



**PIC CEO'S STATEMENT OF  
CONTINUED SUPPORT FOR  
THE UNITED NATIONS  
GLOBAL COMPACT**



**PUBLIC INVESTMENT  
CORPORATION®**

Est. 1911

The Public Investment Corporation SOC Limited (PIC) is a registered financial services provider and asset manager, wholly owned by the government of the Republic of South Africa. The PIC principally operates in South Africa and invests offshore and in the rest of the African continent.

The PIC is the largest institutional investor in South Africa and the largest asset manager on the African continent in terms of Assets-under-Management (AuM). By the end of November 2020, the PIC's AuM exceeded ZAR 2.088 trillion.

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 regulator in South Africa – the Financial Services Conduct Authority (FSCA). Investments are diversified across the following broad asset classes: Listed equities, capital markets, money markets, property and unlisted investments.

The PIC's investment thesis is underpinned by a firm commitment to responsible Environmental, Social and Governance (ESG) practises. The PIC is a signatory to the United Nations Global Compact (UNGC) and the Principles for Responsible Investment (UNPRI). As a signatory to both, the PIC is committed to the Sustainable Development Goals (SDGs 2030), which seek to advance the universal principles of human rights, fair labour practice, consideration for the environment and to be intolerant of any form of corruption, bribery and extortion.

Being a signatory to the UNPRI means that the PIC's investment decisions have to consider 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.

The PIC's institutional values and business processes underpin its strategic approach to sustainability and reflect the desire to preserve the future for all its stakeholders.



Mr Abel Sithole, CEO

*“We believe that integrating ESG principles culminates in enhanced and informed decision making, will enhance long-term value creation and the risk return profile of our portfolio of investments.”*

The PIC remains fully committed to the sustainability principles and aims to be a responsible corporate citizen at all levels. The PIC is emphatically committed to remain an active participant of the UNGC and its universal principles.

The PIC understands that long-term value creation is not achieved through short-term solutions, nor at the expense of future generations, and neither through moral decay. Environmental, social and governance factors can no longer be ignored if we are to ensure a sustainable future. We believe that integrating ESG principles culminates in enhanced and informed decision making, will enhance long-term value creation and the risk return profile of our portfolio of investments. In order to grow investee companies and develop sustainable financial performance, the PIC further entrenches ESG in its investment processes. The PIC actively monitors, assesses and reports on the impact of ESG activities within our investee companies.

The PIC further supports South Africa’s developmental agenda by embracing economic transformation to advance participation in economic activity, as an investment driver. The PIC requires that all investment decision making incorporate the provisions the Broad Based Black Economic Amendment Act (46 of 2013) to promote equity.

The PIC upholds the principles of transparency and disclosure and publish the proxy voting results for all our listed investee companies.

We recognise that a key requirement for participation in the UNGC is the annual submission of the Communication on Progress (COP) report, detailing our efforts to encourage, aid and implement the Ten Principles of the UNGC into strategies, policies and procedures to establish a culture of integrity. The PIC will continue to support transparency and public accountability and commit to report on our progress in accordance with the UNGC COP policy.

Yours sincerely

**Abel Sithole**

**Chief Executive Officer**

## INTRODUCTION

The PIC's Vision 2030 is drawn from the PIC's unique strengths, which include our ability to take a long-term investment perspective, develop a global presence, and our capabilities to invest in multi-asset class opportunities. The PIC commands a skilled and experienced investment team, and a strong corporate governance structure. This enables the PIC to continue to play a significant role in growing the South African economy through our "DIRECT" investment approach – Impact Investing for socio-economic transformation in key priority sectors of the economy and to promote inclusive growth across asset classes in Listed and Unlisted investments. The DIRECT approach is informed by statistical evidence that shows a positive correlation between South Africa's gross domestic product and growth of PIC's AuM which equates to almost a third of SA's GDP. The PIC's DIRECT approach is congruent with key government priorities for economic development, set out in the National Development Plan (NDP), the Industrial Policy Action Plan (IPAP) and the New Growth Path.

