developed by a black-owned independent power producer (IPP) in Upington, Northern Cape. The PIC's R1,2 billion investment is split almost equally between project senior debt and equity for a 20% direct stake in the project company.

The project prides itself on being a true reflection and representation of South Africa's demographic spread. Three of the four main commercial banks are lenders, while 80% of the project company is held by local South African entities. The PIC, on behalf of the GEPPF, actively manages this portfolio asset with shareholder and lender representation.

The company uses parabolic-trough technology comprising 266 loops, with approximately 870,000m² of curved mirrors. A molten salt storage system allows five hours of thermal energy storage to extend operational capacity and enables the plant to produce electricity during the evening.

Construction energised the socio-economic and industrial fabric of the Northern Cape for three years, clocking up more than six million onsite working hours, 85% of which were by South Africans from local communities. At the peak of construction, 1,500 workers were onsite, 1,300 of whom were South Africans.

The Ilanga Project continues to perform well and offers the GEPPF promised equity and a 17.5% return, by supplying clean energy to 100,000 homes and saving 90,000 tons of CO₂ a year, trends that are set to continue over the next 20 years. The project was named World Finance IPP Deal of the Year in 2016 and Project Finance International Solar Deal of the Year the year before.

UNLISTED
INVESTMENTS
PORTFOLIO



Ilanga renewable plant – Northern Cape

CASE STUDY:

Daybreak: The dawn of transformation in the agricultural sector

In line with its commitment to transformation of the agricultural sector, the PIC, in partnership with a black economic empowerment consortium, acquired AFGRI Poultry for R1,175 million in 2015. The name was changed to Daybreak Farms.

Daybreak employs about 3,500 people and supports a number of small, medium, and micro enterprises (SMMEs) through its value chain. The company is an integrated operation supplying its own broiler farms with day-old chicks, produced by its own parent stock. It grows and processes more than 1.4 million birds a week at its facilities in Sundra and Delmas, Mpumalanga. The birds are packaged as individually quick frozen fresh whole birds and portions at two modern, Halaal-certified abattoirs.

Day-old broiler chicks are supplied to 39 independent contract growers, who grow them to the correct slaughter weight. Daybreak will continue to diversify its product offering and expand its market through a growth strategy focused on supplying fresh, quality products to fast-food and restaurant outlets.



UNLISTED
INVESTMENTS
PORTFOLIO

CASE STUDY: AFRISAM

Afrisam supplies cement, construction and building materials in southern Africa, with operations in South Africa, Lesotho, Swaziland and Tanzania. The company has been in operation for more than 80 years, contributing to infrastructure development on the continent.

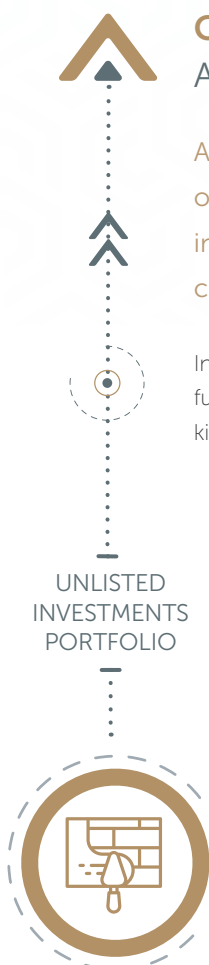
In 2008, the PIC, on behalf of the GEPF, participated in refinancing Afrisam's debt by providing bridge funding of R6 billion. Over time, the PIC became holder of equity, B-preference shares and payment-in-kind at various levels within the company's structure.

The investment has underperformed, with key factors of the investment thesis not materialising due to, amongst others:

- Lower-than-expected economic growth, resulting in depressed demand, increased competition and an oversupply of cement;
- Oversupply prohibits the ability to pass on increased costs to customers; and
- Increased input costs, particularly the increase in the cost of electricity, have resulted in lower margins.

Key lessons from the investment are typical of leveraged transactions. Such transactions generally occur at market highs, with high prices that are supported by expectations of continued economic growth. Longer-term structures are also required to keep an alignment among various stakeholders.

Lenders have taken over most of the shareholding of the business.



UNLISTED
INVESTMENTS
PORTFOLIO

CASE STUDY:**The SA Small Medium Enterprises (SME) Fund**

The SA SME Fund is a partnership between the South African government and the private sector to stimulate the economy and grow GDP through investment in smaller businesses.

The PIC committed R500 million alongside more than 50 listed businesses that have committed approximately R1,4 billion to the Fund, of which R1,2 billion has already been deployed.

The Fund has distributed capital to diverse enterprises. These include A2Pay which supplies point-of-sale equipment to informal supermarkets (i.e. spaza shop merchants in townships). SummerPlace, an enterprise incubated by the Fund, is the first majority-black woman-owned and -managed, private equity fund. Other recipients of funding include Spartan, a debt financing house for SMEs, Masisizane Fund, and an Old Mutual initiative that provides funding and business development support to SMEs. The Fund's partnership with Masisizane has established the Fuel Franchise Fund, which aims to deploy debt and equity to experienced franchisees seeking to operate fuel retail stations.

The Fund also established the CEO Circle to leverage experience and knowledge for contributing business leaders. The goal of the CEO Circle is to scale up five to 10 black-owned companies into businesses of significant scale with a value of R500 million and above, over the next three to five years.

In 2019, the Fund received more than 140 applications, only seven of which were suitable to receive funding and business support services.

Maintaining the fund's stringent criteria is an executive management team led by Mr Ketso Gordhan, which reports to an independent board of business leader directors chaired by Mr Adrian Gore. Mr Michael Jordaan heads the Investment Committee.

UNLISTED
INVESTMENTS
PORTFOLIO



CASE STUDY:

Afreximbank: The right investment mix for maximum investment returns

The African Export-Import Bank (Afreximbank) was established in Abuja, Nigeria, in October 1993 by African governments, private and institutional investors, as well as non-African financial institutions and private investors. Afreximbank facilitates, finances, promotes and expands intra-African and extra-African trade.

In June 2018, the PIC, through the Africa Developmental Investments Fund of the GEPI, committed USD100 million for class-B ordinary shares from Afreximbank.

This allowed the PIC to participate in the following Afreximbank strategic initiatives through an intermediary with a demonstrable track record:

- Intra-African trade of goods and services among African countries and between Africa and Africans in the diaspora;
- Industrialisation and export development – the bank acts as a catalyst for industrialisation and export development in Africa by directly addressing the constraints to industrialisation and facilitating the production of value-added exports and services, while ensuring that goods and services are traded;
- Trade finance leadership, through which the bank expands its trade services offerings to fill the gap created by reduced activities from international banks in Africa, due to high compliance costs and economic uncertainty; and
- Promoting growth in manufacturing capacity, focusing on resource and labour-intensive sub-sectors, global innovation for local markets to reduce input costs and regional processing for locally produced resources and commodities.

The GEPI, which now has a continental footprint in various sectors, collaborates with Afreximbank and a broad network of member states, including financial institutions invested in the bank. This provides trade finance solutions and promotes intra-trade and growth in manufacturing capacity.

UNLISTED
INVESTMENTS
PORTFOLIO



CASE STUDY:**Independent News Media South Africa/Sekunjalo**

INMSA is the largest English language newspaper publisher in South Africa, owning 18 major newspaper titles across Gauteng, Western Cape and KwaZulu-Natal.

Sekunjalo Consortium, a broad-based consortium led by Sekunjalo Investment Holdings, acquired 100% of the ordinary equity of INMSA for a total effective consideration of R2 billion.

The investment thesis underpinning the GEPPF's participation in INMSA included, inter alia:

- INMSA's leading strategic position (in advertising and circulation) for English newspaper titles in key metropolitan areas, evidenced by long-term subscribers;
- The company had successfully expanded into vernacular newspapers;
- Despite declining sales, newspapers were expected to remain the medium of choice for national and international news, with online alternatives growing over time; and
- INMSA had built up an online presence that was expected to be meaningfully scaled up in the future.

The investment has underperformed, with key assumptions not being realised. As with most bidding processes, the price proved too high given the risks. Available security could not contribute meaningfully to repayment of facilities. Alignment of interests and fair allocation of risk remain key lessons in failed transactions.

The PIC has initiated recovery proceedings in lieu of the breaches.

UNLISTED
INVESTMENTS
PORTFOLIO



CASE STUDY: EDCON

Edcon is one of southern Africa's leading non-food retailers and focuses on clothing, footwear and textiles. The group operates three principal operating divisions, namely Edgars division, Jet/discount division and mono-branded stores (CNA).

In June 2019, the PIC invested R1,2 billion in Edcon as part of the company restructuring process. The amount was structured as R617,2 million for a 19% equity subscription and a note convertible into equity for R582,8 million.

The investment was underpinned mainly by job preservation and was supported from a specific mandate for this purpose.

Prior to COVID-19, the investment in Edcon had adhered to the original turnaround plan. The company had completed two-thirds of its restructuring plan to return to profitability by achieving the key initial outcomes through cost rationalisation and disposal of non-core assets. The COVID-19 pandemic resulted in the closure of all stores during lockdown level 5 and limited trading during level 4. Due to the loss of income, fixed costs and pre-existing conditions, further recovery was impaired. The business was placed in business rescue on 29 April 2020.

Based on the business rescue practitioner's estimates, the PIC expects to recover part of the investment through business rescue proceeds based on its existing security.

UNLISTED
INVESTMENTS
PORTFOLIO



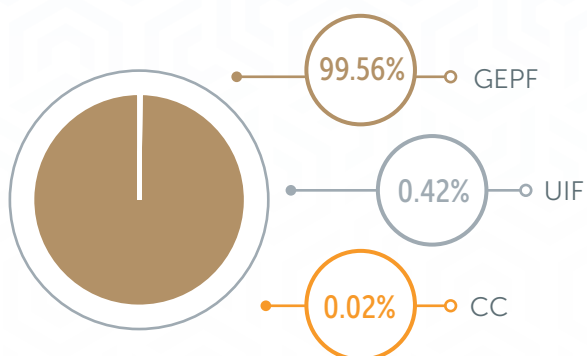
UNLISTED PROPERTIES OVERVIEW

At 31 March 2020, the PIC Unlisted Properties Portfolio amounted to R47 billion, with a gross lettable area of approximately 1,300,000m² from the domestic portfolio exposure. The portfolio comprises directly held and indirectly held properties, including one-of-a-kind investments with exposure to assets such as the V&A Waterfront, Melrose Arch Precinct and Menlyn Maine, and other investments with a specialised property or strategic focus. Some client mandates allow investments into the rest of Africa through indirect holdings. This has resulted in acquisitions of equity holdings in Gateway Real Estate Africa of Mauritius and Aradei Capital of Morocco.

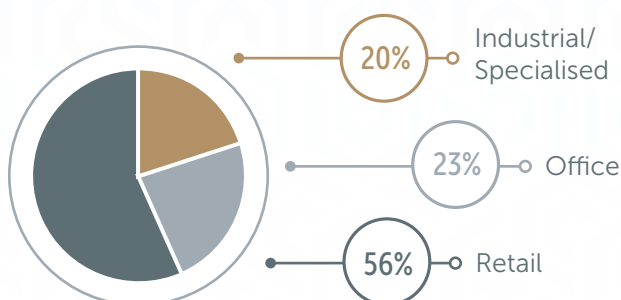
The Unlisted Property Portfolio is enabled through investment mandates of the GEPF, the Unemployment Insurance Fund (UIF) and the Compensation Commissioner (CC) and it is a catalyst for growth and the creation of shared value. The PIC aims to grow this portfolio through new developments. The PIC expects to roll out more than 10,000 student beds across the country while reducing the shortage of affordable higher education accommodation facilities and earning a favourable return.

Below are graphic representations of the portfolio:

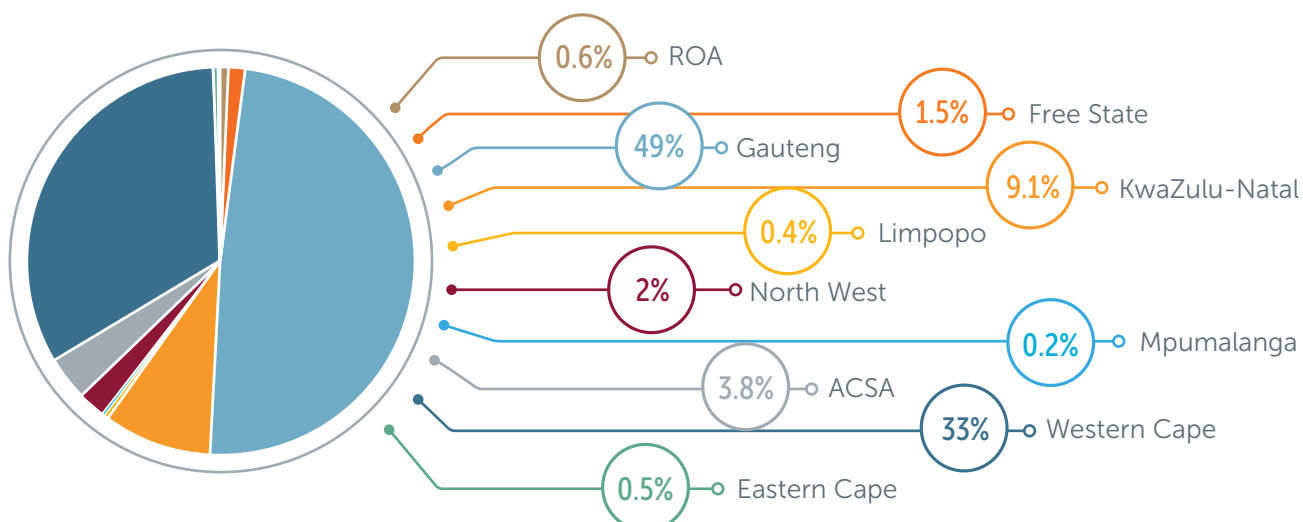
Client split by market value



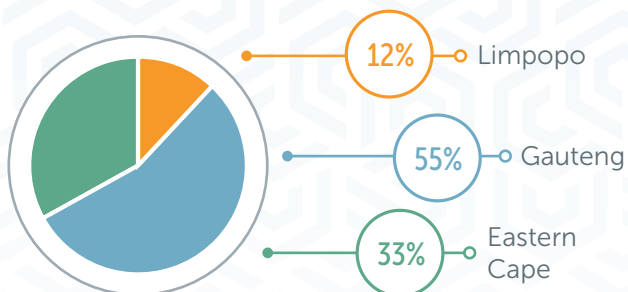
Property sector split by market value – GEPF



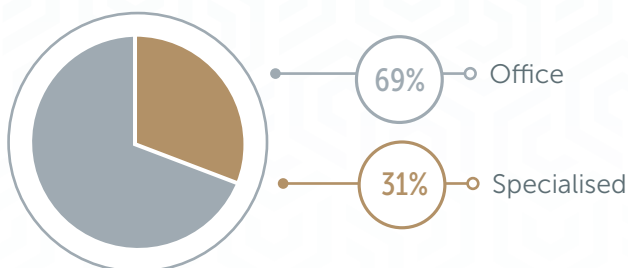
Property geographical split by market value – GEPF



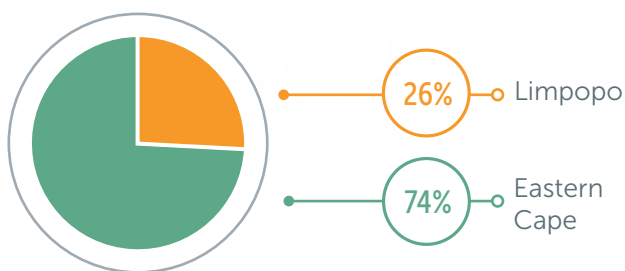
Property geographical split by market value – UIF



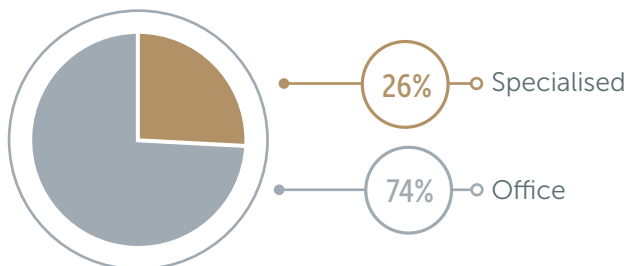
Property sector split by market value – UIF



Property geographical split by market value – CC



Property sector split by market value – CC



UNLISTED PROPERTY PORTFOLIO PERFORMANCE

The real estate sector's performance continued to mirror that of the general economy, with minimal growth realised and lower rentals achieved. Against the backdrop of a weak economy, strong performance can be achieved through the following strategies: holding defensive assets that can weather the challenging macro-economic environment; and diversifying the portfolio across different asset classes and markets to minimise overall risk.

To date, the portfolio's composition has been dominated by two assets, namely Pareto Limited (76% shareholding) and V&A Waterfront Holdings (50% shareholding). These have been significant drivers of growth in the portfolio and are evidence of the success of taking a long-term view of real estate investments. The remainder of the portfolio comprises value-add assets that present the opportunity for redevelopment to maximise potential returns. Investments in Menlyn Maine Investment Holdings and the Arch Property Fund characterise value-add strategies. Through these investments, the PIC can stay abreast of changing market trends with management teams equipped to capitalise on opportunities and generate above-market returns in the long term.

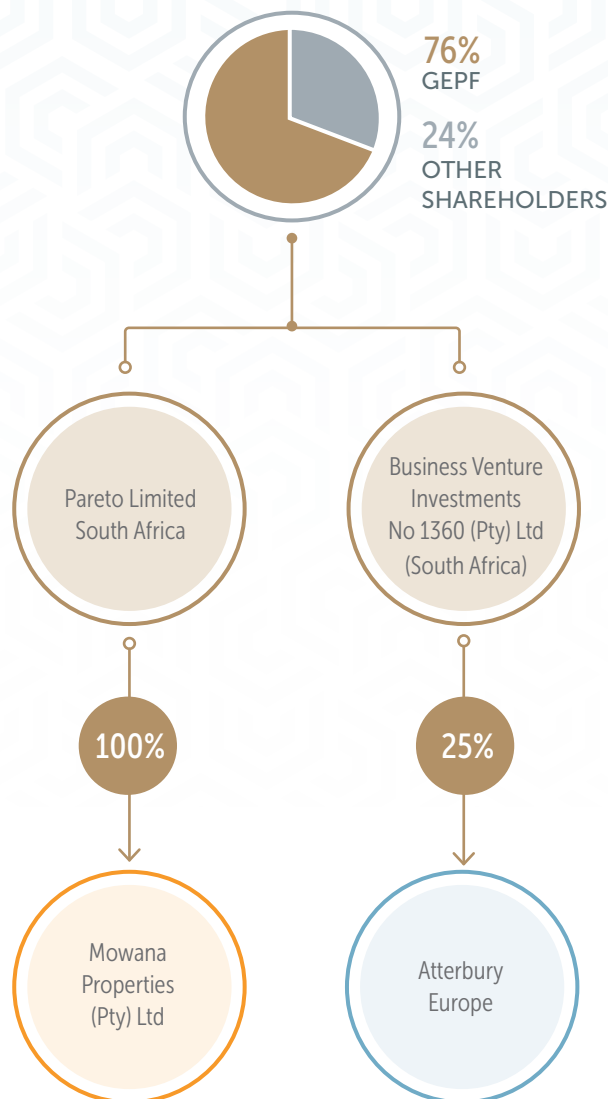
During the year under review, the PIC invested in an industrial platform, Emerging African Property Partners (EAPP). EAPP will acquire industrial assets over the long term and increase exposure to an asset class that has not only performed well in the recent past but will grow to be a defensive component of the majority of real estate portfolios.

PIC Properties continued to reposition the Directly Held Portfolio and redevelop existing assets. This strategy is well underway and developments are expected to begin on assets such as Ga-Rankuwa City, Kingsley Centre, Athol Square and Malvern Park. Prolonged market weakness is expected to yield acquisition opportunities and the PIC is ideally placed to take advantage of these.

INDIRECTLY HELD PORTFOLIO HIGHLIGHTS

PARETO LIMITED AND BUSINESS VENTURES INVESTMENTS (PTY) LTD (BVI)

Investment Structure: BVI



Pareto and BVI were acquired by the GEPP in 2001 and 2011, respectively.

These are unlisted property companies established to acquire, develop and operate super-regional and regional shopping centres as well as mixed development complexes with a broad national footprint in some of South Africa's prime locations. Properties in the portfolios include Menlyn Park, a super-regional shopping centre in Pretoria, which is the largest retail and entertainment centre in the southern hemisphere. Other assets include Sandton City, Pavilion, Cresta, Westgate, Sandton Sun and Towers and Sandton Holiday Inn hotels.

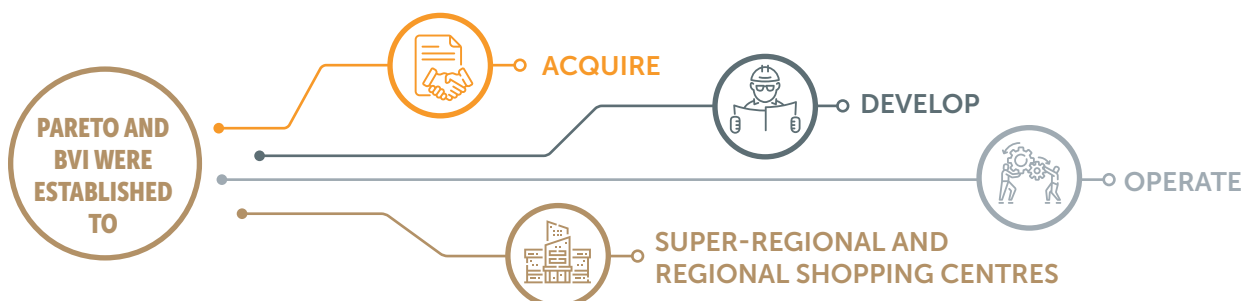
In the first quarter of 2019/20, the Board and shareholders of Pareto and BVI resolved to approve the 25% equity subscription of BVI into an investment in eastern Europe. The transaction allowed it to remain competitive among peers to explore growth opportunities internationally and promote growth in its local portfolios. The eastern Europe portfolio currently comprises property investments in Romania, Cyprus and Serbia covering a 524,052m² gross leasable area (GLA), split between 422,427m² of retail and 101,625m² of offices. As part of the transaction, Pareto also acquired a 50% undivided share of Menlyn Park Shopping Centre from BVI.

The key highlights for Pareto and BVI for 2019/20 were:



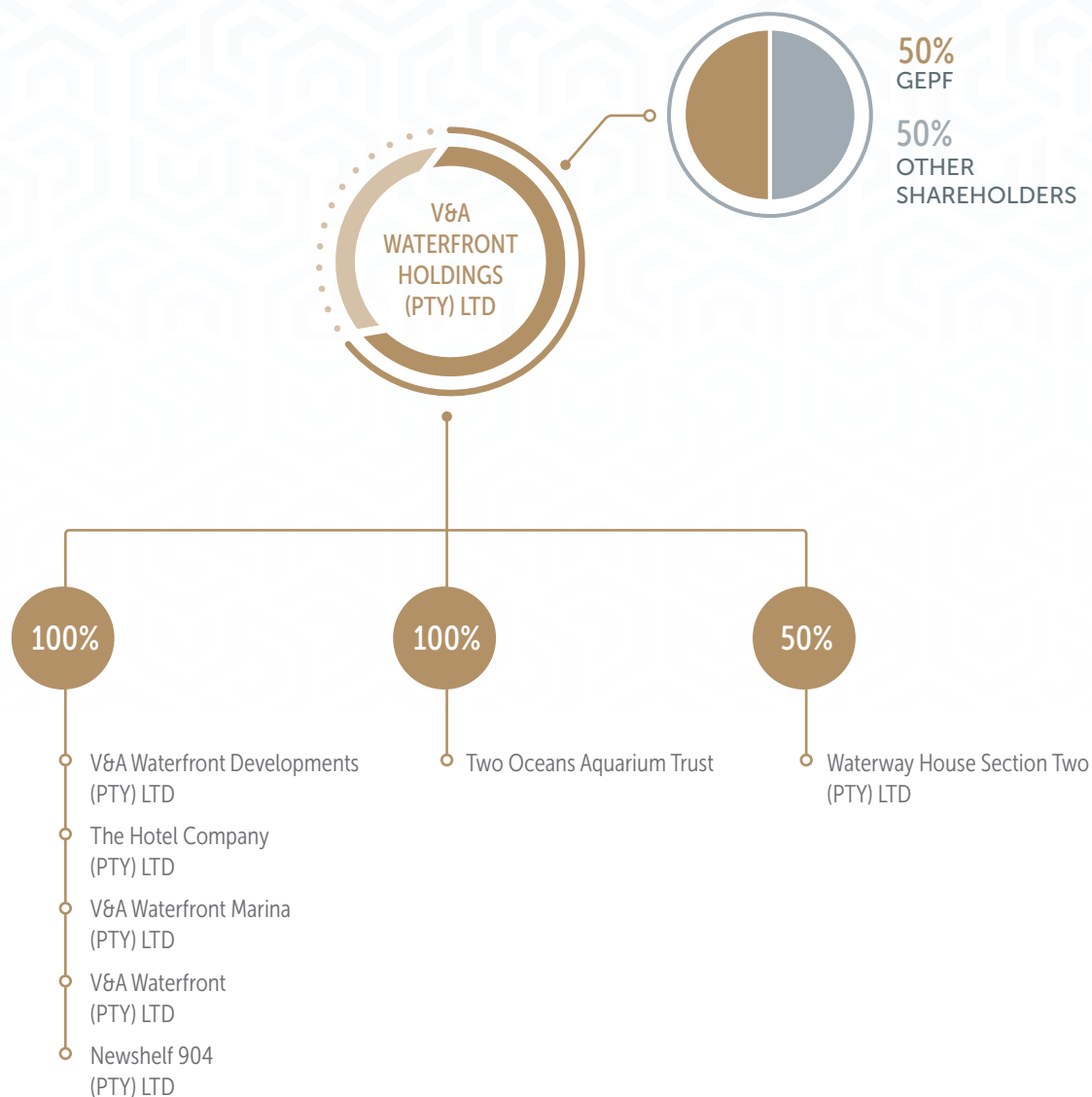
- The completion and launch of the Cresta Aquarium, the first in-mall aquarium in South Africa; and
- The completion of the Atterbury taxi drop-off facility at Menlyn Park Shopping Centre.

