



PUBLIC INVESTMENT
CORPORATION®
Est. 1911

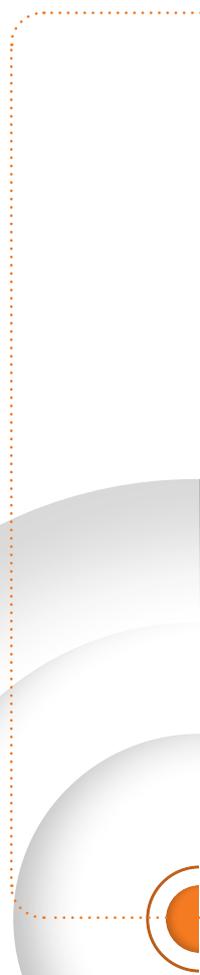
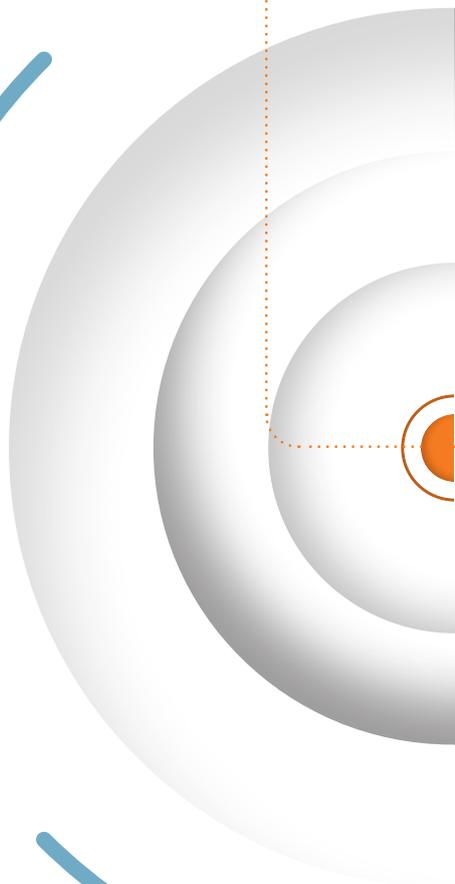
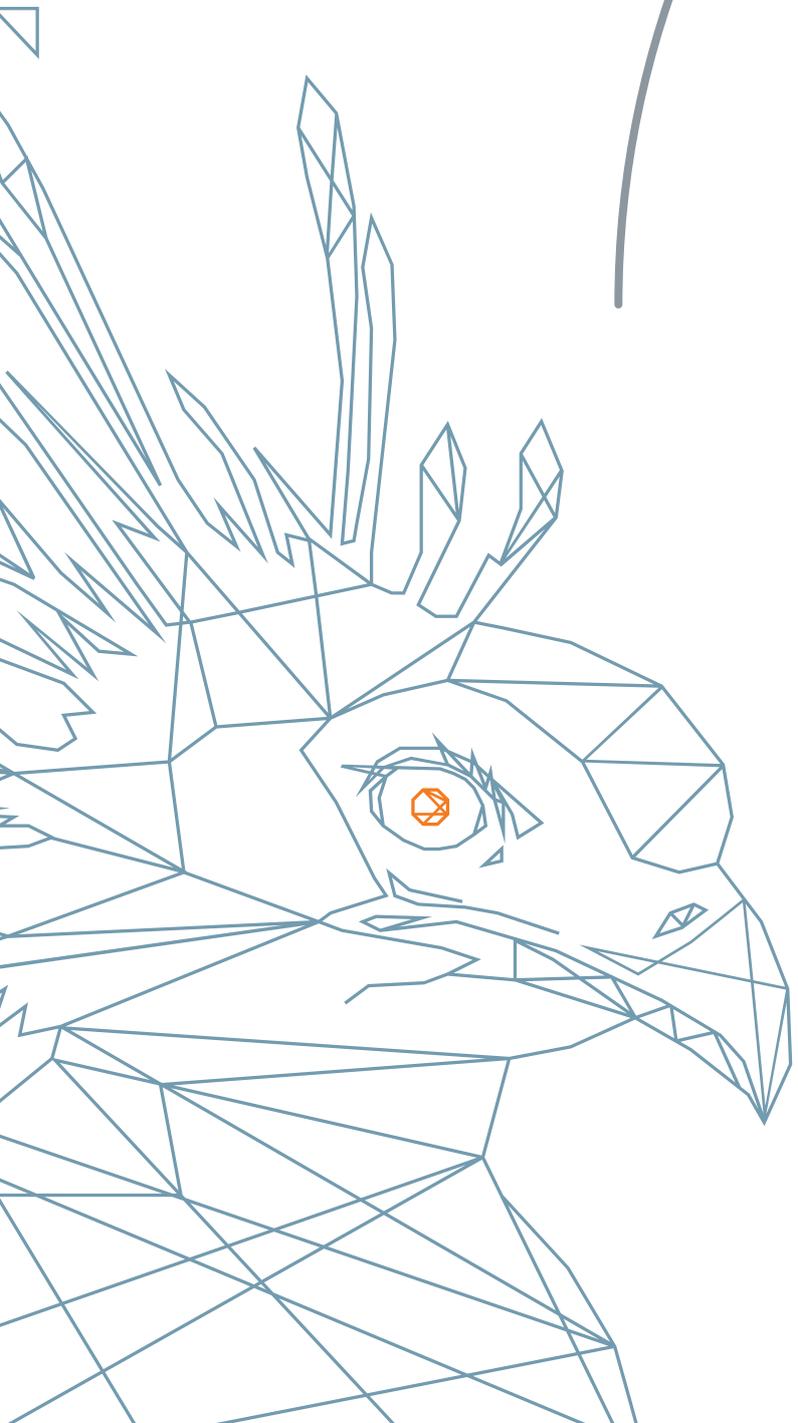
CORPORATE PLAN 2024-2027