Therefore, the PIC remains committed to implement sustainable practices and good corporate governance. The PIC's values and business processes underpin its strategic direction for sustainability and reflect its desire to preserve the future for all its stakeholders. The PIC will continue on its pathway for a sustainable world and realises that this will continue to demand fundamental changes in governance structures, economic frameworks, business and human behaviour.

## THE PIC APPROACH TO IMPACT INVESTMENT

Our investments focus is on sustainable returns over the longer term, whilst stimulating economic growth, promoting transformation, inclusivity, and sustainability. This approach is underpinned by robust risk management and ensures that the PIC remains a beacon for responsible investing by driving good corporate governance in every investee company. As a corporate entity, the PIC is aware of the need to adhere to corporate governance best practices and to ensure that these are embedded in investee companies. The key objectives for impact investing is in line with the developmental investment agenda that ensures that, in addition to generating good financial returns, our investments support positive, long-term economic, social and environmental outcomes that yield a good social return in South Africa and the rest of the African Continent. The PIC continues to work to identify companies with the potential for commercial and social improvement. Investments in these companies seek to generate social returns over a pre-defined investment period, without sacrificing commercial returns.

These investments are geared to respond to government initiatives for socio-economic development that are outlined in National Development Plan (NDP) 2030; the New Growth Path policy framework, Broad-Based Black Economic Empowerment (B-BBEE) legislation and the SDGs 2030. The NDP outlines what South Africa should look like in 2030 and what needs to be done to get there. The plan outlines a path to achieve meaningful development in South Africa and a rise in per capita income. Acknowledging the variety of challenges South Africa faces, the NDP places at its nexus, the elimination of poverty and the reduction of inequality by 2030 (SDG10). To ensure broader impact, the PIC is committed to its implement the SDG 2030 agenda which is a plan of action for people, the planet and prosperity. It recognises that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development.

Through impact investing the PIC strives to achieve the following:

- Ensure that ESG is integrated into the PIC investment processes, that ESG risks within investee companies are mitigated and that ESG opportunities are capitalised to ensure long term sustainability and an enhanced investment value;
- Grow the economy and reduce poverty through job creation, skill development and to promote entrepreneurship;
- Promote transformation by applying B-BBEE principles across all investments;
- Encourage a service-oriented approach to optimise the use of public and private resources; and
- Encourage local private provision of services and the development of local industries for infrastructure development and the maintenance of facilities.

# A

## GOVERNANCE

### PIC CORPORATE SUSTAINABILITY UPDATES

The PIC believes that sustainable performance can only be achieved if good corporate governance principles, underpinned by the Companies Act (Act 71 of 2008) and the King IV Report, are embraced and implemented. The PIC's approach to good corporate governance is applied as follows:

- The PIC Board ensure that all required board committees are established, appropriately constituted, and adequately resourced with the best skills and relevant experience;
- That Terms of Reference for all committees exist and are revised regularly to ensure relevance;
- Advance policies that protect minority shareholders such as community trusts, employees and BBBEE partners;
- Nominate PIC representatives to the Boards of investee companies to drive and ensure adherence to good governance, in line with best practise;
- To restore institutional integrity and its reputation, the PIC has reinforced its investment performance, it continues to surpass client mandates and together with its Board, it is addressing shortcomings in corporate governance that have been identified by a Judicial Commission of Inquiry into allegations of Impropiety at the PIC that was established by the President of the Republic in October 2018. Similarly, any concerns raised by clients of the PIC and the Shareholder, are addressed in the same spirit.

# B

## HUMAN RIGHTS

**Principle 1:**  
**Businesses should support and respect the protection of internationally proclaimed human rights; and**

**Principle 2:**  
**Make sure that they are not complicit in human rights abuses.**

## SDG Impact



As a Public Entity, the PIC complies with all applicable legislation in South Africa. Human rights are enshrined in the Constitution of the Republic of South Africa. South Africa is also a member of the International Labour Organisation (ILO) and has ratified the ILO instruments. These requirements have been included in South African labour legislation which is applicable to the PIC.