While Pareto and BVI have continued to provide the GEPP with positive returns and outperformed the benchmark, the outlook remains constrained. As a result, the portfolio is expected to remain under pressure, given stagnant consumer confidence and a struggling retail environment. The retail sector is expected to experience a rise in the average vacancy rate, pressure on rental growth and real capital growth depreciation. Notwithstanding this, the group's strategy remains to enhance its assets through redevelopments and refurbishments to ensure they retain their value and status as blue-chip real estate assets.

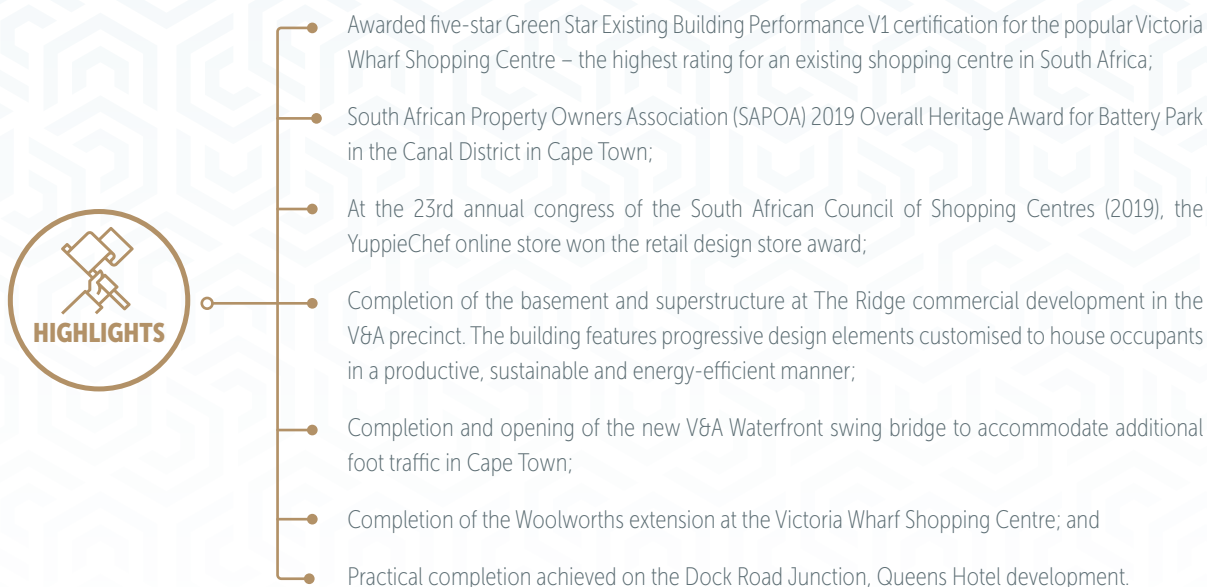


V&A WATERFRONT HOLDINGS (PTY) LTD

The V&A Waterfront is one of Africa's most visited destinations, attracting approximately 24 million people annually. It is positioned in the oldest working harbour in the southern hemisphere and is a 123-hectare mixed-use development with retail, residential, commercial and industrial property components. The precinct includes hotels, retail districts, and dining, leisure and entertainment facilities. It also has heritage sites and tourist landmarks such as the Zeitz MOCAA museum and the Two Oceans Aquarium. V&A Waterfront Holdings (Pty) Ltd is jointly owned by the GEPF and Growthpoint Properties Limited.

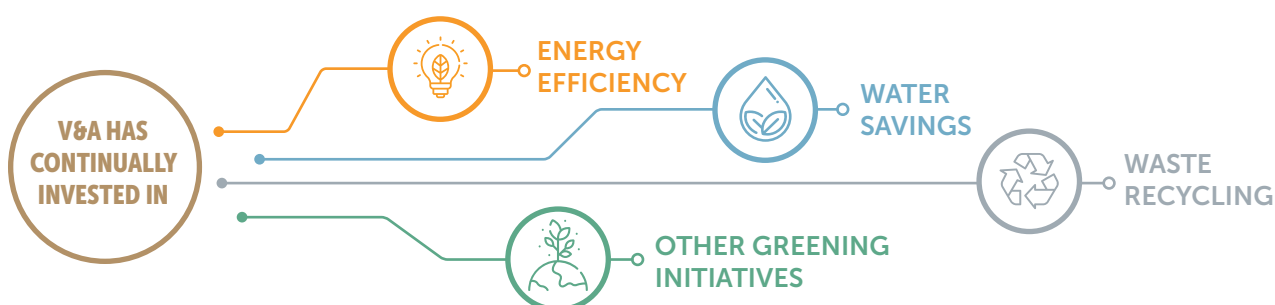


Highlights of the V&A Waterfront investment for 2019/20 were the following:



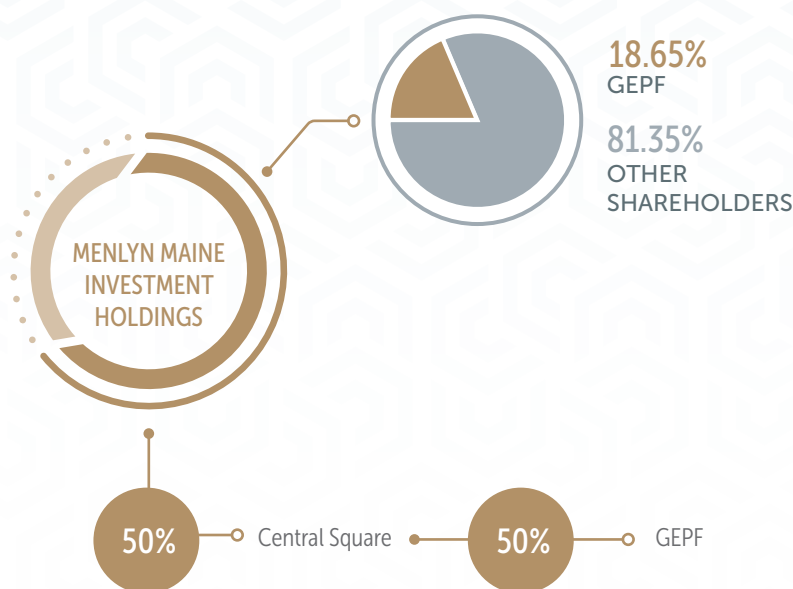
In the year under review, the company provided above-benchmark returns for the GEPF and the value of existing developments continues to increase year on year. New developments yet to come on stream are expected to impact positively on the property values of the portfolio. The company performed well financially on the back of improved tourism numbers and in a tough, low-growth trading environment. It recovered well from the challenges of the preceding financial year, which was characterised by reduced footfall due to water restrictions in the City of Cape Town.

The V&A remains committed to environmental and social responsibility. Dating back to 2008, the company has continually invested in energy efficiency, water savings, waste recycling and other greening initiatives. In line with its Corporate Social Investment (CSI) strategy, emphasis is further placed on entrepreneurship and social innovation to allow for the creation of small-scale businesses, producing sustainable economic growth and meaningful job creation.



MENLYN MAINE INVESTMENT HOLDINGS

The Menlyn Maine portfolio consists of Africa's first green city, the Menlyn Maine precinct, and the award-winning 80,000m² Ballito Junction regional shopping centre in KwaZulu-Natal. The Menlyn Maine precinct is an industry-first Green Star custom mixed use-rated development. It boasts several blue-chip and multinational tenants across retail, offices, sports and recreational facilities. Other defining components of the development include a hospital, residential apartments and five-star hotel segments.



The milestones for Menlyn Maine during the 2019/20 financial year were:



- At the 23rd annual congress of the South African Council of Shopping Centres (2019), Menlyn Maine's Salsa Mexican Grill restaurant won the award for retail design;
- Completion in October 2019 of phase one of the 50% co-owned Trilogy Collection Apartments developments; and
- Completion in March 2020 of the 50% co-owned Park Lane West commercial building, with a 17,281m² GLA.

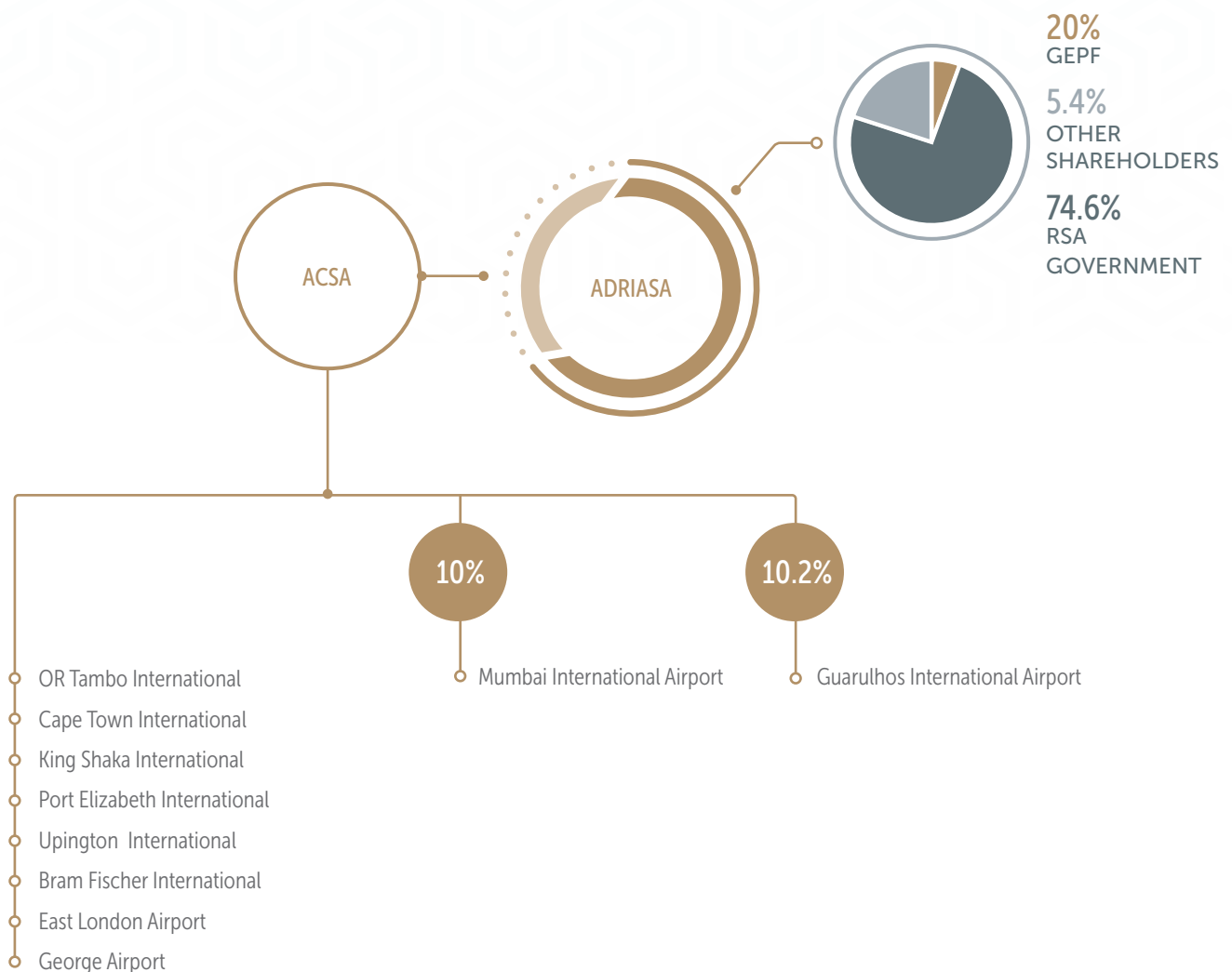
ADR INTERNATIONAL AIRPORTS SOUTH AFRICA (ADRIASA)

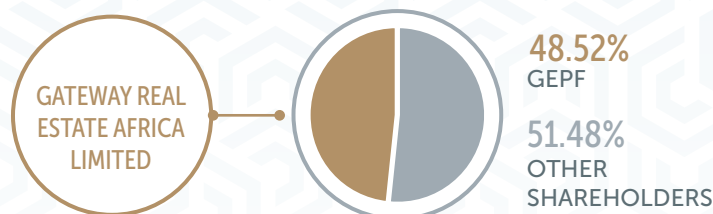
The GEPF, through ADRIASA, holds a 20% equity stake in the Airports Company South Africa SOC Ltd (ACSA). The South African government holds 74.6% alongside other empowerment investors holding the remaining equity. ACSA owns and manages nine South African airports and has equity in other international airports such as Chhatrapati Shivaji International Airport in Mumbai, India, and Guarulhos International Airport in Sao Paulo, Brazil.

Before COVID-19 was declared a global pandemic, ACSA had launched an extensive capital expenditure programme that would see R10 billion spent on airports infrastructure over the next five years. According to ACI (Airports Council International), global aviation performance in traffic and passenger numbers is expected to decline by between 32% and 50%, with Africa's performance expected to drop by 40% to 50% in 2021.

Against this adverse outlook, the company has initiated recovery plans to recalibrate its strategies, which will result in the following changes in implementation of its strategic pillars:

- Austerity measures and minimal capex from reporting date to 2023;
- Airport development on hold until 2026 while ACSA builds partnerships; and
- Investment decisions on expanding footprint delayed until 2026.



GATEWAY REAL ESTATE AFRICA LIMITED

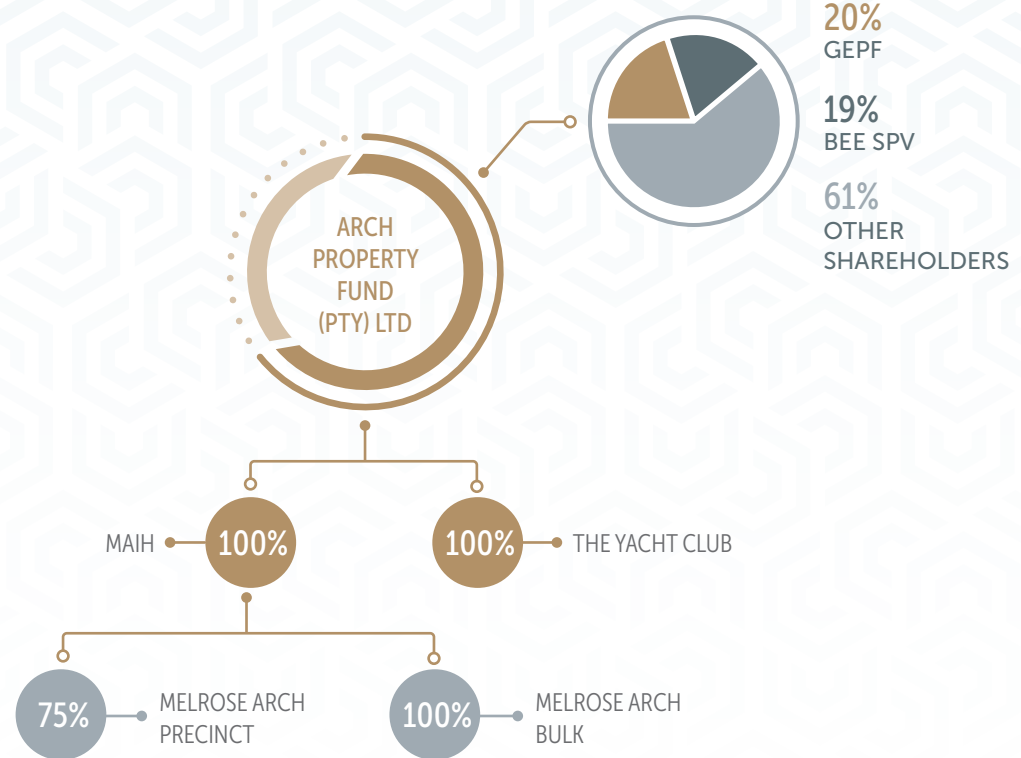
Gateway Real Estate Africa Limited is a two-year-old real estate development and investment company incorporated in Mauritius. The GEPF owns 48.52% of Gateway Real Estate Africa Limited. Its core focus is to develop and invest in real estate assets across the African continent with the exclusion of South Africa. These assets include retail, commercial, education, healthcare, specialised residential and industrial properties.

Since its establishment Gateway Real Estate Africa Limited has witnessed the execution of its strategy with projects starting or reaching completion in Morocco, Ethiopia, Uganda and Mozambique.

Highlights for Gateway Real Estate Africa Limited during 2019/20 included:

The company continues to strengthen its gender and ethnic diversity, which is evidenced by the appointment of a black female Chief Operations Officer.

ARCH PROPERTY FUND



Arch Property Fund was established in 2013 as a capital growth property fund to house premium, high-quality assets. Arch is a sector-diverse fund with exposure to premium mixed-use precincts encompassing retail, residential, commercial and leisure properties.

Assets in its portfolio include the upmarket mixed-use precinct of Melrose Arch in Johannesburg. Melrose Arch encompasses the Melrose Piazza, Melrose Square and the new One-on-Whiteley. A total of 504,000m² is undeveloped. One-on-Whiteley introduced 241 residential units, a 490-room AC by Marriott hotel and a Daytona luxury car dealership. Arch also owns the Royal Cape Yacht Club close to the Cape Town International Convention Centre. The development includes a four-star 180-room AC by Marriott hotel, conferencing facilities and 6,000m² of premium commercial space with a basement parkade.

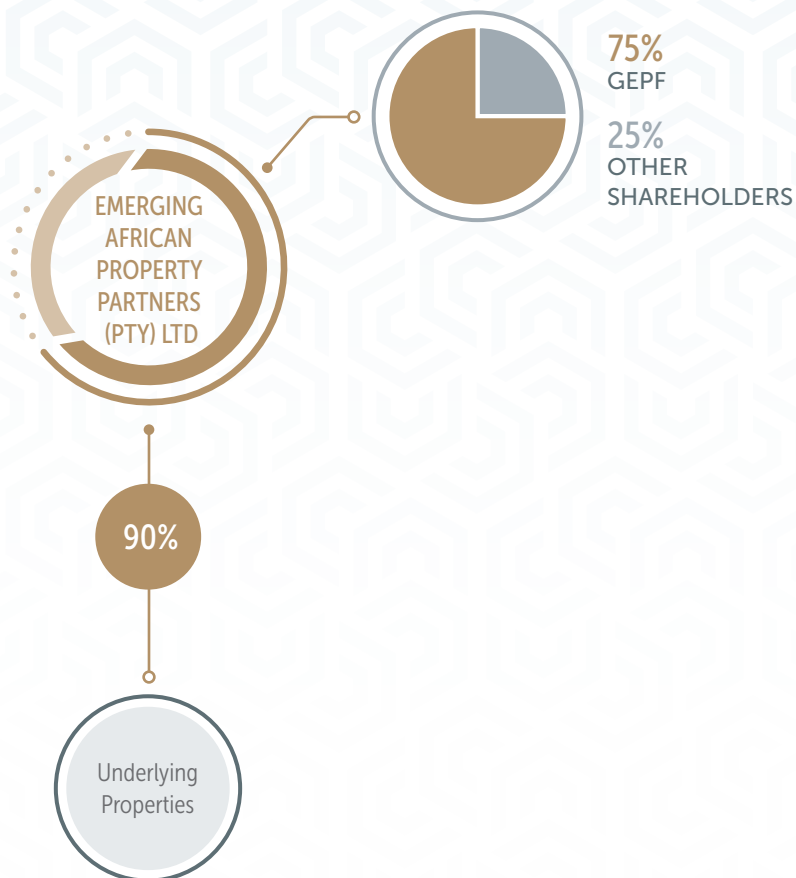
The GEPF invested in the Arch Property Fund in March 2018, through a 20% equity subscription. It invested alongside a black economic empowerment special purpose vehicle through the provision of debt funding to acquire a 19% equity stake.

Highlights for Arch Property Fund for 2019/20 included



- The One-on-Whiteley development was completed and in operation by March 2020;
- The Royal Cape Yacht Club development in Cape Town is performing above expectation; and
- The Cape Town council has approved the R15 billion Harbour Arch mixed-use precinct development.

EMERGING AFRICAN PROPERTY PARTNERS (PTY) LTD



In July 2019, the PIC, on behalf of the GEPF, participated in a newly established entity, namely Emerging African Property Partners (EAPP). EAPP is 75% owned by the GEPF.

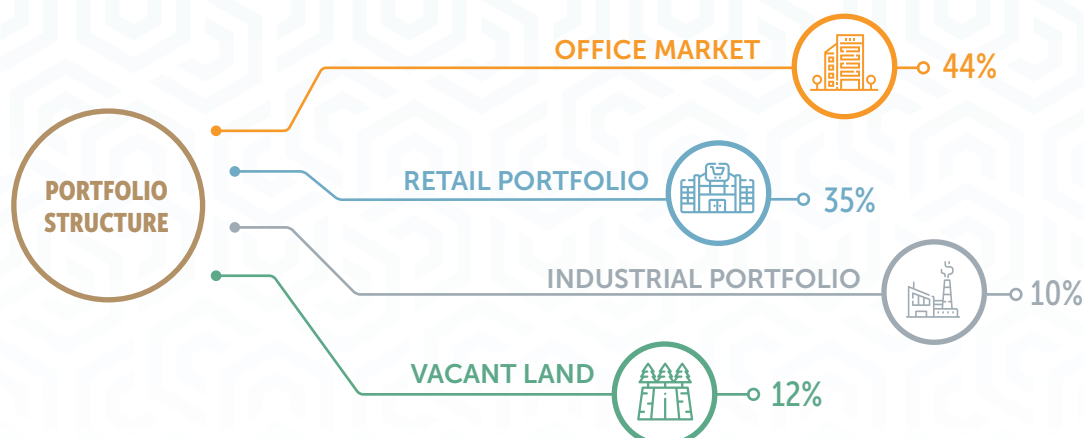
EAPP's strategy is to invest in industrial properties on a sale-and-leaseback structure, with tenants already in occupation on long-term lease agreements in prime nodes. These assets are held in separate special purpose vehicles.

The company has earmarked properties in the Western Cape, Gauteng and KwaZulu-Natal.

By the end of 2019/20, EAPP had bought a Barloworld warehouse with an auxiliary office block and workshop in Boksburg, Gauteng.

DIRECTLY HELD PORTFOLIO HIGHLIGHTS

At 31 March 2020, the PIC managed assets worth R15,4 billion in the Directly Held Portfolio on behalf of the GEPPF, the UIF and the CC. The portfolio's investment focus is weighted heavily towards the office market, at 44%, followed by the retail portfolio at 35% and the industrial portfolio at 10%. The remaining 12% is vacant land, specialised and residential property. The portfolio is well-diversified within each sector in property type, location and tenant profile.



Industrial Portfolio

The market value split of the GEPPF's industrial portfolio shows highest exposure in the warehousing segment, at 82%. High-tech industrial accounts for 9%, standard units 8% and light manufacturing 1%.

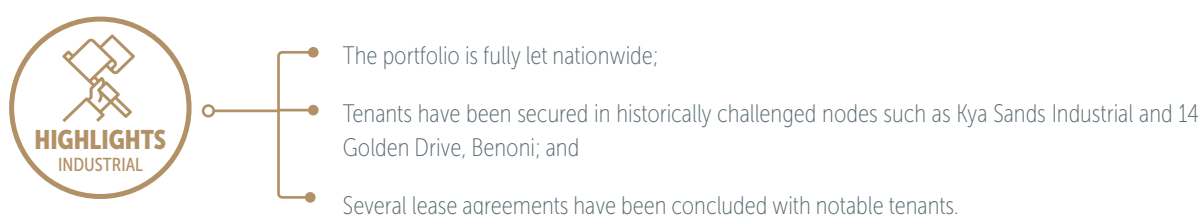
The portfolio is spread across Gauteng (41%), KwaZulu-Natal (33%) and the Western Cape (26%).

