







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.

It is the largest institutional investor in South Africa and the largest asset manager on the African continent in terms of the assets it manages (AuM). By 31 March 2021 AuM had grown by almost R440 billion, from R1.900 trillion in March 2020 to R2.339 trillion, in line with the recovery in the global economy and financial markets.

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.

After a tumultuous operating environment in 2020, caused by the global Coronavirus pandemic and successive lockdowns of our economy, the PIC's investment performance showed remarkable resilience. By 2021, the portfolios of most of our clients again returned solid growth margins and attest to the durability of our diversified investment approach towards sustainable long-term value creation.

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

Being a signatory to the PRI 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, its employees and to the conduct of companies in which it invests on behalf of clients.

Institutional values and business processes underpin the PIC's strategic approach to sustainability and reflect the desire to preserve the future for all its stakeholders. Thus, the PIC remains fully committed to 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 cannot 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 improve 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 engages, monitors, assesses, and reports on the impact of ESG activities within investee companies.

The PIC further supports South Africa's developmental agenda by embracing economic transformation and inclusive development, as an investment driver. The PIC requires that all investment decision-making incorporate the provisions of the Broad-Based Black Economic Amendment Act (46 of 2013) to promote equity and inclusivity. The PIC upholds the principles of transparency and disclosure and publishes 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, 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 is to become a global leader in impact investing and this is drawn from the PIC's unique strengths, which include our ability to adopt a long-term investment perspective, develop a global presence, and expand and hone 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 the 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.

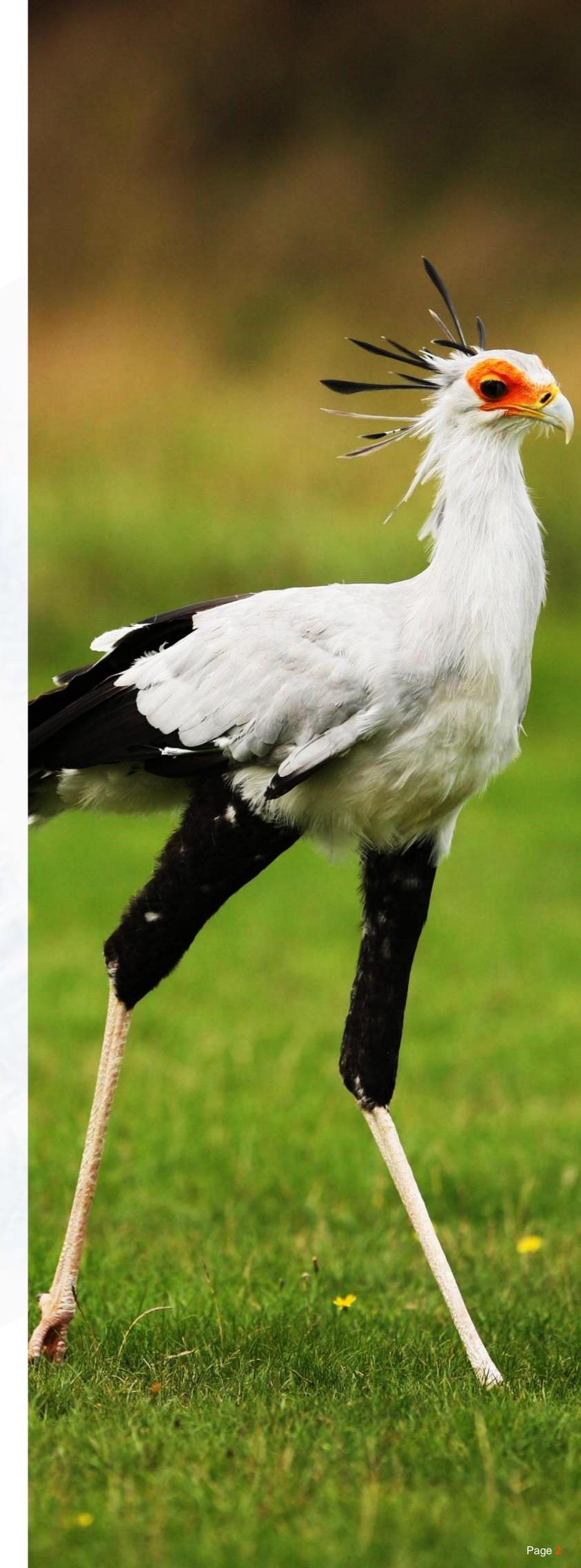
Therefore, the PIC remains committed to implement sustainable practices and good corporate governance. The PIC will continue on this pathway towards a more sustainable world and realises that this approach will demand fundamental changes in governance structures, economic frameworks, business and human behaviour.

Our investment 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 of impact investing are 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 will continue search for companies with the potential to promote 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 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 continue implementing 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 its 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.