Human rights are principally addressed in the PIC’s Code of Conduct and Ethics which includes:

- Acting according to the law;
- Acting fairly;
- Properly exercising powers;
- Explaining the reasons for decisions; and
- Being honest, truthful and conscientious.

Each PIC employee are issued with a copy of the Code of Conduct and Ethics. Internal policies, procedures and practices prohibit any violation of human rights. Any breaches are treated seriously and result in disciplinary action.

Holistic employee health (physical as well as mental) is an important component of creating value for employees. For this purpose the PIC appoints an external agency to provide PIC staff, as well as their immediate family members, with an Employee Wellness Programme, free of charge.

The its Employee Wellness Programme, support is provided to employees living with HIV/Aids. Employees are encouraged to know their status by regularly testing for HIV/Aids if required.

All PIC employees enjoy the benefits of a medical aid scheme and a pension fund.

B-BBEE is embedded in the PIC’s recruitment and procurement policies. The PIC’s policy is to promote employment equity at all levels of the organisation.

The PIC does not exist in isolation and reaches out to the communities in which it operates. To this end various corporate social responsible programmes aimed at improving the lives of disadvantaged communities are undertaken and supported.



## LABOUR

**Principle 3:**  
**Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.**

**Principle 4:**  
**The elimination of all forms of forced and compulsory labour.**

**Principle 5:**  
**The effective abolition of child labour.**

**Principle 6:**  
**The elimination of discrimination in respect of employment and occupation.**

## SDG Impact



The PIC remains strongly committed to eliminating any form of discrimination in respect of employment and occupation. The PIC practices freedom of association which enables employees to join labour unions. Employees may use established grievance procedures which prohibit victimisation.

The PIC maintains transparency and worker consultation in decision-making through meetings and other forums.

Employment equity policies have been implemented that are inclusive of race, gender, and people with disabilities to ensure that the PIC is demographically represented. The PIC complies fully with the Employment Equity Act.

Aligning the PIC business plan with its skills requirements is critical. Demand and supply of required skills and competencies within all business units are assessed, skills levels are defined and timeframes are set for the filling of vacancies. A combination of internal development (talent management), internal promotions, and external recruitment forms part of the recruitment strategy of the PIC. Through a graduate programme graduates from various South African Universities are recruited and assisted with practical training within different divisions in the PIC.

The graduate programme runs for two years and has a retention rate of more than 80%.

The PIC does not condone any form of child labour or forced labour, including by investee companies. This would not only be illegal but would offend PIC's internal values, standards, policies, and procedures. Established recruitment practices are followed for all appointments.

# D

## ENVIRONMENT

### Principle 7:

Businesses should support a precautionary approach to environmental challenges.

### Principle 8:

Undertake initiatives to promote greater environmental responsibility.

### Principle 9:

Encourage the development and diffusion of environmentally friendly technologies.

## SDG Impact



### Water And Electricity Usage

The PIC implemented initiatives to monitor and reduce water and electricity usage, as well as its carbon footprint. Water infrastructure is maintained, and leakages are monitored and repaired immediately. The building management strategy now includes proactive monitoring and maintenance to avoid any wastage through leakages.



### Carbon Footprint

The PIC implemented measures to monitor and reduce its carbon footprint.

# E

## ANTI-CORRUPTION

**Principle 10:**  
**Businesses should work against corruption in all its forms, including extortion and bribery.**

### SDG Impact



The PIC is governed by the Constitution of the Republic of South Africa, the Public Investment Corporation Act, the Public Finance Management Act, the Companies Act as well as the King Codes on Corporate Governance and its own Corporate Governance Policy. In addition to the prevailing legislative environment, internal policies and procedures at the PIC prohibit any corrupt behaviour. Criminal behaviour is not tolerated and formal charges will be brought against any perpetrator. Integrity is a core PIC value and the organisation is committed to the highest standards of ethical behaviour in all its actions and decisions. This ethical awareness also influences the PIC's engagement with suppliers and other stakeholders, as well as its investment decisions.