Notwithstanding the tough economy, the industrial sector delivered reasonable returns compared to the other sectors in the portfolio. It is managed relatively efficiently due to triple net- and self-servicing lease structures.

The logistics subsector has been the better performer due to increasing e-commerce penetration, supply chain optimisation and sufficient premium facilities. Several commercial and retail tenants are now occupying industrial spaces and trade directly with the public at a fraction of commercial and retail rentals, a trend that should continue. In addition, warehouse-to-office conversion has increased where tenants occupy buildings in industrial nodes at a fraction of the price.

The industrial sector continues to lead the property sector performance. Portfolio vacancies at 0.42% at year-end remained well below the benchmark of 3.4% for the sector. The portfolio's tenant retention ratio remains high, although some of the deals are done at reversionary rentals below existing rentals. The strategy is to fill vacancies, with tenant retention being a top priority.

Highlights for the industrial portfolio for 2019/20 included:



Retail Portfolio

The GEPI's retail portfolio consists mainly of smaller segment community and neighbourhood centres, and one regional centre. Sixty percent of GLA is in townships across the country.

The portfolio is being reconstructed in line with the changing macro- and micro-economic environments. This is done through redevelopment and repurposing of shopping centres and the acquisition of new properties. The value of ongoing developments is R2,2 billion and the salient features are as follows:

Property	Sector	Province	New/additional GLA m ²
Tshwane Regional Mall	Regional shopping centre	Gauteng	52,931
Ga-Rankuwa Shopping Centre	Small regional centre	Gauteng	11,162
Malvern Park Shopping Centre	Community shopping centre	KwaZulu-Natal	4,415
Tlhabane Shopping Centre	Community shopping centre	North West	30,812
Kingsley Centre	Community shopping centre	Gauteng	966
Jakaranda Shopping Centre	Community shopping centre	Gauteng	2,002
TOTALS			109,788

These projects will increase the retail portfolio's GLA by 27%, which will take the average market value per square metre closer to the MSCI Real Estate (formerly IPD) benchmark.

Highlights in the retail portfolio during 2019/20 were:



- Tshwane Regional Mall, the second township regional centre in the portfolio, added a GLA of 53,126m² and is let to major national tenants;
- Refurbishment of Jakaranda Shopping Centre in Pretoria is 75% complete, with the centre due to open before the end of the 2021 financial year;
- Construction works to Kingsley Centre began following the requisite pre-lets;
- Vangate Mall in Cape Town won a bronze South African Council of Shopping Centres Spectrum Award for marketing in 2019;
- Tembisa Plaza in Gauteng was a sponsor of the Philly's Games from 16 to 30 December 2019. The tournament draws clubs from nearby townships and is known for unearthing soccer talent, including several past and present Premier Soccer League players; and
- Salsa restaurant in Central Square in Pretoria won the best restaurant design award at the 2019 South African Council of Shopping Centres awards.

Office Portfolio

The office portfolio is concentrated in Gauteng, at 85%, but has a presence in the Western Cape, KwaZulu-Natal, Eastern Cape, North West and Mpumalanga. Properties are across the different grade classifications, housing both public and private sector tenants.

The office sector is the poorest performer in the commercial property market due to current economic conditions and an oversupply of stock. In addition, there is limited growth in rental income, high vacancies persist and tenants are tending to downsize. The PIC Properties Division is repositioning the portfolio to improve income return, capital growth and overall performance. The aim is to achieve a broader portfolio growth strategy in line with client mandates and to develop creative and client-centric solutions to attract and retain tenants. Certain properties are being refurbished and new P-grade and A-grade office accommodation has been acquired.

The public sector office portfolio houses national and provincial government departments, state-owned companies and other public entities. The PIC has identified a need for decent office space for government employees and construction currently underway includes the following redevelopments:

Property	Sector	Proposed tenant	City/province	GLA m ²
Trevenna Office Campus	Multi-storey office campus	Government/public sector	Tshwane, Gauteng	55,000
94 WF Nkomo	Multi-storey office building	Government/public sector	Tshwane, Gauteng	16,738
Sunnyside Labour Campus	Multi-storey office campus	UIF and CC	Tshwane, Gauteng	48,669
Kasteelpark Office Park	Three-storey office campus	Government/public sector	Tshwane, Gauteng	15,000
Kingsley Office Building	Mixed-use building	State-owned enterprise	Tshwane, Gauteng	13,492
UIF Thohoyandou	Three-storey office building	Government/public sector	Thohoyandou, Limpopo	1,589
TOTALS				150,488

Highlights in the private and public sector office portfolio for 2019/20 included:



- Reletting of 34,222m² across the portfolio at market-related rentals;
- Completion of the 3 Alice Lane office redevelopment and conclusion of a lease with a strong tenant covenant;
- The newly established Government Employees Pension Ombudsman offices in iParioli Office Park in Gauteng; and
- Medium to long-term leases with various government departments in Mthatha, Eastern Cape, and Thohoyandou, Limpopo.

Specialised Portfolio

The specialised portfolio has assets in Gauteng (36.1%), KwaZulu-Natal (29%), North West (24.3%), Western Cape (8.8%) and Limpopo (1.8%). Specialised assets, which include student accommodation, a magistrate's court and a police station, amount to 58% of the portfolio, while residential and vacant land are 16% and 26% respectively.

The total return for the portfolio has been below the MSCI Real Estate benchmark for properties categorised as "other", due to the high number of vacant, non-income-producing land parcels. The short- to medium-term strategy is to develop the vacant land, refurbish existing core properties and dispose of non-core assets that are not aligned with clients' investment mandate.

Highlights for the specialised portfolio for 2019/20 included:



- The Adowa co-ownership gained traction in implementing investments through approval for the development of 352-bed student accommodation in Pretoria West, and a 1,047-bed student accommodation facility in Johannesburg;
- Purchase approved of 3,000-bed student accommodation in Mankweng, Limpopo by the KSL co-ownership; and
- Rezoning rights obtained for the development of 408-bed Bendor student accommodation in Polokwane, Limpopo, by the KSL co-ownership.

Outlook

For most of the financial year, the domestic political landscape remained uncertain and the economy weak, exacerbated by the Moody's downgrade and the imposition of nationwide COVID-19 lockdown. The status quo is likely to continue in the 2020/21 financial year.

In spite of this, the PIC Properties Division remains committed to the growth and sustainability of the portfolio. The strategy will continue to focus on acquisitions, new developments as well as improvement of existing assets under management through redevelopments, maintenance, strategic leasing and disposals.

CASE STUDY: Prime Sandton property for Bayport

The GEPF acquired 3 Alice Lane in 2009, when it was occupied by Discovery Health, on a 12-year lease until September 2018. The new tenant is Bayport South Africa Financial Services.

A R139,2 million two-pronged concept was developed to cater for Bayport's needs, with interior construction work starting in June 2018 and exterior remodelling following in January 2019, as the new tenant took occupation.

GVK-Siya Zama was appointed to realise the vision presented by the PIC team, while the architect, ARC, a 51% black-owned entity, was tasked with designing a modern yet cost-effective alternative to spalling concrete.

The company installed a perforated, unitised façade system using galtex, with the 12-month programme being managed and monitored by BVI to ensure cost containment. Equate was appointed a quantity surveyor and was led by black female development and asset managers.

The redevelopment has been completed.



3 Alice Lane – Sandton

DIRECTLY HELD
PORTFOLIO



CASE STUDY:**Rejuvenating Kingsley Centre**

Kingsley Centre in Arcadia, Pretoria became part of the GEPP property portfolio when the PIC, on behalf of the GEPP, acquired the CBS Property Fund in 2007. It is a 25,076m² multi-storey retail and office complex comprising basement parking and semi-basement retail, ground floor retail and 10 floors of office space.

The centre is being redeveloped to re-establish it as a key mixed-use precinct and meet tenant demand for a fully enclosed mall with two levels of basement parking.

The R387 million redevelopment, with a projected yield of 10.25% on capital expenditure, will also meet the need for government offices.

On completion, Kingsley Centre will boast better lighting, vibrant colours, new entrances and attractive façades. Internal sections of the mall will also be refurbished and new public ablution facilities added.

The retail section will be anchored by Super Spar, with Planet Fitness, Absa, KFC and medical suites among the other tenants. The entire office section will be occupied by the South African Social Security Agency, with a 2,000m² walk-in centre on the retail ground floor.



Kingsley Centre Building – Pretoria

The redevelopment will increase GLA from 24,109m² to 25,076m² as well as the current parking and office space.

The project team reinforces the PIC's commitment to transformation, being headed by a black male asset manager and a black female development manager. The professional team consists largely of B-BBEE consulting firms, probably the first in the property investment sector, while the main contractor is a 100% black-owned construction company.

Building started in August 2019, with an estimated completion date of 30 July 2021, after which the centre is expected to be the dominant mall in the area.

DIRECTLY HELD
PORTFOLIO



CASE STUDY: Breathing new life into WF Nkomo Street

The property at 94 WF Nkomo Street in Pretoria is formerly the head office of the UIF. The site is on the corner of WF Nkomo and Sophie de Bruyn streets near various commercial, residential and transport hubs. The area within which it is situated is earmarked for development, in line with Tshwane Vision 2055. Built in 1985, the building had deteriorated and structural deficiencies had made it non-compliant with current building regulations.



94 WF Nkomo Building – Pretoria

The property is now being converted into an investment asset. This is done by maximising site bulk; creation of sustainable capital and income returns by making the building attractive to potential tenants (both blue-chip and government); and avoidance of future vacancies by ensuring sufficient parking, full building functionality and multi-tenancy.

The PIC Properties team engaged extensively with the UIF on the most cost-effective development concept that would deliver a return on investment.



Envisioned final UIF Building – Pretoria

Once converted, 94 WF Nkomo will offer a new Grade A eight-storey office and a four-floor parking lot with a basement next to it. The 16,738m² GLA office space will be multi-tenanted with 482 parking bays and a small retail component on the ground floor. The development targets a four-star green building rating.

An experienced professional team has been appointed to manage construction, with Ikemeleng as lead architects and CSM as project managers.

The project is scheduled for completion in July 2021 at an estimated cost of R365 million.

DIRECTLY HELD
PORTFOLIO



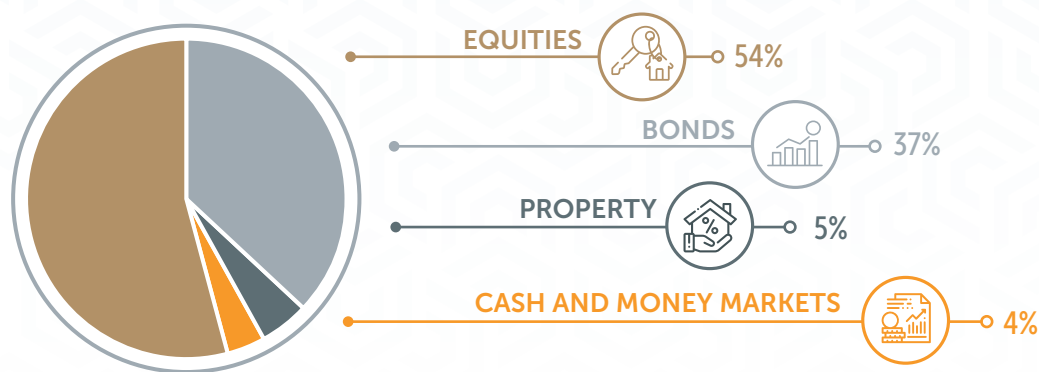
Client Portfolio Performance

GOVERNMENT EMPLOYEES PENSION FUND (GEPF)

Asset Allocation

Due to the size of its assets under management (AuM), the GEPF has the most diversified asset allocation of all the PIC's clients. At a high level, the fund's asset allocation is broken down into equities, bonds, property, and cash and money market.

GEPF Asset Allocation



The equities asset class includes local listed equities, local unlisted equities, international and Africa equities, excluding South Africa. The bonds are made up of local listed bonds, local unlisted bonds and international capital markets. The Property portfolio includes both listed and unlisted properties. Some investments, especially in equities, have been made through Impact Investing, Private Equity (PE) and the Funds of Funds (FoF) vehicles. Impact Investing, particularly on the rest of the African continent, includes infrastructure development and properties. A detailed discussion on different projects implemented under these asset classes – especially those relating to Impact Investing, Properties, FoF and PE is found from page 60 to page 95 of this report.

Performance

The GEPF local listed portfolio underperformed its benchmark by 11 basis points, attributable to its huge exposure to the listed equities asset class, which saw local listed equities underperforming the benchmark. The Property portfolio also contributed to the underperformance. As is apparent from the table on the next page, bonds and cash and money markets instruments outperformed their respective benchmarks.

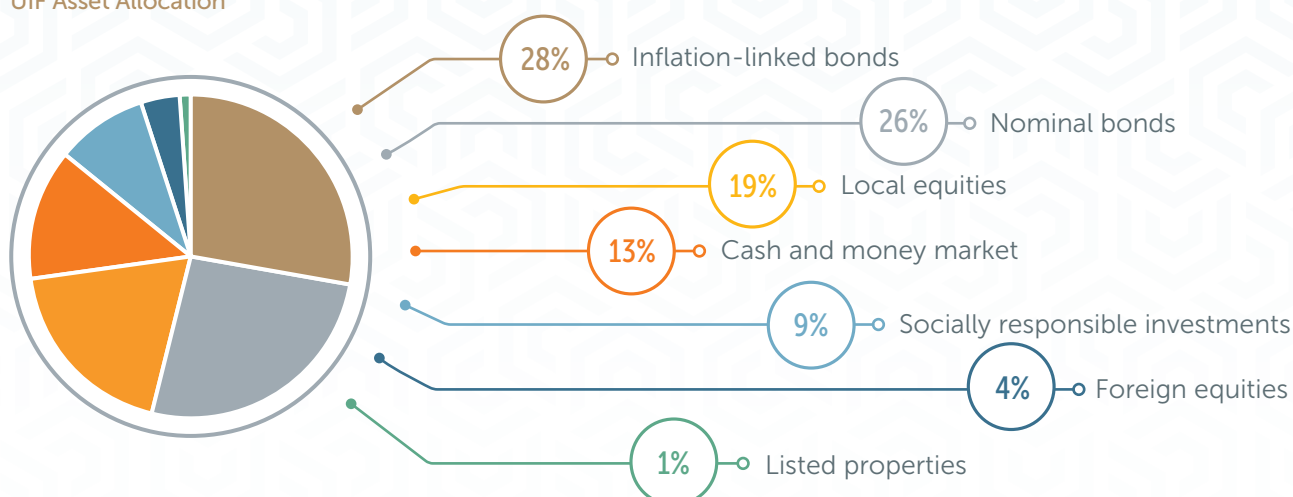
	12 Months (1 April 2019 to 31 March 2020)			24 Months			36 Months		
Asset class	Fund Return	Benchmark Return	Relative Return	Fund Return	Benchmark Return	Relative Return	Fund Return	Benchmark Return	Relative Return
	%	%	%	%	%	%	%	%	%
DOMESTIC									
LISTED EQUITY	-19.10	-18.91	-0.23	-9.16	-9.53	0.41	-2.83	-3.19	0.37
Internal Equity	-19.12	-18.91	-0.26	-9.12	-9.53	0.45	-2.73	-3.19	0.48
External Equity	-18.66	-18.91	0.31	-9.06	-9.53	0.52	-3.28	-3.19	-0.09
LISTED PROPERTIES	-49.32	-47.91	-2.70	-31.39	-29.87	-2.16	-24.08	-22.98	-1.42
Internal Listed Properties	-49.06	-47.91	-2.21	-31.26	-29.87	-1.98	-24.00	-22.98	-1.31
External Listed Properties	-47.64	-47.91	0.51	-29.43	-29.87	0.63	-22.34	-22.98	0.83
CAPITAL MARKET	-1.91	-3.81	1.98	-0.15	-1.83	1.72	3.77	2.59	1.15
Internal Conventional Bonds	-0.57	-2.99	2.50	2.22	0.18	2.04	6.41	5.26	1.09
Internal Inflation-Linked Bonds	-3.28	-4.67	1.46	-2.77	-3.92	1.19	0.71	-0.20	0.91
External Conventional Bonds	-3.08	-2.99	-0.09	0.33	0.18	0.15			
MONEY MARKETS	8.18	7.21	0.90	8.09	7.23	0.80	8.11	7.30	0.75
Cash	6.13	6.57	-0.41	5.76	6.56	-0.75	5.41	6.65	-1.16
TOTAL GEPI LISTED	-12.95	-12.86	-0.11	-5.85	-6.08	0.24	-0.68	-0.71	0.03
AFRICA									
AFRICA LISTED EQUITY	-6.66	-3.03	-3.74	-2.06	1.08	-3.10	-0.18	8.46	-7.97
Africa Equity – Internally managed	-6.74	-3.03	-3.82	-2.75	1.08	-3.79	-1.59	8.46	-9.26
Africa Equity – Externally managed	-5.95	-3.03	-3.01	2.58	1.08	1.48	9.16	8.46	0.64
AFRICA FIXED INCOME	25.97			30.46			18.01		
INTERNATIONAL									
Global Equity	8.79	7.17	1.51	16.38	14.92	1.27	11.60	9.39	2.02
Global Bonds	19.72	32.27	-9.49	23.12	26.67	-2.80	12.71	14.94	-1.94

UNEMPLOYMENT INSURANCE FUND (UIF)

Asset Allocation

The UIF's asset allocation comprises inflation-linked bonds, listed equities (both local and foreign), cash and money market instruments, and socially responsible investments or Impact Investing.

UIF Asset Allocation



Performance

The UIF outperformed its benchmark by 2.62% during the period under review. The performance for the 36-month rolling period is reflected below.

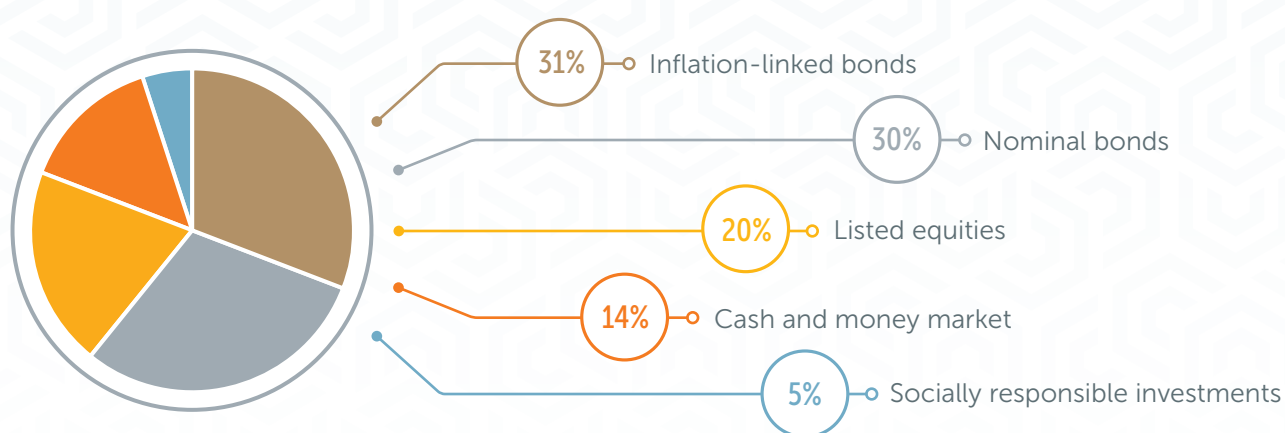
	12 Months (1 April 2019 to 31 March 2020)			24 Months			36 Months		
Asset class	Fund Return	Benchmark Return	Relative Return	Fund Return	Benchmark Return	Relative Return	Fund Return	Benchmark Return	Relative Return
	%	%	%	%	%	%	%	%	%
TOTAL BONDS	-3.39	-3.85	0.46	-1.65	-2.34	0.70	2.59	2.05	0.54
Conventional	-1.90	-2.99	1.10	1.04	0.18	0.86	5.75	5.26	0.49
Inflation-Linked	-4.70	-4.67	-0.03	-4.07	-3.92	-0.16	-0.37	-0.20	-0.17
EQUITY	-22.91	-22.62	-0.29	-12.60	-12.33	-0.27	-5.81	-5.20	-0.61
Internal Equity	-22.38	-22.62	0.24	-7.33	-7.32	-0.01	0.29	0.99	-0.70
External Equity	-25.95	-22.62	-3.33	-8.72	-7.32	-1.40	-0.64	0.99	-1.63
LISTED PROPERTIES	-48.88	-47.91	-0.97	-30.73	-29.87	-0.86	-23.47	-22.98	-0.48
MONEY MARKET	8.10	7.21	0.88	8.00	7.23	0.77	8.02	7.30	0.72
TOTAL FUND	-8.25	-10.88	2.62	-3.97	-5.65	1.68	0.48	-0.51	0.99
Global Equity	6.88	7.17	-0.29						

COMPENSATION COMMISSIONER FUND (CC)

Asset Allocation

The asset allocation of the CC portfolio comprises inflation-linked bonds, nominal bonds, listed equities, cash and money market instruments, and socially responsible investments.

CC Asset Allocation



Performance

The performance of CC over 36 months is reflected below. For the period under review, the fund outperformed its benchmark by 1.08%.

	12 Months (1 April 2019 to 31 March 2020)			24 Months			36 Months		
Asset class	Fund Return	Benchmark Return	Relative Return	Fund Return	Benchmark Return	Relative Return	Fund Return	Benchmark Return	Relative Return
	%	%	%	%	%	%	%	%	%
CAPITAL MARKET	-3.41	-3.65	0.24	-1.55	-1.76	0.21	3.81	2.61	1.21
CONVENTIONAL	-1.77	-2.99	1.22	0.91	0.18	0.73	5.84	5.26	0.57
INFLATION-LINKED	-5.00	-4.67	-0.33	-4.28	-3.92	-0.36	-0.99	-0.63	-0.36
EQUITY	-20.71	-20.88	0.17	-10.60	-10.85	0.25	-3.81	-4.56	0.75
MONEY MARKET	7.88	7.21	0.67	7.81	7.23	0.58	7.83	7.30	0.53
TOTAL *	-6.35	-7.43	1.08	-2.62	-3.35	0.73	2.56	1.27	1.29

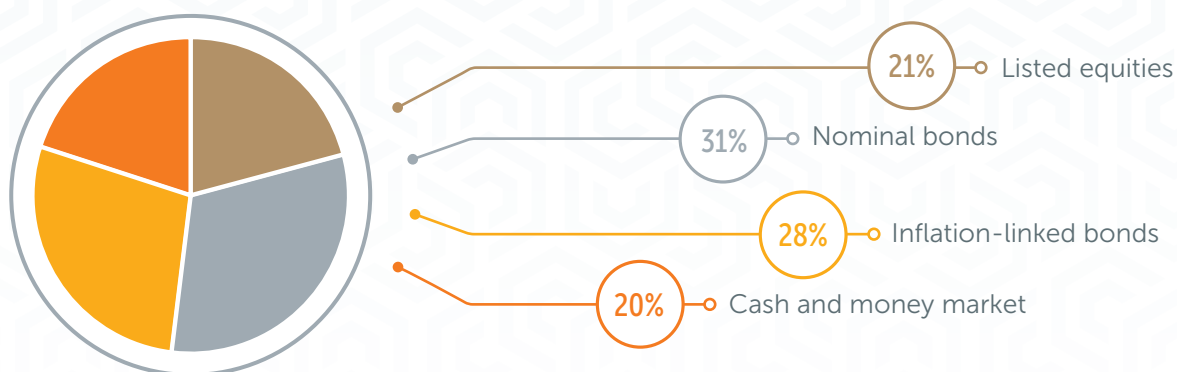
* (excluding social responsibility investment)

COMPENSATION COMMISSIONER PENSION FUND (CP)

Asset Allocation

The CP asset allocation comprises nominal bonds, inflation-linked bonds, listed equities, and cash and money market instruments.

CP Asset Allocation



Performance

The CP portfolio outperformed its mandated benchmark by 2.25% during the period under review. The table below shows the fund's performance over 36 months.