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

Our employees remain an important priority and are key to the PIC accomplishing client mandates. Our vision is to become an employer of choice, by creating a work environment that is centred on values and ethics, and encourages performance excellence, innovation and an optimum work-life balance. The PIC is in transition and as such, a legitimate expectation is placed on human resources to exhibit values that foster ethics, empathy and trust to make it a great employer of choice.

Each PIC employee is 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.

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.

In response to the global COVID-19 pandemic employees had to adapt to change and a new remote, virtual working model. The PIC managed to develop and build a stable, high-performing workforce and strengthened executive management positions that are crucial to the organisational stability and to the achievement of key business goals. While many organisations experienced loss of employees due to COVID-19, the PIC was fortunate to have avoided this fate, despite several PIC employees testing positive during the 2020/21 financial year.

The PIC increased employee support initiatives in response to COVID-19, including proactive staff health initiatives and the establishment of an internal COVID-19 task team that directs communication, employee awareness and safety protocols to enable continued productivity and business performance.

Employee wellness programmes were rolled out to support the physical, mental and other COVID-19-related health needs. The Human Capital division accelerated employee skills development and training, with over 80% of the workforce enrolled in various training interventions through multiple digital platforms to enable the new virtual working model.

The organisation continued to fulfil its strategic objective of supporting youth development and awarded more than ZAR 8.1 million in bursaries, benefitting 135 unemployed youth at 25 institutions of higher learning.



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.



The PIC remains strongly committed to eliminate any form of discrimination in respect of employment and occupation. The PIC practices freedom of association which enables employees to join labour unions. The National Union of Public Service and Allied Workers has been recognized as the labour union representing PIC employees in the workplace. Critical engagements with employees and organized labour around issues of remuneration and employment conditions were prioritized as part of charting the way forward for the institution.

Employees may use established grievance procedures that prohibit victimisation. Employment equity policies have been implemented that are inclusive of race, gender, and people with disabilities to ensure that the PIC is demographically reflective. The PIC complies fully with the Employment Equity Act. The PIC maintains transparency and worker consultation in decision-making through meetings and other forums.

Aligning the PIC business plan with its skills requirements is critical. Demand and supply of skills and competencies required by all business units are assessed, skills levels are defined, and timeframes are set for filling vacancies. A combination of internal development (talent management), internal promotions, and external recruitment forms part of the recruitment strategy. 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 had 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.

The PIC management is committed to the spirit and principles of employment equity and embraces a diversified workforce by ensuring that the demographics of South African society are reflected in the workforce profile. Representation of female employees across all occupational levels, particularly senior management, remains a priority. As at 31 March 2021, the PIC's workforce comprised of 84.5% African, 4.2% Coloured, 6.8% Indian and 4.5% White employees. Of these, 1.6% are people with disabilities. Overall, females represent 50% of the workforce.

The table below shows PIC's workforce composition:

	FEMALE					MALE					
OCCUPATIONAL LEVEL	AFRICAN	COLOURED	INDIAN	WHITE	TOTAL FEMALE	AFRICAN	COLOURED	INDIAN	WHITE	TOTAL MALE	GRAND TOTAL
Top management	1	1	-	-	2	4	-	1	1	6	8
Senior management	35	2	1	4	42	55	4	5	8	72	114
Professionally qualified and experienced specialists, middle management	74	6	5	7	92	72	2	4	3	81	173
Skilled technical and academically qualified, junior management	37	1	1	2	41	26	-	-	1	27	68
Semi-skilled	14	-	-	-	14	5	-	-	-	5	19
Grand total	161	10	7	13	191	162	6	10	13	191	382

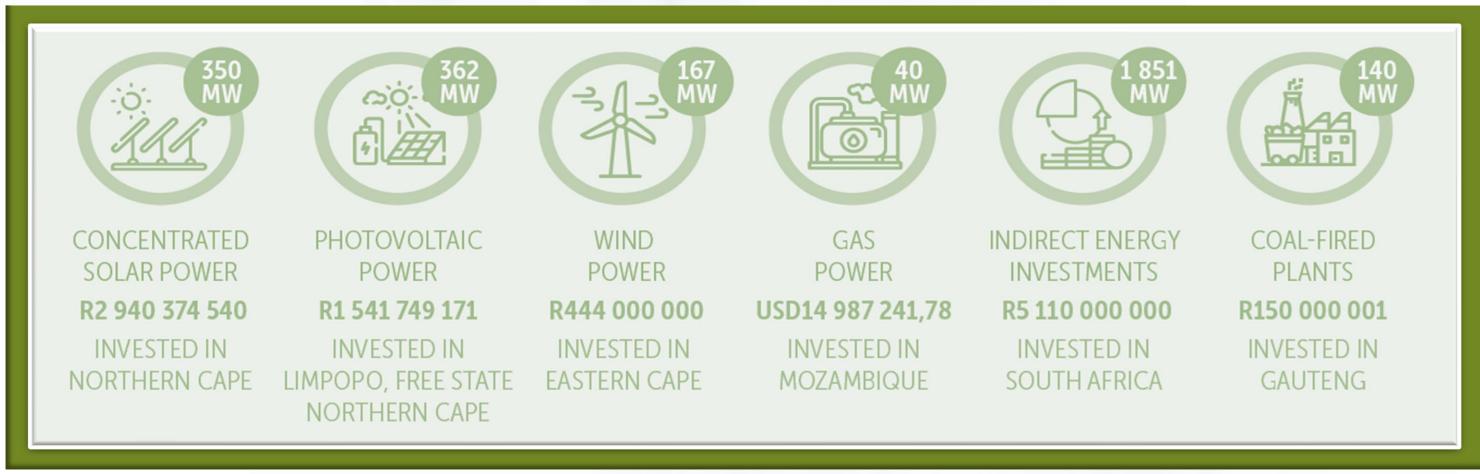
Source: PIC 2021 Integrated Annual Report, page 111