The PIC has a whistle blowing hotline which is in operation 24 hours a day, every day. This provides anonymity for any complainant. All fraud and corruption allegations are investigated and reported to the Audit Committee and the Risk Committee of the Board. Where possible and practical, the PIC will pursue full recovery of all losses resulting from acts of fraud and corruption.

The PIC has various policies in place aimed at preventing of fraud and corruption and dealing with declaration of interests, ethics and the acceptance of gifts. Facilitated by the Human Resources division, the PIC's Compliance and Legal divisions of the PIC, structured sessions take place with all employees and Board members, emphasizing proper conduct to ensure compliance with legislation and internal values, standards, policies and procedures.

The PIC has an internal audit function which reports functionally to the Audit Committee and Risk Committee of the Board. The terms of appointment of the Internal Audit Manager, as well as performance assessments are conducted by the Audit Committee and the Risk Committee.



**Principle 10:**  
**Businesses should work against corruption in all its forms, including extortion and bribery.**

**Restoring Good Governance**

On 4 October 2018, the President of the Republic of South Africa, Mr Cyril Ramaphosa, established a Judicial Commission of Inquiry into allegations of impropriety at the PIC. The President acted in terms of section 84(2)(f) of the Constitution of the Republic of South Africa, to enable the Commission of Inquiry to conduct investigations and make several findings and recommendations in accordance with its Terms of Reference, which were set out in the schedule to the Proclamation.

The Commission of Inquiry published its Report with extensive Recommendations and Findings in March 2020. The PIC Board subsequently appointed an Advisory Panel, led by a retired Judge of the Constitutional Court, to exercise independent judgement and assist the Board to effectively discharge its responsibilities in implementing the Commission's findings and recommendations.

In order to correct lapses in governance and address other concerns raised by the Commission of Inquiry, the PIC had authorised the following actions:

- The Memorandum of Incorporation (MoI) was revised and implemented with changes being made to the Operating Model;
- Major structural weakness caused by an over-concentration of executive power has been addressed. An interim organisational structure was implemented, through which C-suite positions were reinstated in line with the MoI;
- The investment operations are now overseen by a Chief Investment Officer, while the PIC's operations are overseen by the CEO;
- Board Committees were reconfigured to strengthen governance and new Terms of Reference for these were developed; and
- Established an Ethics Office and appointed a Head of Ethics to develop and oversee a strategy for ethics training and awareness.

In line with the Companies Act, the PIC Board established a Social, Ethics and Transformation Committee (SETCO). The SETCO operates under a Terms of Reference (ToR) that complies with the Companies Act and King IV requirements and is approved by the Board of Directors. The ToR is subject to an annual review by the Board. The SETCO assists the Board to address social and ethics matters and assists the Board and the Executive Committee to fulfil their duties and responsibilities to ensure that the PIC remains a good corporate citizen. This is done by monitoring the sustainable development practices of the PIC.

The SETCO monitors compliance with any relevant legislation, other legal requirements or prevailing codes of best practice, specifically with regard to matters relating to social and economic development, transformation, good corporate citizenship, the environment, health and safety, as well as labour and employment.

**The SETCO also reviews progress in addressing the principles of the UNGC Principles and the OECD Guidelines, as well as the PIC's performance and strategy in terms of sustainable development as it relates to the following:**

- Socio and Economic Development;
- Corporate Social Investment;
- Broad-Based Black Economic Empowerment;
- Stakeholder Relations;
- Health and Safety;
- Labour Relations, including employment equity; and
- Management of the PIC's environmental impact.

**The SETC has established and regularly reviews the PIC's:**

- No-Gifts Policy – this was amended so that employees may no longer receive any gifts;
- Safety, Health and Environmental Policy;
- Procurement Policy, as it relates to environmentally friendly purchasing;
- Politically Connected Persons Policy;
- ESG Policy for Listed Equities;
- ESG Policy for Unlisted Investments;
- ESG Policy for State Owned Entities;
- ESG Policy for Fixed Income;
- Corporate Social Investment Policy; and the
- B-BBEE Guidelines Policy.