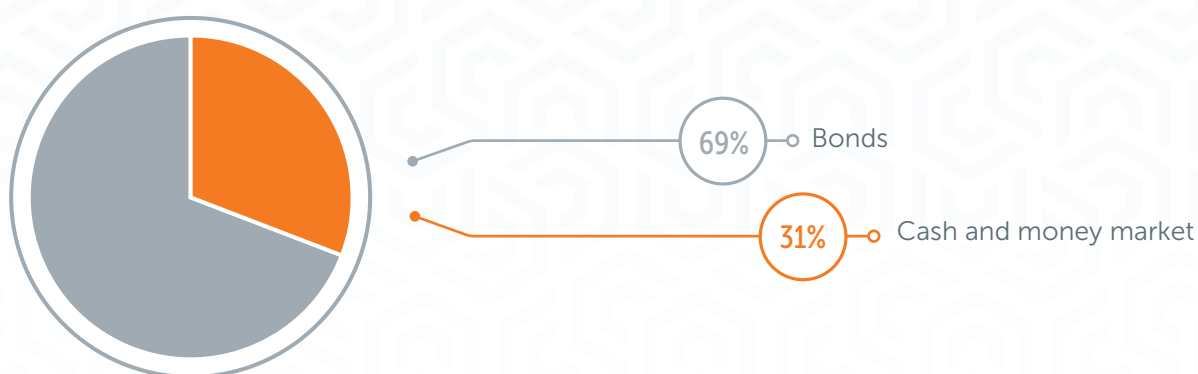
Asset class	12 Months (1 April 2019 to 31 March 2020)			24 Months			36 Months		
	Fund Return	Benchmark Return	Relative Return	Fund Return	Benchmark Return	Relative Return	Fund Return	Benchmark Return	Relative Return
	%	%	%	%	%	%	%	%	%
TOTAL BONDS	-3.47	-3.80	0.33	-1.45	-1.84	0.39	2.82	2.54	0.28
Conventional	-2.13	-2.99	0.86	0.96	0.18	0.78	5.79	5.26	0.53
Inflation Linked	-4.97	-4.67	-0.30	-4.06	-3.92	-0.14	-0.27	-0.20	-0.07
EQUITY	-20.68	-20.88	0.20	-10.64	-10.85	0.21	-3.75	-4.56	0.81
MONEY MARKET	7.66	7.21	0.45	7.66	7.23	0.43	7.63	7.30	0.32
TOTAL FUND	-5.57	-7.83	2.25	-1.87	-3.62	1.75	2.42	1.11	1.31

ASSOCIATED INSTITUTIONS PENSION FUND (AIPF)

Asset Allocation

The AIPF asset allocation is made up of two asset classes, namely bonds, and cash and money market.

AIPF Asset Allocation



Performance

The AIPF outperformed the mandated benchmark by 1.14%. The outperformance was derived from both asset classes and was driven by both good asset allocation and security selection.

	12 Months (1 April 2019 to 31 March 2020)			24 Months			36 Months		
Asset class	Fund Return	Benchmark Return	Relative Return	Fund Return	Benchmark Return	Relative Return	Fund Return	Benchmark Return	Relative Return
	%	%	%	%	%	%	%	%	%
BONDS	-2.64	-2.99	0.35	0.64	0.18	0.46	5.46	5.26	0.20
CASH AND MONEY MARKET	7.79	7.21	0.58	7.82	7.23	0.59	7.86	7.30	0.56
TOTAL FUND	0.74	-0.40	1.14	2.98	1.99	0.99	6.41	5.85	0.56

Generation of Social Returns: Social Impact of Unlisted Investments

The PIC and its clients seek both financial and social returns in all the investments made. The PIC recognises that investments have an impact on investee companies, communities in which they are made as well as the country at large. For this reason, the PIC is committed to sustainable investing and to creating inclusive opportunities that have positive long-term financial and social returns.

The PIC investments facilitate the creation and preservation of jobs as well as expand the provision of infrastructure and social services. As a long-term investor, the PIC is always interested in the sustainability of investments made. The PIC consistently monitors the effects of its investment activities on society and the environment. Equally it monitors governance practices at each investee company.

The PIC strives to be a global leader in responsible and impact investing by following and applying international norms and principles to address ESG risks. Unlisted investments developmental indicators are aligned to the United Nations (UN) Sustainable Development Goals (SDGs).

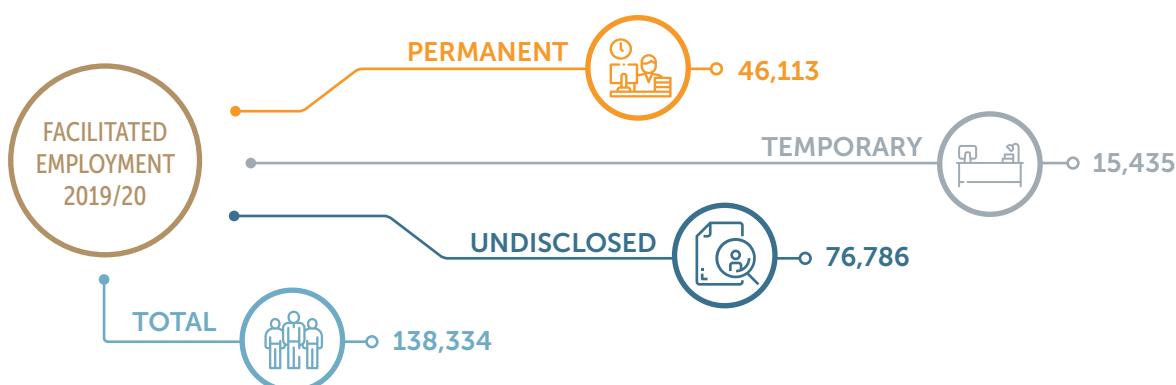
CREATING SOCIAL RETURNS

The Corporation views transformation as an investment driver and its objective is for investments to advance the principles of the Broad-Based Black Economic Amendment Act, No 46 of 2013. It is also committed to principles 2 and 6 of the PRI, which state, in part, that: "we will be active owners and incorporate ESG issues into our ownership policies and practices" and "we will each report on our activities and progress towards implementing the principles".

EMPLOYMENT OPPORTUNITIES

The PIC's responsible investment philosophy ensures that it invests in companies that intend to and can generate measurable, beneficial social and/or environmental impact alongside a financial return. The Corporation has facilitated and sustained jobs at its investee companies for several years, whilst simultaneously promoting indirect job creation. It has also ensured transformation and the creation of opportunities in supply chains as well as the upliftment of communities through skills enhancement and transfer.

During the 2019/20 financial year, the PIC facilitated 138,334 direct jobs, 46,113 of which are permanent and 15,435 temporary. The latter were mainly in infrastructure development projects and agriculture, which relies largely on seasonal workers.



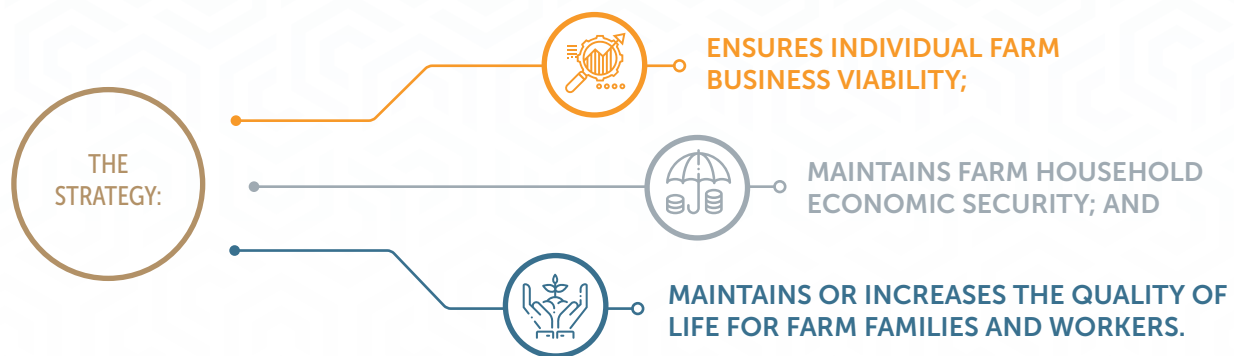
SMALL AND MEDIUM ENTERPRISES

The PIC invests directly in businesses that support SMEs financially and with capacity building. Through its investments in property developments and other infrastructure projects, the Corporation is advancing enterprise development through sub-contracting. Although most businesses supported are in Gauteng, there is a reasonable spread across other provinces, including Mpumalanga, Limpopo, Western Cape and KwaZulu-Natal.

AGRICULTURE

The PIC supports and promotes agricultural, forestry and fisheries resource management through policies, strategies and programmes to stimulate sustainability, economic growth, job creation, food security and rural development. There are currently 10 investments supporting 41 ventures, including stock and crop farms, abattoirs, processing plants and food production plants.

Investments in agriculture revitalise the rural economy and integrate rural farmers into the mainstream economy. Rural investments are located in Northern Cape, Limpopo, Mpumalanga, KwaZulu-Natal and Western Cape.



Transformation continues to be a concern, with most farm owners being white and male and most workers being black and female. In response, the PIC has initiated four trusts, three for farmworkers and one for emerging farmers who supply bigger farms. Each trust has a minimum of 10% equity stake. The table below depicts the social impact achieved in the agricultural sector:

Activities	Achieved
Employee trust supported	3
Emerging farmers – financial support and skills transfer	17
Access to healthcare	1,564
Access to education and skills development programmes, including matric, management, leadership and life skills	1,631
Housing for employees	2,972

BASIC EDUCATION

The PIC supports education as it believes that education is key to escaping poverty. To date, the Corporation has committed about R1,2 billion to education infrastructure programmes, facilitating more than 1,750 jobs. The programme has seen construction of 11 schools, which supported enrolment of 1,168 grade 12 learners in 2019 compared to 1,050 in 2018. Of the learners enrolled in 2019, a total of 1,075 matriculated, representing an increase of 8.1% from the previous year.



ACCESS TO FINANCE

Number of loans	47,194
Value of loan book	R564,000,000

ACCESS TO EDUCATIONAL INFRASTRUCTURE

Number of school managers supported	9
Number of schools supported	18

Grade 12 results	2019		2018	
Schools	Schools pass	Schools bachelor pass	Schools pass	School bachelor pass
	%	%	%	%
Total: Schools Fund	92.0	48.1	94.7	50.2
Total: South Africa	81.3	36.9	78.2	33.6

* All schools achieved a pass rate and university exemption rate of 92%, well above the national average of 81.3% by 10.7%.

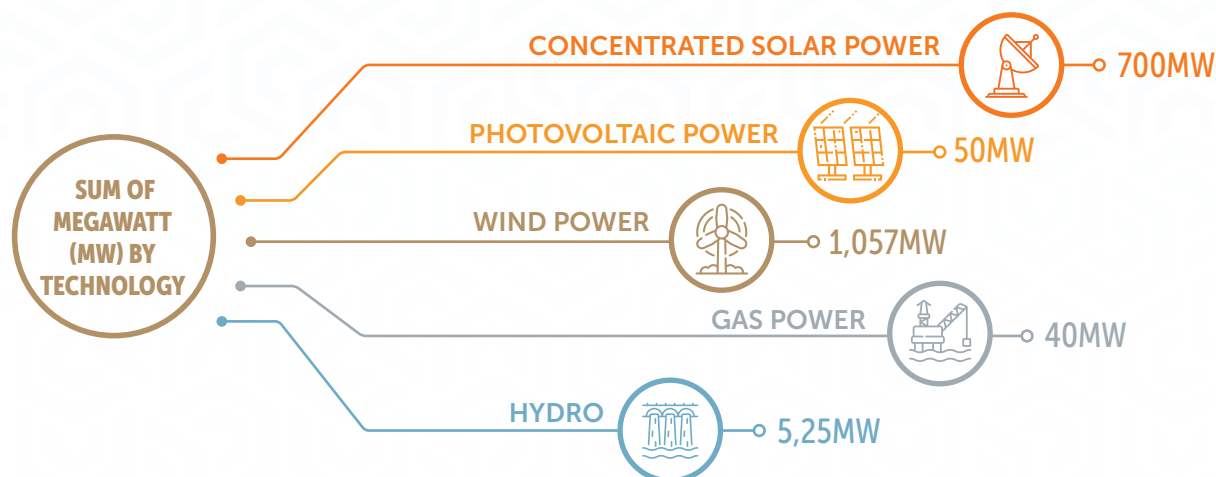
CONSTRUCTION

The South African construction sector is of great strategic importance, employing more than 8% of the country's labour force with construction output accounting for more than 4% of GDP during the 2019 fiscal year³. The industry has been experiencing shrinking profit margins, cost overruns, labour disruptions, poor productivity, a shortage of skilled workers and rising input costs. The number of jobs facilitated through PIC investments during 2019/20 financial year was 2,940. Permanent jobs accounted for more than 54% (1,602), whilst temporary jobs were 1,338. Of these, 1,011 employees were youth and 11 people with disabilities.

ENERGY

During the financial year under review, the PIC invested approximately R15 billion in renewable energy via the Renewable Energy Independent Power Producer Programme (REIPPP). In the same period, the PIC exited two projects in favour of a B-BBEE firm and is currently exiting a third.

Energy mix-sum of megawatt (MW) by technology:



REIPPPP was designed to drive socio-economic benefits for the country, with local communities having the opportunity to acquire equity stakes in renewable energy project companies. The PIC has financed the equity stake of 10 projects in Limpopo, Free State, Western Cape, Northern Cape and Mozambique.

In all South African-based projects, community trusts were established to promote ownership and provide value add to the community.

Most importantly, these investments have contributed to social development through education and public health, whilst helping to meet the basic human needs for food and shelter. Projects where the PIC is invested are required to allocate 1.5% of their revenue to socio-economic development and 0.6% to enterprise development. Most projects invested their socio-economic funds in bursary programmes, childhood development initiatives and electrification of communities. During the year under review, the PIC's investee companies contributed more than R30 million to community projects.

³ <https://www.businesswire.com/news/home/20190802005286/en/South-Africa-Construction-Industry-Report-2019>

HOUSING

The PIC understands the need for innovation and effective solutions in affordable housing, given the many obstacles to housing delivery that include growing unaffordability. The PIC has partnered with the National Housing Finance Corporation and the Trust for Urban Housing Finance, together with other asset managers and commercial banks, to develop inner-city residential rental property. The partnership has helped numerous property entrepreneurs to successfully complete developments over the past decade.

The PIC's support for effective housing methods, promoting empowerment and optimising resources, enables South Africa to make progress towards achieving of UN SDG 11 and to achieve greater inclusive growth. DSG 11's main focus is to make cities and human settlements inclusive, safe, resilient and sustainable. The PIC has invested in nine companies in the housing finance sector, which employ more than 3,000 permanent employees. More than 80% these employees are black and female, as depicted in the table below:

Total	Male	Female	Youth
3,164	2,439	725	203

The PIC investments have seen the production of approximately 660 housing projects and the construction of more than 47,000 units during the period under review.

FINANCIAL SERVICES

The financial services sector is a catalyst for unlocking economic development and growth as well as social development. The PIC is invested in 13 companies in fintech, banking, development finance, investment services and asset finance, mortgage finance, SME finance and the stock exchange. These investee companies' employment composition is depicted in the table below:

Total	Male	Female
11,779	4,790	6,989

HEALTHCARE

In South Africa, the public health system serves most of the population but is chronically underfunded, understaffed and poorly managed. Private healthcare is available only to 16.3% of citizens but accounts for 52% of total expenditure on healthcare.⁴ There are more than 400 public hospitals and 200 private hospitals, with most in Gauteng and the Western Cape. The geographic distribution of these hospitals leaves the rural and peri-urban communities with limited or no healthcare services.

The PIC has invested directly in 12 hospitals with 1,909 beds across South Africa. The PIC indirectly contributes to the provision of health infrastructure and services. It has invested in Razorite Healthcare Fund Managers, a B-BBEE fund focused on provision on health. Razorite has a portfolio of 21 hospitals with 2,234 beds in Gauteng, the Western Cape, KwaZulu-Natal, the Northern Cape, Mpumalanga and Limpopo. In addition to hospital infrastructure, the PIC invests in health services such as radiology and pharmaceutical businesses.

⁴ Source: https://www.gov.za/sites/default/files/gcis_document/201911/42861gon1533.pdf

ICT

The PIC's investments in information and communications technology (ICT) are mostly concentrated in education, skills development, health, new service creation, infrastructure, innovation and employment. To date, the PIC has invested more than R3 billion in ICT through both direct investments and Funds-of-Funds transactions. These investments have facilitated more than 2,300 employment opportunities. The PIC's investment in an ICT fund (Convergence) focuses on preparation for the fourth industrial revolution. Investments made passed over 130,000 homes providing telecommunications infrastructure and facilitated the laying of over 13,100 kilometres of fibre across South Africa, helping to reduce long-haul connectivity prices on these routes by more than 50%.

MANUFACTURING AND FAST MOVING CONSUMER GOODS

The PIC, through its investment in manufacturing and consumer goods, facilitated 10,500 jobs and through investments in consumer goods, 80,581 jobs. PIC investee companies in this sector have spent R57 million on training and skills development. This expenditure is benefitting 24,300 employees and resulted in the hiring of 55% black female store managers.

MINING

The PIC invests in large-scale and long-term infrastructure projects that are poised to achieve good capital returns. The PIC invested in seven mining initiatives, which have created 13,177 jobs in the sector, across South Africa and East Africa.

OIL AND GAS

South Africa is a growing competitor in the oil and gas sector. Whilst the country's primary source of energy is coal, government has outlined plans to transition to alternative energy sources. This envisaged transition could see further investments in oil and gas infrastructures. The PIC has invested in five downstream oil and gas assets, which sustain 3,604 jobs, 2,956 of which are permanent. Among the employees are 1,318 youth and 23 people with disabilities.

PROPERTIES

The PIC real estate mandate allows for investment in retail, commercial, industrial and mixed-use properties in both South Africa and the rest of Africa. These investments are both directly and indirectly held, accounting for R50 billion of PIC funds. Most investments are in the office and retail sectors. The PIC real estate strategy for South Africa covers metropolitan, townships and rural areas and seeks to be a catalyst for both economic activity and job creation.

The social impact for PIC properties for the financial year ended 31 March 2020 was as follows:

Total	Male	Female	Youth	Disabled
4,801	2,951	1,850	139	3

As the South African property sector remains largely untransformed, the PIC strategy aims to drive transformation. It is also environmentally consciousness and embraces new technology and innovation to ensure environmental sustainability, whilst enhancing business performance within the retail and office sectors.

STUDENT ACCOMMODATION

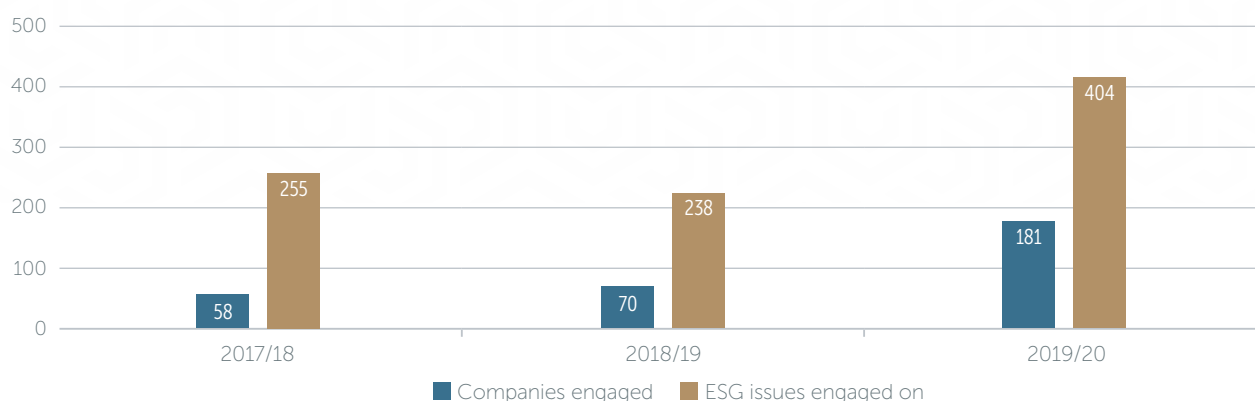
South African universities have a 216,000-bed deficit to accommodate enrolled students. For the country to meet the 2030 enrolment target set out in the White Paper on Post-school Education and Training Policy and the National Development Plan, an additional 400,000 beds will be needed. The PIC prioritises student accommodation as an enabler to learning and has funded three investee companies that provide 12,000 beds in Johannesburg, Cape Town, Pretoria, Polokwane and Durban. In addition, the PIC has funded a special purpose vehicle to develop, build and manage 17,000 beds throughout South Africa in urban and peri-urban areas. The three investee companies employ 338 people as follows:

Total	Male	Female	Black male	White male	Black female	White female	Foreign national male	Foreign national female	Youth
338	222	116	204	10	111	1	8	4	136

TRANSPORT AND LOGISTICS

The PIC is invested in six assets in the transport and logistics industry, including three private toll concessions: N3, Bakwena N1-N4 and N4 TRAC. These concessions have in their care infrastructure spanning more than 1,370 kilometres of road. Each concession designs, constructs, finances, operates and maintains its section of route and has long-term agreements (private-public partnerships) with the South African National Roads Agency Limited. The PIC's investment in the sector has created 7,963 jobs, 93% (7,484) of which are permanent. There are 662 youth and 39 people with disabilities.

Engagements on ESG issues



Unlisted Investments Proxy Voting

VOTING RECORD PERIOD: 1 APRIL 2019 – 31 MARCH 2020

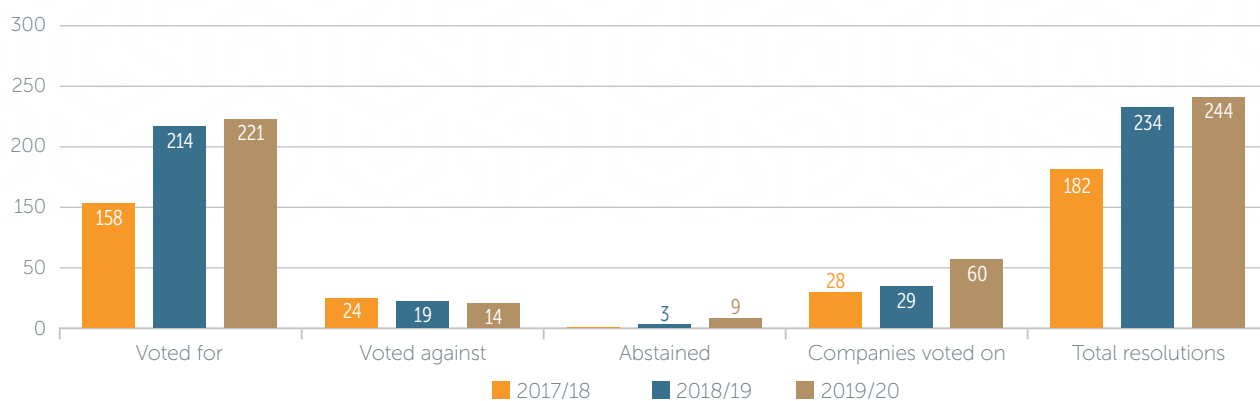
Responsible investing activities at the PIC include:

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

The PIC seeks to support and enhance its investment rationale for investee companies through engagement and exercise of voting rights. It votes at all company meetings.

Voting pattern	2017/18	2018/19	2019/20
Voted for	158	214	221
Voted against	24	19	14
Abstained	0	3	9
Companies voted on	28	29	60
Total resolutions	182	234	244

Resolutions





04

CONTENTS ENABLERS OF SUSTAINABLE RETURNS

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HUMAN RESOURCES

OVERVIEW

The PIC's organisational values set the foundation for what the Human Resources (HR) Division strives to achieve. Through support to business, employees and stakeholders, the division continually fosters a culture of high performance, ethics and excellence. Each year the focus is on goals that would ultimately contribute to PIC's success, transform the employee work experience and enhance its employment reputation. Strategically, the focus is on operational efficiency, organisational culture and risk management.

The many changes and opportunities in 2019/20 provided a basis to begin implementing various HR reforms from 2020/21 and beyond. The Presidential Commission of Inquiry into the PIC placed the organisation under immense pressure to stabilise and transform. The Human Resources Division, as the custodian of human capital, had to be proactive in navigating this terrain with diligence and stewardship. These volatile, uncertain and complex developments presented an opportunity to place more emphasis on investing in people. In this regard, during the year under review, the organisation initiated several programmes to bring to focus attention on people. These included a union management engagement, which culminated in a recognition agreement, approval by the shareholder of the Remuneration Policy, development of the Talent Competency framework, implementation of the PIC Values Ambassador, automation of performance management processes, upscaling of employee wellness and skills development programmes.

During the year under review, 32 employees were recruited and 43 internal movements took place. Staff turnover at the end of the financial year was 9.7%, a 4.3% increase from financial year 2018/19. The highest turnover was recorded among investment professionals, at 38%. Reasons included new job or business opportunities and growth, contracts ending, dismissal and relocation. To some extent, the proceedings and outcomes of the Commission of Inquiry into the PIC contributed to the turnover.

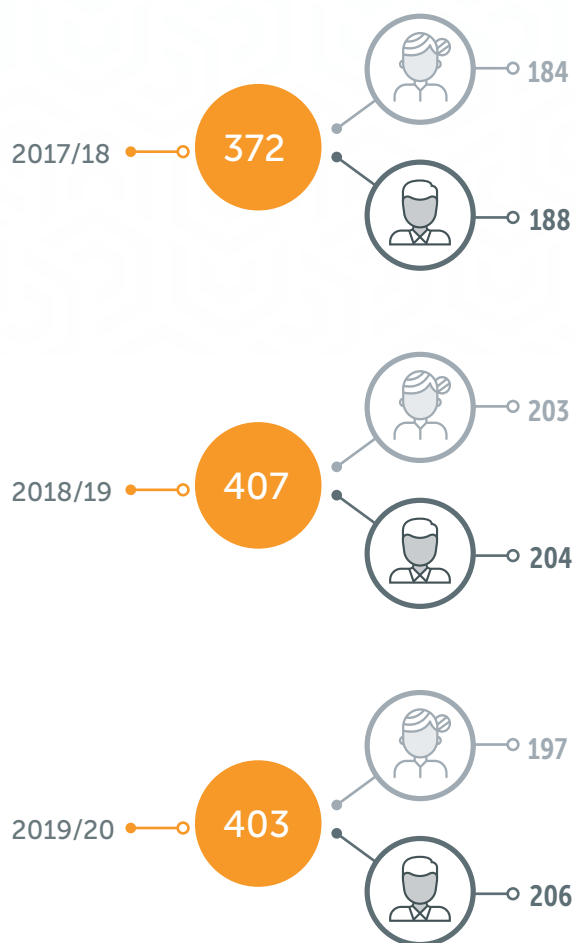
Whether it is implementing new technologies, redesigning and reimagining core processes, fostering skills and professional development, or acknowledging and embracing a new world

of work triggered by the global COVID-19 pandemic, greater consideration is given to transparency, responsiveness and professionalism as core to each deliverable. The PIC remains a strong brand and continues to attract and develop talent that is highly sought after in the market.