PIC has a renewed focus on environmental standards. It remains conscious of its environmental footprint, with constant efforts and focus on enhanced environmental management, not only through its investee companies but also for the PIC as an operational entity. The PIC business premises is a 5-star green-rated building that enables that the PIC to meet its obligations on environmental sustainability and resource efficiency. The PIC has 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 and grey water for sanitation is part of the consumption mix.

To date the PIC has invested more than ZAR15 billion in the Renewable Energy Independent Power Producer Programme on behalf of its clients. The energy split of investments per technology, including renewables, is as follows:



Source: PIC 2021 Integrated Annual Report, page 99

Through these investments the PIC remains a key player in the South African government's renewable energy programme and, as of 31 March 2021, had direct equity in seven projects in South Africa and one in Mozambique.

In the medium- to long term, these investments provide for communities to acquire equity in the project companies and jobs are facilitated in the short-term (particularly in rural areas with higher rates of unemployment) to support households and improve their access to food, accommodation, education and healthcare. Over time the PIC's direct investment has contributed more than ZAR14 million to enterprise development within these projects, while more than ZAR47 million was allocated to corporate social investment initiatives in communities hosting renewable plants.





The PIC is governed by the Constitution of the Republic of South Africa, the PIC Act, the Public Finance Management Act and the Companies Act. It adheres to the King Codes on Corporate Governance and stringently applies 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 are instituted 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 whistleblowing hotline that operates 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 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 conduct structured sessions 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 that 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.

GOVERNANCE

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

- The PIC Board ensures that all required board committees are established, appropriately constituted, and adequately resourced with the best skills and relevant experience;
- 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 practice.

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;
- 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
- An Ethics Office was established with the appointment of a Head of Ethics to develop and oversee a strategy for ethics training, monitoring and awareness.

The Commission of Inquiry made about 308 findings and recommendations. Substantial progress has been made with implementing these. The predominant concerns the Commission raised relate to past investments made in the PIC's unlisted Isibaya portfolio. This constitutes about 4% of total AuM or about R70 billion that came into the Commission's focus. Importantly, this implies that most of the PIC's investments – 96% – were and are not the subject of allegations of impropriety. Undoubtedly, it is very important for the PIC to focus on unlisted investments made and safeguard all funds invested to show that assets entrusted to it by clients are managed responsibly.

About 43% of the recommendations entail the review of governance, policies, processes and procedures. Recommendations for further investigations by the Commission comprise 23% of actionable items and represent the most



challenging area in addressing the report. Typically, these are more complicated, requiring further investigations and other legal processes that involve other parties such as the police and prosecuting authorities, the Shareholder, regulators and clients. Several civil claims have been instituted against external parties implicated by the Commission for the recovery of debt owed to the PIC and its clients.

SOCIAL AND ECONOMIC DEVELOPMENT, TRANSFORMATION AND ETHICS

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 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 all 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 adherence to 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 SETCO has established and regularly reviews these internal PIC Policies:

- No-Gifts Policy;
- 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 of investee companies and engaged them 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 is monitored through a whistle-blowing facility, the details of calls and follow-up actions are presented to the SETCO for consideration.

The PIC Amendment Act requires that a report reflecting all investments must annually be submitted to the Minister of Finance for tabling in Parliament with the annual report of the National Treasury. The PIC will, in consultation with its clients, coordinate submissions of listed and unlisted investments to the National Treasury, as required by the PIC Amendment Act.

To restore institutional integrity and its reputation, the PIC has reinforced its investment performance and it continues to surpass the benchmarks of client mandates. In charting a new way forward, the Board, management and employees are working together to improve areas in which the PIC has been found wanting in the past and to distil our aspirations for the future PIC we want to establish.