The PIC's proxy voting report for listed companies is published quarterly on its website. The PIC voted against a number of remuneration policies and investee companies are engaged on these matters. In particular, companies were requested to disclose the ratio between highest and lowest paid employees. The PIC's compliance with its Code of Conduct's is monitored through a whistle-blowing facility, the details of calls and follow-up actions are presented to this SETCO for consideration.

# G

## PRINCIPLES FOR RESPONSIBLE INVESTMENTS

The PIC adopted a belief system that incorporates economic, social and institutional considerations into investment decisions. This approach to investment management is consistent with increasing global concern and awareness around sustainability issues.

The PIC strives to give effect to the Ten Principles of the UNGC through:

**Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.**

The PIC's commitment to ESG matters in the investment process is informed by the believe that:

- Sound environmental management forms an essential part of sustainable economic growth and social development which lead to sustainable businesses;
- Social matters need to be addressed especially in a society such as South Africa with its past of racial discrimination. For any business to be sustainable it has to take broader interests of society (all stakeholders and not only shareholders) into account in its decision making;
- Good governance practices mitigate the risk of corporate failure and that ultimately will lead to enhanced long-term returns; and
- ESG policies are in place in all the investment divisions.

## G

PRINCIPLES FOR  
RESPONSIBLE INVESTMENTS**Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.**

Given the PIC's active role in addressing matters of governance and ethics within corporate South Africa as the largest institutional investor on the African Continent, it was fundamental to ensure that its investment decisions moved beyond the mere financial performance of companies. The challenge was to delve into the core of a company's controls, its sustainability strategy, its social responsibility intent and ultimately its commitment to all stakeholders. The PIC uses an ESG rating matrix to measure the ESG compliance of investee companies and conduct various engagements with companies on ESG performance to drive desired behaviour and outcomes.

The PIC, especially through its Isibaya Fund, invests significantly in socio-economic development including skills development and job creation. The Isibaya Fund has evolved from having a mainly private equity focus to one which predominantly focuses on the following priority areas:

- Economic infrastructure (comprising energy, logistics, water, broadband, liquid fuels and commuter transport);
- Environmental Sustainability projects such as renewable energy, energy efficiency, clean technology, recycling and green firms, environmentally friendly construction, green buildings and conservation;
- Social infrastructure, focusing on health, education and affordable housing; and
- New Enterprise, Job Creation and B-BBEE, focusing of SMME development, support for fund managers espousing principles of B-BBEEE and investments in sectors that stimulate growth, job creation and B-BBEE, particularly in priority sectors identified by Government's Industrial Policy Action Plan (IPAP) (including agriculture, agro-processing, green and renewable energy technology, tourism and business process outsourcing).

## PRINCIPLES FOR RESPONSIBLE INVESTMENTS

### **Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.**

The PIC was one of the key role-players involved in drafting the Code for Responsible Investing in South Africa (CRISA). Principle 1 of the Code states that “An institutional investor should incorporate ESG considerations into its investment analysis and activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries”. The Code requires both asset owners and institutional investors to incorporate ESG issues in investment processes. It also requires these institutions to have policies dealing with ESG matters publicly and to disclose voting records. Quarterly reports detailing all voting are also submitted to clients.

### **Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.**

The PIC works closely with its external managers to promote the implementation of the UNPRI. The ESG team undertook numerous discussions on various ESG issues with the external managers and there are frequent discussions between the PIC and the external managers on company specific issues.

### **Principle 5: We will work together to enhance our effectiveness in implementing the Principles.**

The PIC is an active member of the UNGC and UNPRI South African Network. The PIC, via relevant platforms, further ensures that the UNGC principles are implemented throughout the South African investment and asset management industries.

### **Principle 6: We will each report on our activities and progress towards implementing the Principles.**

The PIC publicly discloses its voting records which can be accessed on its website.



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