WORKFORCE PROFILE

The PIC has a modern multi-generational, diverse and highly mobile workforce. At the end of the financial year, there were 403 employees, with an average age of 38 years and average length of service of six years. Four employees are eligible for retirement in the next two years.

Number of Employees



WORKFORCE COMPOSITION

Demographics reflect the national workforce profile across all designated groups. Females represent 36% of Senior Management in line with the drive to balance gender representation across occupational levels. Workforce composition in relation to employment equity targets in race, gender and occupation level at end-March 2020 is reflected in the table below:

Employment Equity

	Female					Male					Foreign nationals		
Category	African	Coloured	Indian	White	Female Total	African	Coloured	Indian	White	Male Total	Male	Female	Total
Top Management	1	0	1	0	2	4	0	1	0	5	0	0	7
Senior Management	30	3	2	4	39	46	3	6	8	63	9	3	114
Middle Management	71	5	5	6	87	60	2	4	3	69	5	0	161
Junior Management	33	2	2	3	40	28	0	0	0	28	0	0	68
Semi-Skilled	26	0	0	1	27	24	1	0	1	26	0	0	53
Total	161	10	10	14	195	162	6	11	12	191	14	3	403

SKILLS DEVELOPMENT AND EMPLOYEE WELLNESS

The PIC's ability to promote sustainability and inclusivity through judicious investment is dependent on the knowledge and competence of its team. Through learning and development, the organisation provides flexible opportunities for career development and growth. A total of 331 employees, representing 81% of the workforce, attended 165 training interventions. The organisation invested R34 million in skills development that benefitted employees, graduates and unemployed youth in institutions of higher learning. This investment represents 7.7% of the PIC's total cost to company.

EMPLOYEE HEALTH AND WELLNESS

Health and wellness programmes are the cornerstone to a healthy work-life balance at the PIC and include an Employee Assistance Programme (EAP). The organisation hosted various wellness and lifestyle initiatives such as the 'Biggest Loser Challenge', cancer awareness and screening (breast and prostate), financial literacy and the annual health and wellness day.

GRADUATE TALENT DEVELOPMENT

In line with its strategic objective, the organisation continues to support youth development through bursaries, vacation

work and graduate development programme. For the year under review, more than R9,4 million in bursaries was awarded to 151 students, 59% of whom are female. For the 2019 academic year, 96% of PIC bursary students passed their year of study. The organisation also hosted some of the bursary students on a summer intern vacation-work programme to gain workplace exposure.

The graduate development programme continues to enhance the capacity of the organisation, advancing the lives of graduates through workplace experience that increases employability. The organisation permanently absorbed 13 graduates and six secured alternative employment externally.

PIC REMUNERATION PHILOSOPHY AND PRACTICES

The PIC attracts professionals from the asset management industry and investment banking in the private sector and the public sector with a financial services bias. The employee value proposition and benefits remain competitive, with a strong brand equity. The organisation remains committed to providing fair and equitable pay and benefits to its employees.

The remuneration philosophy rewards excellence and has a bias towards high performance, values and ethical conduct. This philosophy is guided by the Remuneration Policy, which is aligned with best practices and aims to provide the best

Employee Value Proposition (EVP). The policy was approved by the Shareholder during the annual general meeting, and several remuneration policy socialisation workshops were held with employees. The changes implemented were based on stakeholder feedback and research into best practices locally and internationally.

They included remuneration structure, salaries based on cost-to-company, variable pay structure, short-term incentives, long-term incentives, buy-outs, malus and claw-back provisions, and acting allowances. Annual salary increases now include elements of pay progression.

PERFORMANCE INCENTIVES

The total bonus pool has been changed to use profit before taxation to calculate incentives, whereas previously, management fees were used. The awarding of sign-on bonuses was reviewed and changed to cater only for buy-outs where an employee may be compensated for forfeiting an incentive at a previous employer. The payout of all awards is now subject to malus and clawback provisions. Acting allowances are now payable from the first month of acting.

SHORT-TERM AND LONG-TERM INCENTIVES

Short-term incentives align employee and company interests to achieve stated objectives. The long-term incentive scheme rewards qualifying participants for superior and sustained performance and helps to attract and retain high-calibre employees and those with critical skills. New caps have been introduced for both short-term incentives and long-term incentives. In the past, the midpoint of the pay scale determined the incentives. The new format will use the total guaranteed package as the basis for the determination of individual awards and there will be no direct differentiation in pay scale cluster in the asset management industry.

SENIOR MANAGEMENT

Senior Management remuneration and incentives are aligned to state-owned enterprise remuneration guidelines, to the extent that they are relevant to the skills market in which the PIC operates. The PIC conducts salary reviews and benchmarks annually, using accredited consultants in financial services, the public sector and the asset management industry.

EMPLOYEE RELATIONS

The PIC acknowledges its employees' right to freedom of association as per the Labour Relations Act (Act 66 of 1995), as amended. Employees obtained majority representation and organised themselves through the National Union of Public Service and Allied Workers (NUPSAW), with which the PIC signed a recognition agreement in March 2020 for effective engagement on matters of mutual interest. This concluded a journey with NUPSAW that began in 2019 after recognition agreement negotiation was facilitated by the Commission for Conciliation, Mediation and Arbitration.

EMPLOYEE RELATIONS MATTERS

The PIC promotes and strives to inculcate general compliance and a strong ethical culture among its employees. The business invests significantly in training and development to ensure that employees are well versed in the industry's legislative and compliance requirements. This has resulted in fewer breaches of PIC and regulator rules and standards. The number of employees disciplined, and dismissals in the review year, attest to the zero tolerance for unethical conduct and non-compliance.

The labour relations landscape has changed drastically since the introduction of the trade union and with continued enforcement of the regulatory framework that governs the industry. Reinforcing the employer-employee relationship is paramount to avoiding labour conflict and fostering collective bargaining as a catalyst for mutual trust and achievement of organisational objectives.

CASE STUDY: Dolly Rammego

The employee study assistance (bursary scheme) is among the strategic investments that drive recruitment, employee growth, retention and engagement. Dolly Rammego is a proud beneficiary.

Dolly started her career at the PIC in 2004 as a refreshment coordinator. With a bursary, she earned a professional assistant certificate through Damelin. In 2006, Dolly applied for a new role in Registry and became Registry Clerk. Having caught the development bug, she soon enrolled for an Office Administration programme, which enabled her to be involved in various projects in other departments, such as Information Technology. She spent seven successful years in Registry, during which she studied Record Management. In 2014, she was appointed Documents Manager in the Investment Administration Division and, two years later, enrolled for studies in Supply Chain Management, in line with her long-term objective to join the Finance Division, specifically Procurement. In 2019, Dolly obtained her diploma in Supply Chain Management, stepping into her current role as Procurement Officer.

The opportunities have made the world of difference to Dolly. "I thank PIC for giving me the opportunity to grow in the company," she says.



Dolly Rammego, Procurement Officer



Disclosure of Remuneration as at 31 March 2020

1. Non-Executive Directors

NAMES	Meeting attendance	Retainer	Total
Beswick S	85,794	-	85,794
Charnley I	562,354	134,253	696,607
de Bruyn A	548,828	134,253	683,081
Dumisa B	518,094	134,253	652,347
Fredericks I	209,298	134,253	343,551
Gamedze T	551,352	134,253	685,605
Goba T	305,327	-	305,327
Hlatshwayo D	164,018	-	164,018
Khoza R	630,598	134,253	764,851
Mabaso-Koyana S	447,465	134,253	581,718
Maluleke M	276,243	134,253	410,496
Mkhwanazi X	355,793	134,253	490,046
Mokoka M	363,364	-	363,364
Moloto P	444,033	134,253	578,286
Ndaba M	590,565	134,253	724,818
Ramos M	288,860	134,253	423,113
Watson B	609,843	134,253	744,096
Zulu S	367,402	-	367,402
	7,319,231	1,745,289	9,064,520

2. Executive Directors

	Emoluments	#Long-term incentive payable or paid	Short-term incentive allocation	Other	Total
Hako V	5,091,978	2,463,371	-	12,299	7,567,648
More M**	6,982,114	3,466,105	-	12,299	10,460,518
Mavuka B	5,317,995	1,369,262	-	12,299	6,699,556
	17,392,087	7,298,738	-	36,897	24,727,722

3. Executive Committee

	Emoluments	#Long-term incentive payable or paid	Short-term incentive allocation	Other	Total
Buthelezi N	2,889,313	-	-	11,299	2,900,612
Dlamini L	2,502,418	-	-	299	2,502,717
Dolamo S	4,984,513	2,408,127	-	12,299	7,404,939
Madavo F*	4,856,850	-	-	11,319	4,868,169
Maluleka H	3,923,180	742,855	-	299	4,666,334
Phahlamohlaka K	5,510,624	1,588,684	-	12,299	7,111,607
Pholwane C	3,914,122	1,138,661	-	12,299	5,065,082
Rajdhar R**	5,028,935	2,558,116	-	299	7,587,350
Solomon R	3,938,805	1,764,351	-	12,299	5,715,455
	37,548,760	10,200,794	-	72,711	47,822,265

* Employment was terminated by the PIC

** Currently under suspension

PIC EXCO members long-term incentive payable amounts are subject to Minister's approval

Information Technology

Changes to the PIC Board of Directors resulted in the appointment of new Board members to the Information Communications and Technology Governance Committee, a sub-committee of the Board. A key focus for the new Board was the review of Information Technology (IT) governance structures to ensure that they were properly defined and established.

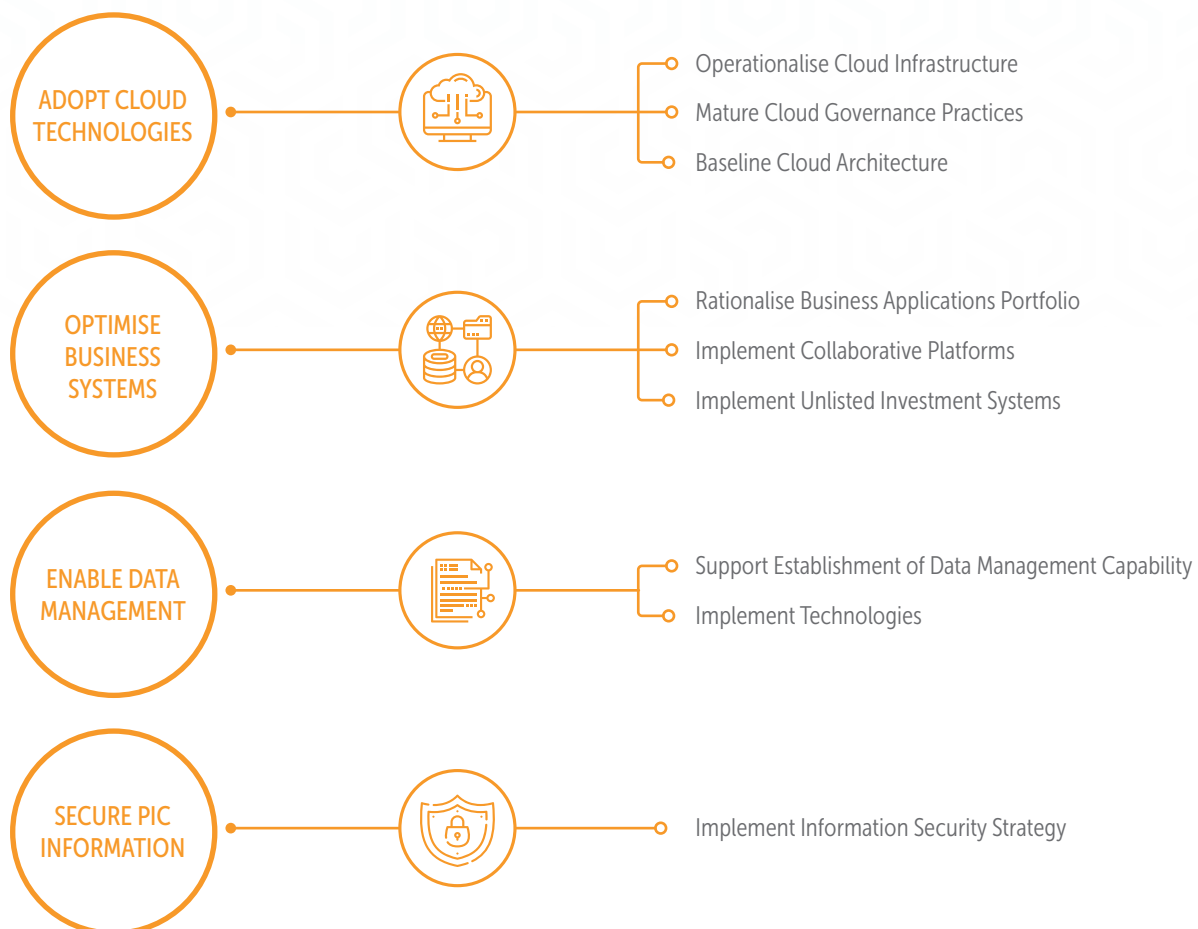
The review resulted in the Information Technology Strategic Plan 2020-2023, which affirmed the role of the PIC IT Division as a trusted strategic partner that enables the business to be a global leader in impact investments through reliable and secure information and technology services.

The committee reviewed the Information Technology Policy Framework, related policies and adopted the information security standard ISO 27001/2 to ensure compliance over the next three years.

Progress on the revised strategic plan, which incorporated the information security management system, will periodically be monitored through the IT governance structures.

STRATEGIC INITIATIVES FOR 2019/20

The IT team continued the rollout of strategic initiatives approved in the previous financial year.



The following strategic initiatives were effectively executed:

ADOPTING CLOUD TECHNOLOGIES

- The successful deployment of cloud based collaboration tools enabled the organisation to continue with operations remotely, particularly as the COVID-19 lockdown necessitated remote work;
- Cloud service providers were assessed to ensure compliance with contractual obligations; and

OPTIMISE BUSINESS SYSTEMS

- The IT team reviewed the application catalogue to prepare the PIC for the adoption and alignment of a "cloud-first" strategy;
- Location-agnostic access ensured critical business applications, in spite of COVID-19 workplace disruptions; and
- The rollout of the unlisted investments management system progressed and full implementation is envisaged during the 2020/21 financial year.

DATA MANAGEMENT CAPABILITIES

- The programme was introduced to improve PIC data management capability; and
- Data governance structures were enhanced with the implementation of a draft Data Management Policy and Guidelines.

SECURE PIC INFORMATION

The increase in and automation of cybercrime techniques have made many security threats non-discriminatory. The PIC maintained its security posture and accelerated the implementation of key security controls to address security gaps. Key achievements were:

- Enhanced information security awareness practices;
- Improved data leakage, controls digital rights management solutions; and
- Improved security posture through multi-factor authentication.

Corporate Social Investment Report

Optimal and sustainable financial returns cannot be achieved in an unequal society. Thus, the PIC maintains an active Corporate Social Investment (CSI) Programme of sustainable investing that focuses on three broad areas: Education and training; socio-economic development and agriculture; and conservation and the environment.

During the year under review, the PIC sought to make a difference in the lives of South Africans through the following projects:





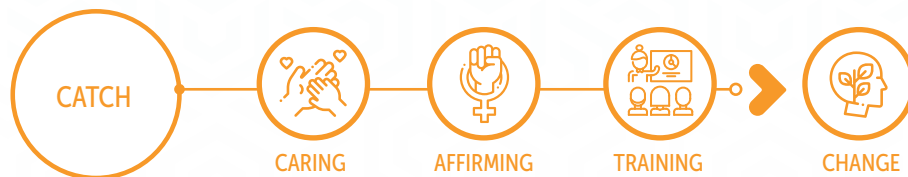
IMPACT:

PROJECT: 16 DAYS OF ACTIVISM FOR NO VIOLENCE AGAINST WOMEN AND CHILDREN

FOCUS: SOCIO-ECONOMIC DEVELOPMENT

LOCATION: MZAMOMHLE, EASTERN CAPE

The United Nations defines violence against women as “any act of gender-based violence that results in, or is likely to result in, physical, sexual or mental harm or suffering to women, including threats of such acts, coercion or arbitrary deprivation of liberty, whether occurring in public or in private life”.



The PIC partnered with CATCH (Caring, Affirming, Training for Change) in Mzamomhle to empower women by providing basic education and skills; offering employment opportunities to restore their dignity through independence; and empowering them to support themselves and their children.

CATCH has 1,230 direct and 3,000 indirect beneficiaries.

The PIC facilitated:

- A weekly support group, led by a qualified social worker, to help women and children deal with and recover from gender- and family-based violence;
- Regular home visits to educate women and their families about their rights and access to counselling; a five-day training programme, including work ethics, to prepare 120 women for formal employment. The beneficiaries will receive training in specific areas such as cash registry, merchandising and general administration;
- The provision of land on a CATCH site for women to farm and harvest vegetables for their families, providing seedlings and training in permaculture methods;
- Children's clubs that focus on education about gender equality, safety from abuse and the risk of HIV/ Aids; and
- A fully equipped mobile classroom to alleviate classroom overcrowding.



PROJECT: MOBILE TABLET TROLLEY
FOCUS: EDUCATION AND TRAINING
LOCATION: MATSA, LIMPOPO

IMPACT:

The PIC, in partnership with Imbatha Solutions, designed, built and delivered a mobile information technology trolley for Mulenga Secondary School in Matsa. This compact and portable trolley holds laptops, android tablets and an offline content server that delivers educational content. The tablets offer instructional videos on mathematics, science, English, history, economics, finance, computer programming and African storybooks. The initiative aims to provide essential educational tools to learners.



Mobile information technology trolley



Principal: Ms M Serakhala

The PIC also built and fully furnished a kitchen at the school to provide meals to pupils, many of whom are either orphans or offsprings of unemployed parents or farm labourers. This is in line with the PIC's commitment to SDG 2, which seeks to achieve zero hunger. The programme's objective is to improve children's nutrition and learning abilities and to expand demand for local products. In turn, this creates new earning opportunities for the community in line with the PIC's view that school feeding programmes should promote the local procurement of food.



Kitchen before



Kitchen after



PROJECT: VICTIM-CENTRIC JUSTICE SYSTEM
FOCUS: EDUCATION, TRAINING AND SOCIO-ECONOMIC DEVELOPMENT
LOCATION: THROUGHOUT SOUTH AFRICA

IMPACT:

Gender-based violence has become a national crisis. There is a clear need to improve the understanding and use of the court system by those affected by violence.

During the year under review, the PIC funded an initiative spearheaded by the Department of Justice, and the Victim-Centric Justice Project, which sought to place the victim of crime at the centre of the justice system to protect his or her rights in law, including human dignity, privacy, information and access to courts.

The PIC was involved in the production of:

- Two animated information videos. The first focused on support services for victims in terms of the sexual offences courts model and the second focused on the court preparation programme for children and witnesses with disabilities. The animation presents complex and intricate subjects such as sexual offences in a way that lessens stress and makes the viewing of content more accessible;
- A video shown to children in the court waiting room that explains court processes and the roles of victims and witnesses in the courtroom; and
- Two videos shown at service points and at venues such as Thuthuzela centres where many people congregate. The information is useful for gender-based violence survivors and the public.



PROJECT: ABSIP CALCULATOR DRIVE FOR HIGH SCHOOLS
FOCUS: EDUCATION AND TRAINING
LOCATION: THROUGHOUT SOUTH AFRICA

IMPACT:

The Association of Black Securities and Investment Professionals (ABSIP) provides high school pupils with scientific calculators. During the review year, the PIC, in line with its policy of enhancing mentorship and coaching, donated 2,000 calculators to resource-scarce schools.



PROJECT: ARISE AND SHINE
FOCUS: EDUCATION AND TRAINING
LOCATION: TWEEFONTEIN, MPUMALANGA

IMPACT:

Arise and Shine focuses on orphaned children aged five to 12 years.

The PIC provided financial assistance for educational toys, a kitchen, office equipment and assistance to rebuild the centre after it was damaged by floods. Approximately 20 children benefit from the centre.



PROJECT: NELSON MANDELA CLOTHING DRIVE
FOCUS: SOCIO-ECONOMIC DEVELOPMENT
LOCATION: ATTERIDGEVILLE, GAUTENG

IMPACT:

During Mandela Month in July 2019, the PIC hosted a clothing drive. PIC employees donated clothing, shoes, blankets and canned food. The contributions were donated to the Mohau Children's Center in Atteridgeville and a women's shelter in the Pretoria central business district.



PROJECT: RISE AGAINST HUNGER
FOCUS: SOCIO-ECONOMIC DEVELOPMENT
LOCATION: EARLY CHILDHOOD DEVELOPMENT CENTRES ACROSS SOUTH AFRICA

IMPACT:

Rise Against Hunger seeks to muster global support to eliminate hunger by providing food and life-changing aid to South Africa's most vulnerable citizens.

By partnering with the PIC, the project gains access not only to funds but to crucial volunteer support.

During Mandela Month 2019, PIC volunteers packed food parcels that included 23 essential vitamins and minerals for the benefit of those supported by the Rise Against Hunger programme.



PIC employees packing food parcels on Mandela Day



PROJECT: GREENING MAMELODI PROGRAMME
FOCUS: AGRICULTURE, CONSERVATION AND THE ENVIRONMENT
LOCATION: MAMELODI, PRETORIA

IMPACT:

In September 2019, the PIC planted 2,800 trees in Mamelodi, to commemorate Arbour Month. This is in line with the PIC's commitment to contribute to sustainable environments, green cities and reforestation. Through this initiative, each identified household received one fruit and one indigenous tree. The Greening Mamelodi Programme is registered under the international Verified Carbon Standard and aims to transform township biodiversity. Members of the community were trained in environmental services and landscaping, and educated on environmental and climate change.

Based on climate-friendly gardening that reduces greenhouse gas emissions and encourages the absorption of carbon dioxide by soils and plants, it is estimated that the project has offset 1 033.2 tons of CO².



Volunteers from the Greening Mamelodi Programme on Arbour Day



PROJECT: WORLD AIDS DAY AT HILLCREST AIDS CENTRE TRUST
FOCUS: SOCIO-ECONOMIC DEVELOPMENT
LOCATION: HILLCREST, KWAZULU-NATAL

IMPACT:

Hillcrest Aids Centre Trust (HACT) empowers communities by providing healthcare and HIV testing, care for the elderly; counselling; employment; life and job skills training; and psycho-social support.

The PIC supported HACT's Gogo (Granny) Support Groups Programme, which addresses the needs of rural grandmothers in the Valley of a Thousand Hills, who care for their orphaned and vulnerable grandchildren.

The programme benefits more than 2,000 grandmothers from 68 support groups across the region.



PROJECT: SA MATHS FOUNDATION TEACHER TRAINING
FOCUS: EDUCATION AND TRAINING
LOCATION: GAUTENG, LIMPOPO, FREE STATE, KWAZULU-NATAL AND EASTERN CAPE

IMPACT: The PIC continued the successful partnership with the SA Maths Foundation that was launched in 2015/16. The Foundation enhances mathematical skills through improved-quality teaching and learning. Teachers undergo assignments and tests that are certificated and contribute to continuous professional development.

During the year under review, the PIC provided teacher training at these schools.

Course	Province	District/town	Venue
Primary	Gauteng	Sedibeng/Meyerton	Destinata Primary School
Primary	Limpopo	Vhembe	Makhado College
Primary	Free State	Motheo District	Central Primary School
Primary	KwaZulu-Natal	Pinetown	Phoenix Education Centre
Secondary general education and training (GET) level 1	Limpopo	Vhembe	Makhado College
Secondary GET level 1	Eastern Cape	Port Elizabeth	Algoa College



PROJECT: AMALOOLOO SANITATION PROJECT
FOCUS: SOCIO-ECONOMIC DEVELOPMENT
LOCATION: LIMPOPO, NORTH WEST, MPUMALANGA, NORTHERN CAPE AND EASTERN CAPE

IMPACT: The PIC partnered with Bertram (Pty) Ltd to supply environment-friendly sanitation to schools. Known as Amalooloo, this is one of the PIC's efforts to eradicate pit toilets at schools countrywide and restore pupils' dignity.

The project was implemented at the following schools:

Primary school	Province	Number of toilets
Dalibango	Eastern Cape	22
Bojating	North West	16
Mdlamdla	KwaZulu-Natal	36
Nkosi Mgwazeni	KwaZulu-Natal	36
Tlhotlhonya	Limpopo	20

Social, Ethics And Transformation Committee Report

The PIC's mandate is to invest funds on behalf of its clients. It recognises the impact of responsible investing on transformation and sustainable development. During the review year, the Social and Ethics Committee (SEC), a statutory committee established by the Board in accordance with Section 72(4) of the Companies Act, Regulation 43 of the Companies Act and Principle 8 of the King IV Report on Corporate Governance for South Africa of 2016 (King IV), was renamed the Social, Ethics and Transformation Committee (SETCO) to reflect the PIC's commitment to ethics and transformation.

COMPOSITION

SETCO comprises four Non-Executive Directors and two Executive Directors. Members' qualifications and experiences are detailed on page 139 of the corporate governance report.

PURPOSE, ROLE AND RESPONSIBILITIES

SETCO assists the Board with its strategy for and oversight of the PIC's organisational ethics, ethical culture, transformation, responsible corporate citizenship, sustainable development, stakeholder relationships, and safety, security, health, environmental, social, labour and employment practices to ensure that the PIC upholds the principles of good corporate citizenship.

The committee facilitates and supports the following: development of transformation objectives, ensuring that the corporate culture is underpinned by ethical behaviour, and monitors and reports performance against objectives. The Committee further monitors and reports to the Board on other pertinent issues, such as reputational and ethical risks facing the PIC and, where applicable, its investee companies. It makes disclosures to the shareholder on its responsibilities.

ORGANISATIONAL ETHICS

The committee recognises the essential link between ethical behaviour and organisational performance. During the reporting period, the SETCO terms of reference were revised to provide for the PIC's duty to influence transformation and ethical culture within the Corporation and its investee companies.

The Board mandated SETCO to assist with implementing the recommendations of Justice Lex Mpati's Commission of Inquiry (Mpati Report) and The Ethics Institute's Ethics Opportunity and Risk Assessment Report. Both reports highlighted areas for improvement on ethics, among others non-adherence to internal policies, breaches in governance processes, unethical behaviour by senior employees, victimisation of employees seeking to comply with internal processes, fear and lack of awareness of whistleblowing mechanisms. SETCO, together with The Ethics Institute, will encourage management with the development of an ethics strategy and programme for the ongoing ethics training of both employees and the Board to raise and entrench ethics awareness and adherence to ethical standards.

As part of the establishment of an ethics management structure, the Ethics Office has been established and integrated into the organisational organogram. An ethics officer has been appointed to lead this key unit, which will be located in the office of the CEO. The Committee also guided Management in the development of a transformation charter that outlines socio-economic transformation for the PIC and its investee companies; this document is undergoing internal consultation processes before presentation to the Board for adoption.

SOCIAL AND ECONOMIC DEVELOPMENT

The committee helps to ensure that an ethical culture permeates the PIC through embedded ethical practices, as befits one of South Africa's largest asset managers investing pensioners' funds. This ensures that investment decisions reinforce good governance and equity, and protect internal and external stakeholders' rights. Environmental, social and governance (ESG) policies for listed and unlisted investments were reviewed. These policies ensure consistent and transparent consideration of ESG components in investee companies' investment/business activities, and that ESG guides and underpins the PIC's engagements with investee companies and voting at shareholders' meetings.

Regulation 43(5) of the Regulations to the Companies Act gives SETCO oversight on fraud and corruption as well as the PIC Code of Conduct Policy. Ethical risks were included in the corporate risk register for monitoring by SETCO, the

Risk Committee and the Board. Management is accountable for the organisation's ethics rating. The committee noted litigation against Venda Building Society Mutual Bank and Independent News and Media South Africa. The Anti-Fraud and Corruption Policy was reviewed to ensure legislative compliance and that it caters for the PIC business as an asset manager. The legal and risk management team updated and established compliance with the PIC's regulatory universe, and developed action items to address non-compliance.

RESPONSIBLE CORPORATE CITIZENSHIP

SETCO reviewed and recommended to the Board for approval governance documents such as the PIC's Whistleblower Policy, which addresses business-related disclosures by employees, or others, of suspected or actual criminal, unlawful or irregular conduct or activities, at the PIC or investee companies. Management was encouraged to inform internal and external stakeholders of the PIC's independent and anonymous whistleblowing hotline, which is administered by the PIC Internal Audit Division.

ENVIRONMENT, HEALTH AND PUBLIC SAFETY

Occupational health policies were reviewed. The committee requested and received reports on the impact of the COVID-19 pandemic on the wellbeing of PIC employees and investee companies, and encouraged Management to be empathic in dealing with such issues. The committee was particularly supportive of Management's establishment of a COVID-19 task team.

STAKEHOLDER RELATIONSHIP AND MANAGEMENT

SETCO received and deliberated on media reports that involved the PIC, its clients and investee companies.

To restore and preserve the PIC brand, SETCO advised on reputational issues and developed plans to reduce the impact of negative reputational issues, particularly on investments made by the PIC on behalf of clients.

Extensive stakeholder engagement took place to repair the reputational damage suffered by the PIC in recent years. The committee met with key clients to deliberate on strategic social, ethics and transformation matters. More will be done

during the coming year. A reporting framework is being considered to ensure that the committee receives reports that enable it to fully execute its monitoring duties.

LABOUR AND EMPLOYMENT

SETCO received and discussed quarterly reports from the human resource unit to monitor and report to the Board on workplace equity, employment practices and the protection of employees' rights. Significant progress was made in filling positions to assist the Board and the shareholder to restore the integrity of the Corporation.

FREQUENCY AND ATTENDANCE OF COMMITTEE MEETINGS

SETCO is required to meet quarterly but can meet more frequently if circumstances so dictate. During 2019/20, the Committee met eight times. Meeting attendance is set out in the corporate governance report.

CONCLUSION

During the reporting period, the committee focused on issues such as organisational ethics, building an ethical culture and advancing transformation through the design and implementation of an ethics management structure, which previously did not exist. Through these processes, an ethics culture within the PIC is emerging and transformation in investee companies improving, albeit slowly.

During the next reporting period, the committee will continue to focus on defining and refining the PIC transformation agenda in investee companies and further enhance internal ethics culture through staff ethics training by The Ethics Institute. These initiatives should improve adherence to PIC policies and those of key stakeholders such as the GEPP.

The committee is satisfied that it has fulfilled its statutory obligations and its functions. To conclude, the Committee wishes to, thank employees and Management for their support and contributions towards the achievement of its goals.



Ms Barbara Watson

Chairperson: Social, Ethics And Transformation Committee

Governance at the PIC

The PIC is a Schedule 3B public entity in terms of the Public Finance Management Act, 1 of 1999 (PFMA). It is led by a Board of Directors whose duties and responsibilities – as individuals and as a collective – are determined by sections 72 to 78 of the Companies Act, 71 of 2008, the PIC Memorandum of Incorporation (MoI), Chapter 6 of the PFMA, the Public Investment Corporation Act, 23 of 2004 and common law.

As a custodian of substantial assets generated through contributions of generations of South African workers, the PIC has a responsibility to conduct its affairs with diligence, integrity, transparency, attendant ethical conduct and in an exemplary manner. The PIC's investment activities and achievements contribute to the wellbeing of workers, present and future generations of pensioners, and members and their beneficiaries.

The Board considers good corporate governance as fundamentally important for the achievement of the PIC's mission, mandate, financial objectives and corporate responsibilities. The Board is committed to applying the core governance principles of fairness, accountability, responsibility, transparency, integrity and competency in all its dealings with its stakeholders. All members of the Board are responsible for ensuring that the PIC achieves and maintains the highest level of ethical conduct through approving and overseeing an implementable strategy.

The PIC Board is committed to executing its mandate ethically and establishing and inculcating a culture of ethical behaviour among all employees and stakeholders. It embraces the principles of the King IV Report on Corporate Governance for South Africa 2016 (King Report); and has developed a Compliance Framework and Manual, a Code of Conduct and a Code of Ethics. These obligate the Board and employees to adhere to legislation, best practice principles and high standards of integrity. The Board and employees are further obliged to treat clients' assets with prudence and communicate with stakeholders fairly and honestly.

EXECUTIVE AUTHORITY

The Executive Authority of the PIC is the Minister of Finance, who, in terms of Section 6(1) of the PIC Act, determines and appoints the Board members in consultation with Cabinet. Section 6(2) of the PIC Act stipulates that the Minister,

in appointing the Board must consider the nominations submitted by the PIC's clients.

PARLIAMENTARY OVERSIGHT

The Standing Committee on Public Accounts (SCOPA) considers financial statements, business performance and ethical conduct of all executive organs of state, constitutional institutions and other public bodies. SCOPA reviews the PIC's Annual Financial Statements and the audit reports submitted by the Auditor-General.

PURPOSE AND ROLE OF THE BOARD

The Board must effectively represent and promote the interests of the PIC and its Shareholder by leading ethically and taking account of the Corporation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development – inseparable elements of the value creation process. The Board operates independently of PIC management, free of organisational impairment, and is accountable to the Shareholder.

CONFLICT OF INTEREST MANAGEMENT

Conflict of interest is managed through the Code of Conduct and Conflict of Interest Management Policy. The PIC also monitors compliance with the Code of Conduct for Administrative and Discretionary Financial Services Providers, which allows clients of financial services providers to make informed decisions, knowing that their financial products are suitable for purpose, as well as the General Code of Conduct for Authorised Financial Services Providers and Representatives, developed in terms of the Financial Advisory and Intermediary Services Act, No 37 of 2002 (FAIS Act).

Conflict of interest is of concern to external stakeholders given situations or relationships that appeared to influence the decisions of the previous Board and Management. These conflicts of interest or personal relationships with external entities – actual or perceived – caused considerable reputational and ethical damage to the PIC and the erosion of stakeholder trust. Aware that failure to disclose may lead to ethical failure, the current Board undertook to address these concerns and perceptions through transparent and proactive communication.

Ethical business conduct preserves trust between the PIC and its key stakeholders (clients, employees, the Shareholder and the community). The PIC invited an external independent party to conduct an ethics risk assessment, whose recommendations were adopted by the Board. The Board mandated the Social, Ethics and Transformation Committee (SETCO) to develop an ethics strategy to ensure effective implementation of recommendations.

ETHICS AND THE PIC COMMISSION OF INQUIRY

On 4 October 2018, President Cyril Ramaphosa established a Judicial Commission of Inquiry under Judge Lex Mpati into allegations of impropriety at the PIC and published the commission's terms of reference. The Board received and is addressing the findings and recommendations of the Mpati Report, released in March 2020. Given the wide array of its findings and recommendations, an advisory panel was established to advise the Board. The panel has been established in terms of Section 72(2) of the Companies Act, clause 7.6.4 of the PIC's Mol, Principle 8 of the King Report, Item 5.10 of the PIC's Board Charter, and Item 4.3 of the PIC's Delegation of Authority Framework (DoA) to assist the Board to discharge its responsibilities. It is led by retired judge Yvonne Mokgoro, assisted by a project manager, external legal expert and investment expert. The Board also has a fully functional SETCO, which manages all ethics-related matters, including inculcation of a culture of ethics.

STAKEHOLDER MANAGEMENT

The Board has increased the PIC's stakeholder engagements. In this regard, the Board has introduced biannual Board-to-Board and committee-to-committee meetings with clients, informal and formal engagements with the office of the Shareholder representative and employee engagements to address expectations and deliverables as well as restore confidence and trust.

EXTERNAL AUDIT AND ASSURANCE

The Shareholder confirmed the reappointment of the Auditor-General South Africa as external auditors of the PIC for 2019/20, in accordance with clauses 6.8.3 and 18.1 of the PIC Mol and authorised the Audit and Risk Committee to determine the terms of engagement and fees at the annual general meeting held in November 2019. The work of the external auditors complements the work already done by internal assurance providers.

BOARD'S COMMITMENT TO EXECUTING ITS STRATEGY

The Board is empowered by the Mol to determine the strategic direction of the PIC and oversee the monitoring, implementation and execution of the strategy by Management.

The Board remains accountable for organisational performance by reporting and disclosure.

BOARD COMPOSITION

The Board recommended to the Shareholder representative the filling of vacancies, as and when required, to ensure that its composition is in line with the Mol. The Board appointed an Acting Chief Executive Officer, Mr Vuyani Hako, and delegated him to run the day-to-day functions of the PIC until the Chief Executive Officer, Mr Abel Sithole, assumed duties on 1 August 2020.

The Board, on the recommendation of the Human Resources and Remuneration Committee (HRRC), approved the revised organisational structure for the PIC, comprising the Chief Executive Officer, Chief Investment Officer, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer and Chief Risk Officer.

The Board established seven Board committees in accordance with Section 72 of the Companies Act, whose activities for the reporting period are detailed in this report.

DELEGATION OF AUTHORITY

The approved DoA is reviewed at least annually or as required to ensure alignment with changing business environment and circumstances.

To ensure good governance and appropriate oversight over the PIC's investment processes, the Board approved for the listed and unlisted Portfolio Management Committees to become sub-committees of the Investment Committee. Both these committees shall be chaired by the Chief Investment Officer.

RISK MANAGEMENT

The Board reviewed and adopted the PIC's Enterprise-wide Risk Management Framework, which identifies, assesses and measures PIC risks. It also approved the inclusion of enterprise risk management as a performance indicator in

the Corporate Risk Register to ensure a structured monitoring approach.

REMUNERATION GOVERNANCE

The Board, on the recommendation of the HRRC, considered the revised Remuneration Policy and recommended it for approval by the Shareholder. The Shareholder approved the Remuneration Policy, which recognises the Board as the final authority on remuneration matters.

COMPLIANCE GOVERNANCE

The Board, through the Audit Committee, the Risk Committee and the Investment Committee, considers compliance reports quarterly and recommends amendments to clients' mandates to ensure that they remain relevant.

CORPORATE PERFORMANCE AND REPORTING

The Board approved and rated the corporate balanced scorecard for 2018/19 in line with achieved performance targets based on the audit outcome. The Board also approved the 2019/20 scorecard. The scorecard included information on PIC performance objectives for financial sustainability; how the organisation met the financial expectations of clients; improvement on ethical behaviour and leadership; transformation; environmental, social and governance (ESG) integration; staff turnover and the retention of critical skills; and the skills development impact. Management presented quarterly reports to the Board to monitor the progress of the PIC in attaining set goals, objectives and targets.

The Board also received and approved for submission to the Shareholder the annual budget and the Shareholder's Compact for 2020/21, together with the draft Corporate Plan for 2020/21 to 2022/23.

The Board is satisfied that it has complied with its duties and responsibilities during the reporting period, in line with the Board annual work plan.

COMPANY SECRETARY



MS BONGANI MATHEBULA

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

THE INTERIM BOARD

Board Members

The Board comprises technical, financial, investment, commercial, legal and social expertise to fulfil its fiduciary duties. During the reporting period, there were 14 Non-Executive Directors appointed by the Minister of Finance in consultation with Cabinet and two Executive Directors. The Board is considered independent and diversified in gender, race and age.

1. Dr Reuel J Khoza, Chairperson, appointed 11 July 2019 until 1 August 2020
2. Ms Sindi Mabaso-Koyana, Deputy Chairperson, appointed 11 July 2019 until 1 August 2020
3. Ms Irene Charnley, Non-Executive Director, appointed 11 July 2019 until 1 August 2020
4. Ms Barbara Watson, Non-Executive Director, appointed 11 July 2019 until 1 August 2020
5. Dr Angelo David Sabelo de Bruyn, Non-Executive Director, appointed 11 July 2019 until 1 August 2020
6. Prof Bonke Dumisa, Non-Executive Director, appointed 11 July 2019 until 1 August 2020
7. Adv Makhubalo Ndaba, Non-Executive Director, appointed 11 July 2019 until 1 August 2020
8. Mr Pitsi Moloto, Non-Executive Director, reappointed 11 July 2019 until 1 August 2020
9. Mr Bhekithemba Gamedze, Non-Executive Director, appointed 11 July 2019 until 1 August 2020
10. Ms Tshepiso Moahloli, Non-Executive Director, appointed 11 July 2019 until 1 August 2020
11. Ms Maria Ramos, Non-Executive Director, appointed 11 July 2019 until 1 August 2020
12. Mr Mugwena Maluleke, Non-Executive Director, appointed 11 July 2019 until 1 August 2020
13. *Mr Ivan Fredericks, Non-Executive Director, appointed 11 July 2019 until 1 August 2020
14. **The late Dr Xolani Mkhwanazi, Non-Executive Director, reappointed 11 July 2019
15. ***Mr Vuyani Hako, Acting Chief Executive Officer, appointed 21 March 2019
16. ****Ms Matshepo More, Chief Financial Officer, appointed 1 December 2012
17. Mr Brian Mavuka, Acting Chief Financial Officer, appointed 26 November 2018
18. Mr Abel Sithole, Chief Executive Officer, appointed 1 August 2020
19. Mr Sholto Dolamo, Acting Chief Investment Officer, appointed 6 August 2020

*Member until 1 August 2020

**Member until 6 January 2020, deceased

***Member until 1 August 2020

****Member on precautionary suspension from 20 March 2019

The tenure of the interim Board was extended from 1 August 2020 by 15 months or until a new Board is in place.

INTERIM BOARD OF DIRECTORS



DR REUEL KHOZA
CHAIRPERSON

POSITIONS

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

QUALIFICATIONS

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

INTERIM BOARD OF DIRECTORS



MS SINDI MABASO-KOYANA
DEPUTY CHAIRPERSON

POSITIONS

- Deputy Chairperson of the Board
- Independent Non-Executive Director
- Chairperson of the Audit Committee

QUALIFICATIONS

- Chartered Accountant (SA)
- Postgraduate Diploma in Accounting
- Bachelor of Commerce
- Diploma in Introduction to Mining



MS IRENE CHARNLEY

POSITIONS

- Independent Non-Executive Director
- Chairperson of the Information Communication and Technology Governance Committee
- Member of the Directors' Affairs Committee
- Member of the Investment Committee

QUALIFICATION

- Management Advance Programme



**DR ANGELO DAVID SABELO
DE BRUYN**

POSITIONS

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

QUALIFICATIONS

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

INTERIM BOARD OF DIRECTORS



PROF BONKE DUMISA

POSITIONS

- Independent Non-Executive Director
- Member of the Audit Committee
- Member of the Investment Committee

QUALIFICATIONS

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



MR IVAN FREDERICKS

POSITIONS

- Independent Non-Executive Director
- Member of the Risk Committee
- Member of the Human Resources and Remuneration Committee

QUALIFICATIONS

- Master of Science (Mathematics)
- Bachelor of Arts (Honours)



MR BHEKITHEMBA GAMEDZE

POSITIONS

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

QUALIFICATIONS

- Master of Science (Mathematics)
- Bachelor of Arts (Honours)
- Fellow of the Actuarial Society of South Africa (FASSA)

INTERIM BOARD OF DIRECTORS



MR MUGWENA MALULEKE

POSITIONS

- Independent Non-Executive Director
- Member of the Social, Ethics and Transformation Committee
- Member of the Investment 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



MS TSHEPISO MOAHLOLI

POSITIONS

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

QUALIFICATIONS

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



MR PITSI MOLOTO

POSITIONS

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

QUALIFICATIONS

- Master in Business Administration
- Master in City Planning

INTERIM BOARD OF DIRECTORS



ADV MAKHUBALO NDABA

POSITIONS

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

QUALIFICATIONS

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



MS MARIA RAMOS

POSITIONS

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

QUALIFICATIONS

- Master of Science (Economics)
- Bachelor of Commerce (Honours)
- Bachelor of Commerce
- Institute of Bankers Diploma



MS BARBARA WATSON

POSITIONS

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

QUALIFICATION

- Bachelor of Social Science

INTERIM BOARD OF DIRECTORS



MR ABEL SITHOLE

POSITIONS

- Member of the Board (Ex-Officio Executive) (Chief Executive Officer)
- Member of the Directors' Affairs Committee
- Member of the Social, Ethics and Transformation Committee
- Member of the Information Communication and Technology Governance Committee

QUALIFICATIONS

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



MR VUYANI HAKO

POSITIONS

- Executive Director of the Board (Ex-Officio Executive) (Acting Chief Executive Officer)
- Executive Head: Properties
- Member of the Directors' Affairs Committee
- Member of the Investment Committee
- Member of the Social, Ethics and Transformation Committee
- Member of the Information Communication and Technology Governance Committee

QUALIFICATIONS

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



MR SHOLTO DOLAMO

POSITIONS

- Executive Director of the Board (Ex-Officio Executive) (Acting Chief Investment Officer)
- Executive Head: Research and Project Development
- Member of the Portfolio Management Committee
- Member of the Investment Committee
- Member of Asset Allocation

QUALIFICATIONS

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



MR BRIAN MAVUKA

POSITIONS

- Executive Director of the Board (Ex-Officio Executive) (Acting Chief Financial Officer)
- General Manager: Finance
- Member of the Investment Committee
- 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 Accounting
- Accredited SAICA Assessor

COMPOSITION AND BOARD MEETING ATTENDANCE SUMMARY: 1 APRIL 2019 – 31 MARCH 2020

The Board held more than the prescribed number of meetings to execute its duties during a difficult and challenging time for the PIC. Two of these meetings were Board-to-Board meetings with PIC clients, the GEPP and the UIF, held in October 2019.

Member	Meetings Attended/Held
Dr Reuel J Khoza (Chairperson)	15/15
Ms Sindi Mabaso-Koyana	15/15
Ms Irene Charnley	14/15
Ms Barbara Watson	15/15
Dr Angelo David Sabelo de Bruyn	15/15
Prof Bonke Dumisa	15/15
Adv Makhubalo Ndaba	15/15
Mr Bhekithemba Gamedze	14/15
Ms Tshepiso Moahloli	7/15
Ms Maria Ramos	8/15
Mr Mugwena Maluleke	10/15
Mr Ivan Fredericks	11/15
Mr Pitsi Moloto	16/19*
Dr Xolani Mkhwanazi (member until 6 January 2020)	7/19*
Mr Vuyani Hako	19/19*
Mr Brian Mavuka	17/19*

Previous Members	
Mr Mondli Gungubele (term ended on 31 May 2019)	3/4
Ms Sibusisiwe Zulu (resigned on 11 July 2019)	3/4
Dr Trueman Goba (resigned on 11 July 2019)	3/4
Ms Sandra Beswick (term ended on 31 May 2019)	2/4
Ms Dudu Hlatshwayo (resigned on 11 July 2019)	2/4
Ms Mathukana Mokoka (resigned on 11 July 2019)	4/4

*Also, previous members of the Board, thus the 19 meetings.

Board Charter and Committee Terms of Reference

The Board has adopted a Board Charter and terms of reference for its committees and sub-committees. These are reviewed annually.

AUDIT COMMITTEE

The Audit Committee (AC) is constituted as a committee of the Board, in terms of Section 72 of the Companies Act, and, as a statutory committee in terms of Section 94(7) of the Companies Act, to assist with its oversight responsibilities of the PIC's financial position and to ensure that the PIC's financial reporting contains proper disclosures.

The purpose and role of the AC, with key activities during the reporting period, are detailed on page 156 of this Integrated Annual Report.

Composition and Meeting Attendance Summary

Member	Meetings Attended/Held
Ms Sindi Mabaso-Koyana	6/6
Ms Tshepiso Moahloli	5/6
Prof Bonke Dumisa	6/6
Ms Maria Ramos (member from 23 February 2020)	0/6*
Previous Members	
Ms Mathukana Mokoka (resigned on 11 July 2019)	4/4
Ms Sibusisiwe Zulu (resigned on 11 July 2019)	4/4
Ms Sandra Beswick (term ended 31 May 2019)	3/4
Dr Xolani Mkhwanazi (attended by invitation)	1/4
Ms Dudu Hlatshwayo (attended by invitation)	1/4
Mr Pitsi Moloto (attended by invitation)	1/4

* Ms Ramos was appointed on 23 February 2020, and her first Audit Committee meeting was in the 2020/21 financial year.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

SETCO is constituted as a committee of the Board and a statutory committee in terms of Section 72(4) of the Companies Act, read with Regulation 43. To fulfil its dual mandate, SETCO reports quarterly and when required to the Board and annually to the Shareholder at the annual general meeting. SETCO's purpose and role, and key activities during the reporting period, are detailed on page 126 of this report.

Composition and Meeting Attendance Summary

Member	Meetings Attended/Held
Ms Barbara Watson (Chairperson)	5/5
Mr Mugwena Maluleke	4/5
Adv Makhubalo Ndaba	4/5
Dr Xolani Mkhwanazi (member until 6 January 2020)	2/8
Ms Tshepiso Moahloli	3/5
Mr Vuyani Hako	5/8
Mr Brian Mavuka	3/8
Previous Members	
Ms Sibusisiwe Zulu (resigned on 11 July 2019)	1/3
Ms Mathukana Mokoka (resigned on 11 July 2019)	2/3
Mr Pitsi Moloto (member until 31 May 2019)	1/3

DIRECTORS' AFFAIRS COMMITTEE

The Directors' Affairs Committee (DAC) is constituted as a committee of the Board in terms of Section 72 of the Companies Act to assist it in the execution of its oversight responsibilities for corporate governance, Director evaluation and remuneration, and the nomination of PIC Directors on boards of investee companies.

Purpose and Role of the DAC

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

Composition and Meeting Attendance Summary

Member	Meetings Attended/Held
Dr Reuel J Khoza (Chairperson)	4/4
Ms Sindi Mabaso-Koyana	4/4
Mr Bhekithemba Gamedze	4/4
Ms Barbara Watson	4/4
Adv Makhubalo Ndaba	4/4
Ms Irene Charnley	4/4
Ms Maria Ramos	4/4
Mr Vuyani Hako	6/8
Dr Xolani Mkhwanazi (member until 11 July 2019)	4/8
Previous Members	
Ms Dudu Hlatshwayo (resigned on 11 July 2019)	3/4
Ms Sandra Beswick (term ended 31 May 2019)	1/4
Dr Trueman Goba (resigned on 11 July 2019)	3/4
Ms Mathukana Mokoka (resigned on 11 July 2019)	4/4
Ms Sibusisiwe Zulu (member from 10 June to 11 July 2019)	2/4
Mr Mondli Gungubele, Member of Parliament (term ended 31 May 2019)	0/4
Mr Pitsi Moloto (member until 31 May 2019)	0/4

Key Activities During the Reporting Period

- To ensure compliance with the Companies Act, the Mol and the PIC Act governing the rotation of Directors, the committee recommended the appointment of Non-Executive Directors to the Board for consideration, then to the Shareholder for approval, in consultation with Cabinet, to ensure that vacancies were filled as and when required.
- The DAC nominated and appointed candidates to boards of investee companies to serve as Non-Executive Directors in accordance with the PIC Nominee Directors Governance Policy. The policy is reviewed annually to ensure that the nomination process is transparent.

The committee is satisfied that it complied with its duties and responsibilities during the reporting period.

INVESTMENT COMMITTEE (LISTED AND UNLISTED INVESTMENTS)

The Investment Committee (IC) is a committee of the Board in terms of Section 72 of the Companies Act. To ensure integrity and efficiency in the PIC's investment processes and appropriate oversight, the Board re-established the Investment Committee for Listed Investments (IC-LI) and the Investment Committee for Unlisted Investments (IC-UI) during July 2019, effective from August 2019.

Purpose and Role of the IC-UI

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

Composition and Meeting Attendance Summary

Member	Meetings Attended/Held
Mr Bhekithemba Gamedze (Chairperson)	10/10
Dr Angelo David Sabelo de Bruyn	10/10
Ms Barbara Watson	10/10
Ms Irene Charnley	8/10
Prof Bonke Dumisa	8/10
Mr Mongwena Maluleke	7/10
Dr Xolani Mkhwanazi (member until 6 January 2020)	7/16
Mr Vuyani Hako	14/16
Mr Brian Mavuka	12/16
Previous Members	
Ms Dudu Hlatshwayo (resigned on 11 July 2019)	4/6
Ms Sibusisiwe Zulu (resigned on 11 July 2019)	6/6
Dr Trueman Goba (resigned on 11 July 2019)	6/6

Key Activities During the Reporting Period

- Reviewed the deal approval process and various policies for unlisted investments and recommended amendments to the Board for approval.
- Considered and approved investment opportunities in the energy, agriculture, finance, property and healthcare sectors in accordance with clients' investment mandates.
- Received and reviewed quarterly Portfolio Management and Valuations (PMV) Reports on a quarterly basis and the ESG reports on an annual basis, to monitor the performance of the unlisted portfolio as a whole and per investment division.
- To improve the PIC's stakeholder relations, the Committee attended IC-to-IC meetings with key clients.

Purpose and Role of the IC-LI

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

Composition and Meeting Attendance Summary

Member	Meetings Attended/Held
Mr Bhekithemba Gamedze (Chairperson)	7/7
Dr Angelo David Sabelo de Bruyn	7/7
Ms Barbara Watson	7/7
Ms Irene Charnley	6/7
Prof Bonke Dumisa	7/7
Mr Mugwena Maluleke	3/7
Dr Xolani Mkhwanazi (member until 6 January 2020)	3/7
Mr Vuyani Hako	7/7
Mr Brian Mavuka	3/7

Key Activities During the Reporting Period

- Considered and approved various investment opportunities in different sectors in South Africa and the rest of Africa in accordance with clients' investment mandates.
- Developed guidelines for submissions to committees and standardised terms of reference for Board committees and sub-committees as part of a review into the efficiency of the investment processes.
- Considered and deliberated quarterly on the performance of the total portfolio and overall investment strategy implementation to ensure that the PIC pursues a responsible investment strategy and that acquisition and disposal of listed investments align with strategy.

PRIVATE EQUITY, PRIORITY SECTOR, SMALL AND MEDIUM ENTERPRISE FUND INVESTMENT PANEL

Purpose and Role of the PEPSS FIP

The PEPSS FIP assisted the Board, through the Investment Committee, to fulfil its oversight duties and responsibilities in the unlisted investments sectors and industries determined by the clients' investment mandates and Board strategy.

Composition and Meeting Attendance Summary

Member	Meetings Attended/Held
Ms Dudu Hlatshwayo (Chairperson)	2/2
Ms Sandra Beswick (term ended 31 May 2019)	1/2
Ms Mathukana Mokoka	1/2
Dr Xolani Mkhwanazi	1/2
Mr Vuyani Hako	2/2
Mr Brian Mavuka	1/2

During July 2019, the Board dissolved the Private Equity, Priority Sector, Small and Medium Enterprise Fund Investment Panel (PEPSS FIP), effective from August 2019, to improve the efficiency of the PIC's investment process.

SOCIAL AND ECONOMIC INFRASTRUCTURE AND ENVIRONMENTAL SUSTAINABILITY FUND INVESTMENT PANEL

Purpose and Role of the SEIES FIP

The SEIES FIP assisted the Board, through the Investment Committee, with its duties and oversight responsibilities in unlisted investments sectors and industries as determined by clients' investment mandates and Board strategy.

Composition and Meeting Attendance Summary

Member	Meetings Attended/Held
Ms Sibusisiwe Zulu (Chairperson)	1/1
Ms Pitsi Moloto	1/1
Dr Xolani Mkhwanazi	1/1
Ms Sandra Beswick (term ended on 31 May 2019)	0/1
Mr Brian Mavuka	1/1
Mr Vuyani Hako	0/1

During July 2019, the Board dissolved the Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel (SEIES FIP), effective from August 2019, to improve the efficiency of the PIC's investment process.

PROPERTY INVESTMENTS FUND INVESTMENT PANEL

Purpose and Role of the Property FIP

The Property FIP assisted the Board, through the Investment Committee, with its duties and oversight responsibilities for property investments determined by Board strategy.

Composition and Meeting Attendance Summary

Member	Meetings Attended/Held
Dr Trueman Goba (Chairperson)	2/2
Ms Sibusisiwe Zulu	2/2
Ms Pitsi Moloto	2/2
Ms Mathukana Mokoka	2/2
Mr Brian Mavuka	2/2
Mr Vuyani Hako	0/2

During July 2019, the Board dissolved the Property Investments Fund Investment Panel (Property FIP), with effect from August 2019, to improve the efficiency of the PIC's investment process.

PORTFOLIO MANAGEMENT COMMITTEE – LISTED INVESTMENTS

In line with streamlining investment processes to ensure efficiency and oversight, the Board reconstituted the Portfolio Management Committee – Listed Investments (PMC-LI) as a sub-committee of the IC-LI during November 2019 and revised the DoA for Listed Investments accordingly.

Purpose and Role of the PMC-LI

The PMC-LI assists the IC-LI to effectively oversee the implementation of clients' investment mandates and Board strategy for listed investments. The committee develops, reviews and recommends policies for Listed Investments to the IC-LI for consideration and approval.

Composition and Meeting Attendance Summary

Member	Meetings Attended/Held
Mr Vuyani Hako (Chairperson)	6/6
Mr Horatius Maluleka	6/6
Ms Melissa Breda	6/6
Mr Leon Smit	5/6
Mr Lebogang Molebatsi	5/6
Mr Sholto Dolamo	6/6
Ms Lindiwe Dlamini	6/6
Mr Nkosinathi Buthelezi	4/6
Ms Rubeena Solomon	5/6
Mr Brian Mavuka (member until 6 December 2019)	0/6

PORTFOLIO MANAGEMENT COMMITTEE – UNLISTED INVESTMENTS

In line with streamlining investment processes to ensure efficiency, the Board reconstituted the Portfolio Management Committee – Unlisted Investments (PMC-UI) as a sub-committee of the IC-UI during November 2019 and revised the DoA for Unlisted Investments and Property Investments accordingly.

Purpose and Role of the PMC-UI

The PMC-UI assists the IC-UI to effectively oversee the implementation of clients' investment mandates and Board strategy for unlisted investments. The committee develops, reviews and recommends policies for unlisted investments to the IC-UI for consideration and approval.

Composition and Meeting Attendance Summary

Member	Meetings Attended/Held
Mr Vuyani Hako (Chairperson)	16/18
Mr Sholto Dolamo	16/18
Mr Nkosinathi Buthelezi	14/18
Mr Kapei wa Phahlamohlaka	13/18
Mr Roy Rajdhar (member until 26 March 2020)	14/18
Ms Lindiwe Dlamini	15/18
Ms Rubeena Solomon	17/18
Mr Brian Mavuka (member until 6 December 2019)	0/18
Ms Lusanda Kali (member from 26 March 2020)	2/2

FINANCE AND VALUATIONS COMMITTEE

The Board reconstituted the Finance and Valuations Committee (FVC) as a sub-committee of the IC-UI during December 2019 in line with the review of the PIC's investment process.

Purpose and Role of the FVC

The FVC reviews external inputs, assumptions and valuation methodology, and calculates the fair value of listed and unlisted investments in line with clients' valuation policies, for year-end valuation recommended to the Audit Committee, and for onward submission to the PIC's clients for approval. It also reviews internal inputs, assumptions and valuation methodology, and calculates fair value of unlisted investments for approval and reporting to clients quarterly.

Composition and Meeting Attendance Summary

Member	Meetings Attended/Held
Mr Brian Mavuka (Chairperson)	4/4
Mr Nkosinathi Buthelezi	4/4
Mr Sholto Dolamo	2/4
Ms Rubeena Solomon	2/4
Mr Kapei wa Phahlamohlaka	4/4
Mr Ottis Nyalunga	4/4
Mr Roy Rajdhar (member until 26 March 2020)	0/2
Ms Lusanda Kali (member from 26 March 2020)	2/2

The committee is satisfied that it complied with its duties and responsibilities during the reporting period.

INFORMATION, COMMUNICATION AND TECHNOLOGY GOVERNANCE COMMITTEE

The Information, Communications and Technology Governance Committee (ICTGC) is constituted as a committee of the Board in terms of Section 72 of the Companies Act to execute oversight of technology and information governance. It also ensures that technology and systems used in the PIC support the core purpose of setting and achieving strategic objectives, and for it to operate competitively through efficient use of its resources.

Purpose and Role of the ICTGC

The ICTGC assists the Board to oversee the development and implementation of an Information and Technology (IT) governance charter, and of policies and processes that enhance the PIC's performance and sustainability.

Composition and Meeting Attendance Summary

Member	Meetings Attended/Held
Ms Irene Charnley (Chairperson)	4/4
Dr Angelo David Sabelo de Bruyn	4/4
Mr Pitsi Moloto	4/4
Mr Vuyani Hako	1/5
Mr Brian Mavuka	2/5
Previous Members	
Ms Sandra Beswick (term ended 31 May 2019)	1/1
Dr Trueman Goba (resigned on 11 July 2019)	1/1
Ms Dudu Hlatshwayo (resigned on 11 July 2019)	1/1

Key Activities During the Reporting Period

- Approved the PIC's Information Security Strategy and Business Modernisation Strategy and considered, quarterly, IT strategy progress reports articulating the activities undertaken by the IT Department to enable the PIC to achieve its strategic and operational objectives.
- Received and considered the IT Services Risk Register quarterly, to monitor key IT risks and their mitigation.
- Recommended IT policies to the Board for approval, including the Information Security Policy, the IT Governance Framework, the Acceptable Use Policy and Information Classification Policy and Guidelines.

The committee is satisfied that it complied with its duties and responsibilities during the reporting period.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The HRRC is constituted as a committee of the Board in terms of Section 72 of the Companies Act to execute oversight of the governance of remuneration and human resources-related matters.

Purpose and Role of the HRRC

The HRRC assists the Board to oversee the development and implementation of the Human Resources Strategy adopted by the Board and the governance of remuneration, including the setting of principles and parameters of remuneration.

Composition and Meeting Attendance Summary

Member	Meetings Attended/Held
Adv Makhubalo Ndaba (Chairperson)	6/6
Dr Angelo David Sabelo de Bruyn	6/6
Mr Pitsi Moloto	7/7
Mr Ivan Fredericks	2/6
Ms Maria Ramos (member until 23 February 2020)	2/6
Prof Bonke Dumisa (member from 23 February 2020)	2/2
Previous Members	
Dr Trueman Goba (resigned on 11 July 2019)	1/1
Ms Mathukana Mokoka (resigned on 11 July 2019)	1/1
Ms Sandra Beswick (term ended 31 May 2019)	1/1
Ms Dudu Hlatshwayo (resigned on 11 July 2019)	1/1

Key Activities During the Reporting Period

- Reviewed the Human Resources Strategy, key performance indicators for the various divisions and the corporate balanced scorecard for 2019/20, for approval by the Board.
- Reviewed and approved the PIC's human resources policies and procedures, including Conditions of Service Policy, which recognises the payment of a monetary long-service award, Internal and External Bursary Policy, Sexual Harassment Policy; Recruitment Policy, Leave Policy, Training Policy and Disciplinary Policy. The committee also gave approval for the PIC to benchmark its Remuneration Policy and philosophy against local asset management companies and selected global entities.

The committee is satisfied that it complied with its duties and responsibilities during the reporting period.

RISK COMMITTEE

The Risk Committee (RC) is constituted as a committee of the Board in terms of Section 72 of the Companies Act to assist with oversight of current risk exposures and future risk strategy.

Purpose and Role of the RC

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

Composition and Meeting Attendance Summary

Member	Meetings Attended/Held
Ms Maria Ramos (Chairperson)	3/3
Mr Pitsi Moloto	3/3
Mr Ivan Fredericks	2/3
Ms Tshepiso Moahloli	1/3
Mr Bhekithemba Gamedze (member from 28 January 2020)	1/1
Ms Sindi Mabaso-Koyana (member from 28 January 2020)	1/1

Key Activities During the Reporting Period

- Received quarterly reports on the PIC's risk approach and primary investment accounting system, to monitor its effectiveness, accuracy and related risks.
- Reviewed the Enterprise Risk Management Framework and the Operational Risk Management Framework, which codify the PIC's approach to identifying, measuring, managing, monitoring and reporting risks, for approval by the Board. The committee also reviewed the risk management policies, including the Corruption and Nepotism Prevention Policy; Integrity Walls Policy; Personal Account and Insider Trading Policy; Market Risk Policy; Credit Risk Policy; and Issuer and Counterparty Limits Guidelines to ensure their relevance and materiality.

The committee is satisfied that it complied with its duties and responsibilities during the reporting period.

EXECUTIVE COMMITTEE (EXCO)

Composition of the Executive Committee (EXCO)

1. Mr Vuyani Hako, appointed Acting Chief Executive Officer from 21 March 2019 to 31 July 2020
2. Mr Brian Mavuka, appointed Acting Chief Financial Officer on 26 November 2018
3. Mr Abel Sithole, Chief Executive Officer, appointed 1 August 2020
4. *Ms Matshepo More, appointed Chief Financial Officer on 1 December 2012
5. Mr Chris Pholwane, Executive Head: Human Resources, appointed 1 June 2014
6. Mr Sholto Dolamo, appointed Executive Head: Research and Projects Development on 1 October 2014
7. Ms Rubeena Solomon, appointed Executive Head: Investment Management on 1 September 2017
8. ***Mr Nkosinathi Buthelezi, Executive Head: Risk Management, appointed 15 April 2019
9. Mr Horatius Maluleka, appointed Acting Executive Head: Listed Investments on 23 January 2019
10. Mr Kapei wa Phahlamohlaka, appointed Acting Executive Head: Property Investments from 1 April 2019 to 21 August 2020
11. Ms Precious Nyamugama, appointed Acting Executive Head: Information Technology from 20 November 2017 to 13 October 2019
12. Mr Dan Mabuza, appointed Acting Executive Head: Information Technology on 14 October 2019
13. Ms Lindiwe Dlamini, appointed Acting Executive Head: Legal Counsel, Governance and Compliance on 22 January 2019
14. **Mr Roy Rajdhar, appointed Executive Head: Impact Investing and Private Equity on 1 October 2009
15. Ms Lusanda Kali, appointed Acting Executive Head: Impact Investing and Private Equity, Unlisted Investments on 26 March 2020

*Member on precautionary suspension from 20 March 2019

**Member on precautionary suspension from 25 March 2020

***Fixed-term contract

Purpose and Role of EXCO

The Chief Executive Officer ensures that the PIC runs efficiently, effectively and in accordance with the strategic decisions of the Board and directives issued by the Shareholder. He is assisted by EXCO to develop and recommend the PIC's annual strategy and budget, which supports its long-term view, to the Board for consideration; to achieve performance goals, objectives and targets; to maintain an effective management team and management structures, to ensure that appropriate policies are formulated and implemented to guide PIC activities, and to ensure that effective governance measures are deployed. EXCO executes its fiduciary and statutory duties using the powers delegated to it by the Board in terms of the DoA and approved policies.

EXCO is satisfied that it complied with its duties and responsibilities during the reporting period.

EXECUTIVE COMMITTEE (EXCO)



MR ABEL SITHOLE

POSITIONS

- Chief Executive Officer from 1 August 2020
- Executive Director

QUALIFICATIONS

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

DIRECTORSHIP

- UN Investment Committee



MR VUYANI HAKO

POSITIONS

- Acting Chief Executive Officer from 21 March 2019 to 31 July 2020
- Executive Director
- Executive Head: Properties

QUALIFICATIONS

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

DIRECTORSHIPS

- Non-Executive Director on the Board of V&A Waterfront
- Non-Executive Director on the Board of Gateway Delta
- Non-Executive Director on the SAPOA Board



MR SHOLTO DOLAMO

POSITIONS

- Acting Chief Investment Officer from 1 October 2020
- Executive Director
- Executive Head: Research and Project Development

QUALIFICATIONS

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

DIRECTORSHIPS

- Non-Executive Director on the Board of Jaxson 653 (Pty) Ltd
- Non-Executive Director on the Board of Webster United Investments One

EXECUTIVE COMMITTEE (EXCO)

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

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

QUALIFICATIONS

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

DIRECTORSHIP

- Non-Executive Director on the Board of CBS Group Holdings

***MR NKOSINATHI BUTHELEZI****POSITION**

- Executive Head: Risk

QUALIFICATIONS

- Master of Business Administration
- Bachelor of Commerce (Honours)
- Bachelor of Commerce
- Postgraduate Certificate – Doctoral Business Research Methods
- Executive Leadership Programme

*Fixed-term contract

**MS LINDIWE DLAMINI****POSITION**

- Acting Executive Head: Legal Counsel, Governance and Compliance from 23 January 2019

QUALIFICATIONS

- LL.M – Masters in Corporate Law
- LL.B Degree
- Certificate in Advanced Company Law 2
- Certificate in Advanced Company Law 1
- Certificate in Law of Banking and Financial Markets
- Certificate in Financial Markets and Securities Lending

EXECUTIVE COMMITTEE (EXCO)



MS LUSANDA KALI

POSITIONS

- Acting Executive Head: Impact Investments from 26 March 2020
- Acting Executive Head: Private Equity and SIPs from 26 March 2020

QUALIFICATIONS

- CFA® charter holder
- Chartered Accountant (SA)
- Bachelor of Accounting (Honours)
- Bachelor of Accounting (cum laude)

DIRECTORSHIPS

- Non-Executive Director on the Board of Adowa Property Developers (Pty) Ltd
- Advisory Board member on Razorite Healthcare and Rehabilitation Fund 1
- Advisory Board member of Razorite Fund 2



MR HORATIUS MALULEKA

POSITION

- Acting Executive Head: Listed Investments from 23 January 2019

QUALIFICATIONS

- Chartered Accountant (SA)
- Bachelor of Accounting (Honours)
- Certificate in Theory of Accounting

DIRECTORSHIPS

- Non-Executive Director on the Board of Gro Bank
- Non-Executive Director on the Board of Lancaster Group
- Non-Executive Director on the Board of Concor Holdings
- Non-Executive Director on the Board of Amalooloo and Betrams
- Non-Executive Director on the Board of Siyanda Resources



***MS MATSHEPO MORE**

POSITIONS

- Chief Financial Officer
- Executive Director

QUALIFICATIONS

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

DIRECTORSHIPS

- Non-Executive Director on the Board of Association of Black Accountants
- Non-Executive Director on the Board of Industrial Development Corporation South Africa
- Non-Executive Director on the Board of GEPP MoZ
- Non-Executive Director on the Board of Jordiflo
- Member of the V&A Property Committee
- Member of the Audit and Risk Committee of V&A Waterfront

** Precautionary suspension from 20 March 2019*

EXECUTIVE COMMITTEE (EXCO)

**MR KAPEI WA PHAHLAMOHLAKA****POSITION**

- Acting Executive Head: Properties from 1 April 2019 to 21 August 2020

QUALIFICATIONS

- BA Law
- BA (Hons)
- Master of Business Administration (MBA)
- Bachelor of Laws (LLB)
- Certificate in Shopping Centre Management
- Certificate in Commercial Property Practice
- Property Development Programme
- Certificate in Practical Legal Training

DIRECTORSHIPS

- Member of the Board of Pareto Limited
- Member of the Board of Arch Property Fund
- Member of the Board of Gateway Delta Development Holdings (Mauritius)
- Member of the Board of Africa Property Development Managers (Mauritius)
- Member of the Board of CBS Group Holdings

**MS PRECIOUS NYAMUGAMA****POSITION**

- Acting Executive Head: Information Technology from 20 November 2017 to 13 October 2019

QUALIFICATIONS

- Master of Business Administration
- Bachelor Of Science in Computer Science
- Certified Project Management Professional
- Certificate in Chief Information Officer Practice
- Certified Information Security Manager
- Certified in the Governance of Enterprise IT
- Certified in Risk and Information Systems Control
- Certified in COBIT; ITIL, Togaf
- Advanced Bookkeeping and Accounting

DIRECTORSHIP

- Non-Executive Director on the Board of Zarah

**MR CHRIS PHOLWANE****POSITION**

- Executive Head: Human Resources

QUALIFICATIONS

- Bachelor of Administration
- Secondary Teachers Diploma
- International Executive Development Programme
- Certified Talent Economist



***MR ROY RAJDHAR**

POSITIONS

- Executive Head: Impact Investments
- Acting Executive Head: Private Equity and SIPs from 23 April 2019

QUALIFICATIONS

- Chartered Accountant (SA)
- Bachelor of Accounting Sciences
- Postgraduate Diploma in Accounting
- Higher Diploma in Tax Law
- Certificate in Advanced Company Law

DIRECTORSHIPS

- Non-Executive Director on the Board of SA Homeloans (Pty) Ltd
- Non-Executive Director on the Board of SAHL Investment Holdings (Pty) Ltd
- Non-Executive Director on the Board of S&S Refineries De Oloeos LDA (Mozambique)
- Non-Executive Director on the Board of Daybreak Farms (Pty) Ltd
- Non-Executive Director on the Board of South African Housing Development Fund (Pty) Ltd

** Precautionary suspension from 25 March 2020*



MS RUBEENA SOLOMON

POSITION

- Executive Head: Investment Management – ESG and PMV

QUALIFICATIONS

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

Report of the Audit Committee

INTRODUCTION

The PIC Audit Committee is constituted as a statutory committee of the PIC in terms of Section 94(7) of the Companies Act; and as a Committee of the Board in terms of Section 72 of the Companies Act, Section 7 of the PIC Act, Section 76 of the PFMA, Regulation 27 of the PFMA, applicable Treasury Regulations, Principle 8 of the King Report and all other duties assigned to it by the Board.

The Committee is governed by formal written terms of reference approved by the Board, which guide its objectives, authority and responsibilities, both statutory and those assigned to it by the Board.

During the year under review, the Board resolved to separate the functions of the Audit and Risk Committee into an Audit Committee and a Risk Committee. The Shareholder endorsed the decision of the Board at an extraordinary Shareholder meeting in July 2019 and appointed the Chairperson and members of the Audit Committee in accordance with Section 94(2) of the Companies Act. The Audit Committee held its first meeting in August 2019.

COMPOSITION AND INDEPENDENCE

The Audit Committee comprises four Non-Executive Directors. The members of the Committee meet the independence requirements of the Companies Act and the King Report. The Audit Committee has an appropriate mix of relevant knowledge and experience. Each member's qualifications and experience are set out on pages 131 to 137.

FREQUENCY AND ATTENDANCE OF COMMITTEE MEETINGS

The terms of reference provide for the Committee to meet at least four times per year. Meetings are scheduled to align with the PIC's financial reporting and audit cycle as outlined in the PFMA. Further meetings are held as required. Meeting attendance for the Committee is set out in the Corporate Governance Report on pages 137 to 149. Details of fees paid to Committee members are disclosed on page 116 of this report.

The internal and external auditors both have unrestricted access to the Committee and the Committee's Chairperson, and regularly have confidential meetings with the Committee without members of Executive Management being present, thereby ensuring that the auditors can maintain their independence.

RESPONSIBILITIES

The Audit Committee derives its functions and authority from the Companies Act and the PFMA, its delegated authority assigned to it by the Board, and approved policies. The Audit Committee has, among others, the following responsibilities:

- Promote and report on the overall effectiveness of the company's internal controls;
- Oversee the mandates of, and ensure coordination between the activities of the internal and external auditors;
- Satisfy the Board that material financial risks have been identified and are being effectively managed and monitored;
- Assess the impact of the general control environment on the statutory audit, and report any perceived control weaknesses;
- Review legal and regulatory matters that could have a significant impact on the PIC's financial statements;
- Monitor the PIC's procedures for quarterly reporting to the Executive Authority;
- Monitor the integrity of the PIC's integrated reporting processes;
- Annually review the expertise, appropriateness and experience of the finance function and the Chief Financial Officer;
- Consider presentations by Management on new International Financial Reporting Standards (IFRS) applicable to the PIC in future financial periods, including implementation plans for their adoption and proposed accounting policy disclosure;
- Approve the external auditor's fees and terms of engagement that had been negotiated by Management;
- Consider progress to implement the PIC's internal audit plan, the key findings from such audit and special investigations conducted;

- Annually review the Committee's terms of reference and make recommendations to the Board to ensure its continued effectiveness;
- Monitor compliance with the PIC's Code of Conduct, consider significant breaches of the code, review the code from time to time and advise on any amendments;
- Oversee the independent year-end valuations of unlisted investments; and
- Review systems, including the whistleblower programme that enables employees and other stakeholders to raise concerns about possible improprieties, including fraud.

QUARTERLY REPORTING TO THE SHAREHOLDER

As per the requirements of Treasury Regulations 29.3 and 30, the PIC concluded a Shareholder's Compact with the Minister of Finance, as the Executive Authority, and submitted its Corporate Plan and quarterly reports to National Treasury.

ACCOUNTING PRACTICES, GOING-CONCERN ASSESSMENT AND ANNUAL FINANCIAL STATEMENTS

The Committee received reports on the amendments and changes to the IFRS and considered the implications thereof for the PIC, prior to evaluating and recommending the Annual Financial Statements to the Board.

The Committee also received regular reports on the readiness of the PIC to introduce the changes in accounting practices that will result from the introduction of IFRS 9, 15 and 16 over the next few years.

IFRS 9 impacts on Trade Receivables, Cash, Bonds, Promissory Notes and Fixed Deposits. The biggest change from IAS 39 to IFRS 9 relates to the classification of an instrument. Where an instrument was classified as debt, the expected credit loss must be calculated based on the past. The PIC had a reclassification of bonds, measured at fair value, to be measured at amortised cost.

The PIC was not affected by the new IFRS 15.

The PIC adopted the new IFRS 16, which require lessees to recognise assets and liabilities for most leases under a single on-balance sheet model. The adoption of IFRS 16 affected three of the PIC's contracts.

In addition, the Committee reviewed and concurred with Management's assessment of going concern status and adopted the going-concern basis to prepare the Annual Financial Statements.

The Committee, at its meeting on 28 September 2020, recommended the adoption of the audited Annual Financial Statements, read together with the External Auditors' Report, to the Board, in terms of Section 30(3) of the Companies Act and Section 55 of the PFMA.

EXTERNAL AUDITORS

The PIC is classified as a Schedule 3B PFMA entity and is audited by the Auditor-General of South Africa in terms of the Public Audit Act, No 25 of 2004. The Audit Committee is not involved in appointing external auditors.

In terms of Section 94(7)(b) of the Companies Act, the Committee approved the audit fees pertaining to the audit for the financial year ending 31 March 2020. The Committee further approved the engagement letter and External Audit Plan, setting out the terms of the audit, the resources allocated and the timelines within which the audit process should be completed.

The external audit performed by the Auditor-General entailed:

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

The Auditor-General did not provide non-audit services during the year under review.

INTERNAL AUDIT

Section 51(1)(a)(ii) of the PFMA provides that the Accounting Authority shall ensure that the company has a system of internal audit under the control and direction of the Audit Committee. The PIC's Head of Internal Audit reports functionally to the Audit Committee and administratively to the Chief Executive Officer. Internal Audit is a key internal

assurance provider and forms an integral part of the PIC's risk management process. Internal Audit leads the combined assurance coordination within the PIC. The reports on its activities, along with other assurance provider sources, is used by the Committee to assess the PIC's system of internal control and risk management.

During the period under review, the Committee:

- Considered the performance of the Head of Internal Audit, Mr Lufuno Nemagovhani, and was satisfied that he possesses the necessary expertise to meet his responsibilities in that position;
- Monitored and supervised the functioning, effectiveness and performance of the Internal Audit function;
- Approved the Internal Audit Charter and risk-based Internal Audit Plan and monitored the implementation of the charter and the plan;
- Received and reviewed reports from Internal Audit concerning the effectiveness of internal controls, systems and processes as well as the adequacy and appropriateness of Management's corrective action plans; and
- Considered all investigative and forensic reports and established whether appropriate action has been taken by Management.

In terms of the risk-based Internal Audit Plan, the Internal Audit function performed all planned engagements for the 2019/20 financial year.

FRAUD AND IRREGULAR ACTIVITIES

The Committee received and considered the reports from the Internal Audit function on investigations conducted, the nature of the incidents and the outcomes of the investigations. "Whistleblowers", the PIC's outsourced, anonymous fraud hotline, enables employees and other stakeholders to raise concerns about possible improprieties, including fraud by employees. The Committee evaluates and monitors fraud risk responses and initiatives to ensure that they are effective and adequate.

It became apparent during the PIC Commission of Inquiry that employees did not trust the PIC's existing fraud and corruption reporting system and were scared that they may be victimised. To this end, the Committee considered whether there was sufficient forensic capability within the Internal Audit function and recommended an investigation model for the PIC to the Board in order to correct the

process around investigations into allegations. The proposed model puts clear protocols in place and indicates the steps to be taken during allegations at all levels.

The Committee believes that the model will ensure confidence in the process and the outcome of the reports on investigations. It will further motivate employees to report suspicions of corruption, or fraud, or any unethical conduct within the PIC.

The Board subsequently approved the Audit Committee's recommendation to outsource the forensic investigation function, with coordination within the Internal Audit function, thereby protecting the independence of the process.

INTERNAL CONTROL

The Committee received reports from the internal and external auditors, as well as regulatory compliance on audits conducted on the PIC's internal control environment. The Committee further identified specific internal control weaknesses during the year and made recommendations for improvement.

The Committee considered the concerns based on the assessment of the PIC's system of internal controls and reporting procedures conducted by Internal Audit and Regulatory Compliance, as well as the information and explanations provided by Executives and Senior Management to address these concerns. Furthermore, the Committee held discussions with the External Auditors on the results of their audit.

Although nothing has come to the attention of the Committee that caused it to believe that the PIC's system of internal controls and reporting procedures is not effective, and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements, for the year under review the Committee acknowledges the opportunities identified for continuous improvements in controls to respond to any potential elements of fraud, wastage and abuse.

INTERNATIONAL STANDARD ON ASSURANCE ENGAGEMENT

The PIC, as a Financial Services Provider (FSP), is required to undergo an International Standard on Assurance Engagement (ISAE 3402) Assurance Report on its computer control environment. Deloitte has been appointed to perform the ISAE 3402 audit for all the PIC's clients.

Section 19(3) of the FAIS Act requires the PIC to maintain full and proper accounting records of money and assets held on behalf of clients, and must, in addition to and simultaneously with the financial statements of the FSP, submit to the Financial Sector Conduct Authority (FSCA) a report by the External Auditors who performed the audit, which confirms, in the form and manner determined by the FSCA:

- (a) The amount of money and financial products at year-end held by the FSP on behalf of clients;
- (b) That such money and financial products were, throughout the financial year, kept separate from those of the business of the FSP, and report any instance of non-compliance identified during the audit and the extent thereof; and
- (c) Any other information required by the FSCA.

The Committee considered these reports and Management's responses to address any risks identified during the ISAE 3402 audit.

COMBINED ASSURANCE

The PIC's control environment incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are assessed and controlled. The PIC follows a combined assurance model that aims to optimise the assurance coverage obtained from risk, internal assurance providers and external assurance providers on the risks to which the PIC is exposed.

The Chairperson of the Audit Committee is also a member of the Risk Committee to ensure that relevant information is regularly shared between these two committees. The Audit Committee fulfils an oversight role on financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting, and technology and information management risks as they relate to financial reporting.

INTEGRATED ANNUAL REPORT

The Committee reviewed the Integrated Annual Report for the year under review, substantially considered the information disclosed in it, and assessed its consistency with the Annual Financial Statements and other information known to the Committee.

EVALUATION OF THE CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

Mr Brian Mavuka was appointed acting Chief Financial Officer for the PIC on 26 November 2018 to replace Ms Matshepo More, who was appointed acting Chief Executive Officer on 23 November 2018. Ms More was placed on precautionary suspension on 20 March 2019.

The Committee considered the performance of Mr Mavuka and was satisfied that he possesses the necessary expertise to meet his responsibilities in that position. The Committee was also satisfied with the appropriateness of the expertise and experience of the Finance function and the adequacy of resources employed in this function.

LEGAL AND REGULATORY COMPLIANCE MATTERS

The Committee received quarterly updates on legal matters, all outstanding litigation, contingencies and other claims against the PIC, and how these matters are reflected in the financial statements. The Committee also considered the risks associated with these matters, and their implications on the fair presentation of the PIC's financial statements.

Section 4 of the PIC Act provides that the main object of the PIC is to be an FSP in terms of the FAIS Act. In terms of Section 17(2)(a) of the FAIS Act, the FSP must appoint one or more compliance officers to oversee the FSP's Compliance function and to monitor compliance with the FAIS Act by the FSP and its representatives and to take responsibility for liaison with the FSCA. In addition, Compliance Officers must comply with the fit-and-proper requirements prescribed in FAIS Board Notice 194 of 2017 and be approved by the FSCA. Similarly, Section 42A (2)(b) of FICA provides that the PIC, as an accountable institution, must have a Compliance function to assist the Board and/or Senior Management in discharging their obligations and appoint a Compliance Officer with sufficient competence and seniority to ensure the effectiveness of the Compliance function.

Accordingly, in line with the FAIS Act, FICA and the Generally Accepted Compliance Practice (GACP) from the Compliance Institute of Southern Africa (CISA), the Compliance function must be sufficiently independent, impartial, objective and adequately resourced, in the course of discharging its responsibilities, to provide the necessary assurance to Management, the Board and regulators regarding the PIC's compliance with legislation and regulations.

The PIC's Head of Regulatory Compliance, Mr Devilliers Makonko, reported functionally to the Audit Committee and administratively to the Executive Head of Risk. The Compliance function forms an integral part of the PIC's compliance risk management process and system of internal control and is part of the combined assurance within the PIC. To emphasise the importance and ensure the independence of the Compliance function, the Board, on recommendation from the Audit Committee, approved a change in the reporting structure of the Compliance function. The Head of Regulatory Compliance now reports administratively to the Chief Executive Officer.

The Committee monitored and supervised the functioning, effectiveness and performance of the Regulatory Compliance function. It also approved the Compliance Charter and risk-based Compliance Annual Plan and monitored the implementation thereof. The Compliance function performed all planned compliance audits and activities for the 2019/20 financial year. The Committee received reports on compliance reviews conducted by Regulatory Compliance and how Management has responded to and remedied the findings raised in these reports.

The Head of Regulatory Compliance is registered with the FSCA and FIC as required.

BUSINESS INTEGRITY AND ETHICS

The Committee exercised its oversight of the policy on fraud prevention, detection and investigation and ensured that all fraud incidents reported through an independently managed hotline and brought to the Committee's attention, were appropriately addressed in terms of policy and prevailing legislation.

YEAR-END VALUATIONS

As required by the PIC's client mandates, external valuations of the PIC's Listed Investments, Unlisted Investments, Property Investments, and Derivatives are performed by external service providers appointed through an open tender process. The client mandates further require that year-end valuations be performed and presented by external valuation experts and be recommended to the client by the PIC's governance structures.

In previous years, the external valuation experts presented to a Management Committee, the Finance and Valuations Committee, and then to the Investment Committee. However, during the year under review, the Board became aware of a perception that if the external valuation experts present to Management first, the valuers might be pressured by Management to change its valuations. The independence of the process as such, was augmented in that the external valuation experts now present the year-end valuations directly to the Audit Committee, which then recommends the external valuations to the client.

During the March 2020 valuation process, the Committee identified several gaps in the valuation process, which included, but are not limited to, the following:

- Impairments were performed only at investment level, and not on the entire portfolio. This matter was referred to the Risk Committee for further deliberation, after which Internal Audit performed an audit of the impairment process. The audit confirmed, inter alia, that the impairment process was mainly manual and that there was no system that collates information to flag and activate investments to be impaired;
- The PIC did not have a security/collateral register that is tested regularly. Security/collateral was reviewed only when investments were not performing, which was inadequate;
- Difficulty in obtaining information from investee companies, such as audited financials and updated management accounts; and
- Some investee companies and Funds of Funds did not perform valuations, which included the impact of COVID-19 on operations and future performance.

The Committee appreciated that the overall impact of the COVID-19 pandemic was still to be factored in by the clients. Once done, the clients would inform the PIC what additional impairments should be considered.

To address the gaps identified, the Committee prepared and submitted a report on the valuation process and impairments to both the Risk Committee and the Investment Committee, including summaries of the valuations. The Committees were requested to devise an action plan to address the concerns for Internal Audit to audit the process and provide assurance.

POST FINANCIAL YEAR-END EVENTS

After assessing the PIC's sustainability ratios projected for financial year 2020/21, the Audit Committee approved a cost-containment plan recommended by Management, in terms of which Management projected savings of R229 million over three years.

In March 2020, the Board received the report of the PIC Commission of Inquiry. The Committee reviewed and assessed the impact of the implementation of the recommendations contained in the report on the PIC's sustainability and Annual Financial Statements.

The COVID-19 pandemic has become a global emergency, given its impact on the entire world population and the global economy. The Committee acknowledges that the PIC balance sheet will not escape the long- and short-term effects of the pandemic. A decline in management fees and revenue is foreseen for the ensuing years, coupled with increased operational costs associated with the working-from-home concept. As at 31 March 2020, the PIC had lost approximately 10.84% in assets under management. The PIC's financial sustainability is likely to be impacted more negatively in future.

Management has revised the budget and forecast for 2020/21 due to the rapidly changing economic and business circumstances created by the COVID-19 pandemic.

In terms of Section 13(1)(b) of the Public Audit Act, the Auditor-General, after consulting the oversight mechanism, must determine the frequency, nature and scope of audits referred to in Section 11 of the Public Audit Act. The impact of the COVID-19 pandemic has allowed the auditors to reconsider and reduce the scope of the audit for 2019/20 in the following areas:

- Audit of predetermined objectives; and
- Audit of compliance with legislation.

The audit fee was also adjusted downward in line with the reduction of the audit scope.

CONCLUSION

The Committee is pleased with the improvement in the PIC's internal control systems. The shifting of the year-end valuation function from the Investment Committee to the Audit Committee has strengthened the Corporation's governance processes. And for the first time, clients are being asked whether they trust the PIC's valuation process and whether they are satisfied that reviews and interrogations by the Audit Committee are robust and detailed.

After reviewing the accounting policies and the Annual Financial Statements of the PIC for the year ended 31 March 2020, the Committee is satisfied that these are compliant with the provisions of the PFMA, the Companies Act and IFRS.

The Committee is satisfied that the audit function and the audit team provided by the Auditor-General are independent of the PIC; and that the audit team can express an independent opinion on the PIC's Annual Financial Statements.

Although some of the key performance objectives included in the Corporate Plan for 2019/20 were not met, including the objective to achieve an unqualified audit without matter of emphasis, the Committee is comfortable with the plans put in place by Management to address the achievement of these objectives going forward.

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

The Audit Committee confirms its active involvement throughout the audit process and that it was thoroughly appraised of issues giving rise to the unqualified audit opinion with findings on compliance with laws and regulations. It concurs with and accepts the conclusion and audit opinion of the external auditors on the Annual Financial Statements.

The Committee wishes to thank Management and the Board for their support, and the teams from the internal and external auditors for their services, dedication, diligence and cooperation.



Ms Sindisiwe Mabaso-Koyana
Chairperson: Audit Committee

General Information

Country of incorporation and domicile

South Africa

Nature of business and principal activities

Asset Management

Directors

Dr Reuel Khoza (Chairperson) (Non-Executive Director)
Ms Futhi Mtoba (Deputy Chairperson) (Non-Executive Director)
Ms Irene Charnley (Non-Executive Director)
Dr Angelo David Sabelo de Bruyn (Non-Executive Director)
Prof Bonke Dumisa (Non-Executive Director)
Mr Bhekithemba Gamedze (Non-Executive Director)
Mr Mugwena Maluleke (Non-Executive Director)
Ms Tshepiso Moahloli (Non-Executive Director)
Mr Pitsi Moloto (Non-Executive Director)
Ms Karabo Morule (Non-Executive Director)
Adv Makhubalo Ndaba (Non-Executive Director)
Ms Maria Ramos (Non-Executive Director)
Ms Barbara Watson (Non-Executive Director)
Mr Abel Sithole (Chief Executive Officer) (Executive Director)
Mr Sholto Dolamo (Acting Chief Investment Officer) (Executive Director)
Mr Brian Mavuka (Acting Chief Financial Officer) (Executive Director)

Registered office and business address

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

Postal address

Private Bag X187
Pretoria
South Africa
0001

Holding and ultimate holding company

Public Investment Corporation SOC Limited
incorporated in the Republic of South Africa

Auditors

Office of the Auditor-General of South Africa
Registered Auditors

Company Secretary

Ms Bongani Mathebula

Company registration number

2005/009094/30

Company Annual Financial Statements

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

Address of Secretary

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

Public Investment Corporation SOC Limited Disclaimer

The Public Investment Corporation SOC Limited (PIC), Registration number 2005/009094/30, is a licensed financial services provider, FSP 19777, approved by the Financial Sector Conduct Authority (FSCA) (www.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 Public Investment Corporation are further regulated in their dealings. All employees are remunerated with salaries and standard short-term and long-term incentives. No commission or incentive is paid by the PIC to any persons and all inter-group transactions are done on an arm's length basis. The PIC has comprehensive crime and professional indemnity insurance.

Directors: Dr Reuel Khoza (Chairperson), Ms Futhi Mtoba (Deputy Chairperson) | Ms Irene Charnley, Dr Angelo David Sabelo de Bruyn, Prof Bonke Dumisa, Mr Bhekithemba Gamedze, Mr Mugwena Maluleke, Ms Tshepiso Moahloli, Mr Pitsi Moloto, Ms Karabo Morule, Adv Makhubalo Ndaba, Ms Maria Ramos, Ms Barbara Watson | Mr Abel Sithole (Chief Executive Officer), Mr Sholto Dolamo (Acting Chief Investment Officer), Mr Brian Mavuka (Acting Chief Financial Officer) | Company Secretary: Ms Bongani Mathebula

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

ABBREVIATIONS

ABET	Adult Basic Education Training	DPSA	Department of Public Service and Administration
Abraaj	Abraaj Investment Management Limited	EAP	Economically Active Population
AC	Audit Committee	EBIDTA	Earnings before interest, tax, depreciation and amortisation
ACSA	Airports Company South Africa	ECB	European Central Bank
ADRIASA	ADR International Airports South Africa	ECL	Expected Credit Loss
AEs	Advanced Economies	ED	Enterprise Development
AFS	Annual Financial Statements	EEA	Employment Equity Act
AGM	Annual General Meeting	EIHL	ETG Input Holdings
Agrigroupe	Agrigroupe Holdings (Pty) Ltd.	EMs	Emerging Markets
Ai	Africa investors	ERMF	Enterprise Risk Management Framework
AIPF	Associated Institutions Pension Fund	ESG	Environmental, Social and Governance
AuM	Assets under Management	ETG	Export Trading Group
ARC	Audit and Risk Committee	EXCO	Executive Committee
Bafepi	Bafepi Agri (Pty) Ltd	FAIS Act	Financial Advisory and Intermediary Services Act, 2002
B-BBEE	Broad-Based Black Economic Empowerment	FDI	Foreign Direct Investment
BCM	Business Continuity Management	Fed	Federal Reserve
BEE	Black Economic Empowerment	FIPs	Fund Investment Panels
BIP	Black Industrialist Programme	FMCG	Fast Moving Consumer Goods
BOE	Bank of England	FSCA	Financial Sector Conduct Authority
BVI	Business Ventures Investments (Pty) Ltd	GEHS	Government Employees Housing Scheme
CBOs	Community-based Organisations	GEPF	Government Employees Pension Fund
CC	Compensation Commissioner Fund	GDE	Gross Domestic Expenditure
C2C	Coast to Coast Proprietary Limited	GDP	Gross Domestic Product
CD	Childhood Development	HEIs	Higher Education Institutions
CEO	Chief Executive Officer	HDIs	Historically Disadvantaged Individuals
CIPC	Companies and Intellectual Properties Commission	HRRC	Human Resources and Remuneration Committee
CP	Compensation Commissioner Pension Fund	I&B	Infrastructure and Building
CSR	Corporate Social Responsibility	IC	Investment Committee
CTC	Community Training Centre	ICTGC	Information Communication and Technology Governance Committee
DAC	Directors' Affairs Committee	IMF	International Monetary Fund
DBE	Department of Basic Education	IMSS	International Maths and Science Study
Dti	Department of Trade and Industry	IoDSA	Institute of Directors of Southern Africa
DOA	Delegation of Authority	IRR	Internal Rate of Return
DOI	Declaration of Interest		

IT	Information Technology
ITRC	Information Technology Risk Committee
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
KENGEN	Kenya Electricity Generating Company
KRIs	Key Risk Indicators
LIA	Lanseria International Airport
Libstar	Liberty Star Consumer Holdings
M&A	Merger and Acquisition
MMIH	Menlyn Maine Investment Holdings (Pty) Ltd
MPRDA	Mineral and Petroleum Resources Development Act
MOCAA	Museum of Contemporary Art Africa
MOI	Memorandum of Incorporation
MST	Mobile Specialised Technologies
NGOs	Non-governmental Organisations
NSFAS	National Student Financial Aid Scheme
NDP	National Development Plan
NT	National Treasury
OECD	Organisation for Economic Cooperation and Development
OLG	Open Learning Group
ORMF	Operational Risk Management Framework
PAA	Public Audit Act of South Africa
PAIDF	Pan Africa Infrastructure Development Fund
PE	Private Equity
PE SA II	Private Equity South Africa Fund II
PE RoA II	Private Equity Rest of Africa Fund II
PFMA	Public Finance Management Act, 1999
PIC	Public Investment Corporation SOC Limited
PIC Act	Public Investment Corporation Act, 2004
PL	Private Label
PMC	Portfolio Management Committee
POPI	Protection of Personal Information Act, 2013
PPAs	Power Purchase Agreements

PPMs	Private Placement Memorandums
QSRs	Quick Service Restaurants
QAR	Quality Assessment Review
RC	Risk Committee
Resultant	Resultant Finance (Pty) Limited
RFPs	Request for Proposals
SAA	Strategic Asset Allocation
SAICA	South African Institute of Chartered Accountants
SCM	Supply Chain Management
SDGs	Sustainable Development Goals
SEC	Social and Ethics Committee
SED	Socio-economic Development
SETCO	Social, Ethics and Transformation Committee
SIPs	Structured Investment Products
SOEs	State-Owned Entities
SMEs	Small and Medium Enterprises
SNG	Sizwe Ntsaluba Gobodo
SPAC	Special Purpose Acquisition Company
Sphere	Sphere Holdings (Pty) Limited
SPMS	South Point Management Services
SRI	Socially Responsible Investment
S&P	Standard and Poor's
ToR	Terms of Reference
UIF	Unemployment Insurance Fund
US	United States
WHO	World Health Organisation

Notes

A sheet of white paper with horizontal blue lines. The top portion of the paper features a faint, repeating geometric pattern in a light blue-grey color. The pattern consists of interlocking, stylized shapes that resemble a honeycomb or a series of connected 'V' and 'W' forms. Below this patterned section, the paper transitions into a series of evenly spaced horizontal blue lines, typical of notebook paper. The lines are a consistent light blue color and extend across the full width of the page.



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