**ENVISIONING A
TRANSFORMED
FUTURE:**



EMPOWERING COMMUNITIES
WITH SUSTAINABLE
INFRASTRUCTURE FUNDING





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INTRODUCTION

PIC STRATEGY AND CORPORATE PLAN

The primary purpose of the Public Investment Corporation (PIC) is to invest funds on behalf of clients. The PIC's core business is therefore to perform investment management in line with client mandates. The overall objective of the PIC is to ensure that client mandates are implemented effectively and efficiently and achieve above benchmark sustainable returns over a long period. The PIC aims to achieve this goal within acceptable risk parameters, as a responsible investor, and through efficient operations and transparent management. The PIC strategy outlines key strategic objectives designed to achieve the long-term vision and mission of being a "Global leader in impactful investing". The PIC's Corporate Plan is developed on the basis that PIC is a going concern underpinned by the following:

- The PIC is sustainable;
- The PIC has no plan to source financial support from Government; and
- The PIC has good governance and ethical values which will ensure the sustainability of the organisation.

The Corporate Plan is reviewed every year and sets up shorter-term to medium-term key strategic objectives to operationalise and implement the long-term strategy of the PIC. The strategy for the 2024/25 Financial Year - 2026/27 Financial Year (FY) continues in the direction set in the previous financial year's Corporate Plan.

This Corporate Plan is organised as follows:

Section I	The PIC Overview
Section II	The Operating Environment and its Impact on the Strategy
Section III	The Investment Strategy
Section IV	The Corporate Operations Strategy
Section V	Strategic Drivers
Section VI	Strategic Objectives and Key Performance Indicators and Targets for 2024/25FY - 2026/27FY
Section VII	Annexures to the Corporate Plan



**ENVISIONING A TRANSFORMED FUTURE:
EMPOWERING COMMUNITIES
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INFRASTRUCTURE FUNDING**



SECTION ONE

THE PUBLIC INVESTMENT CORPORATION OVERVIEW

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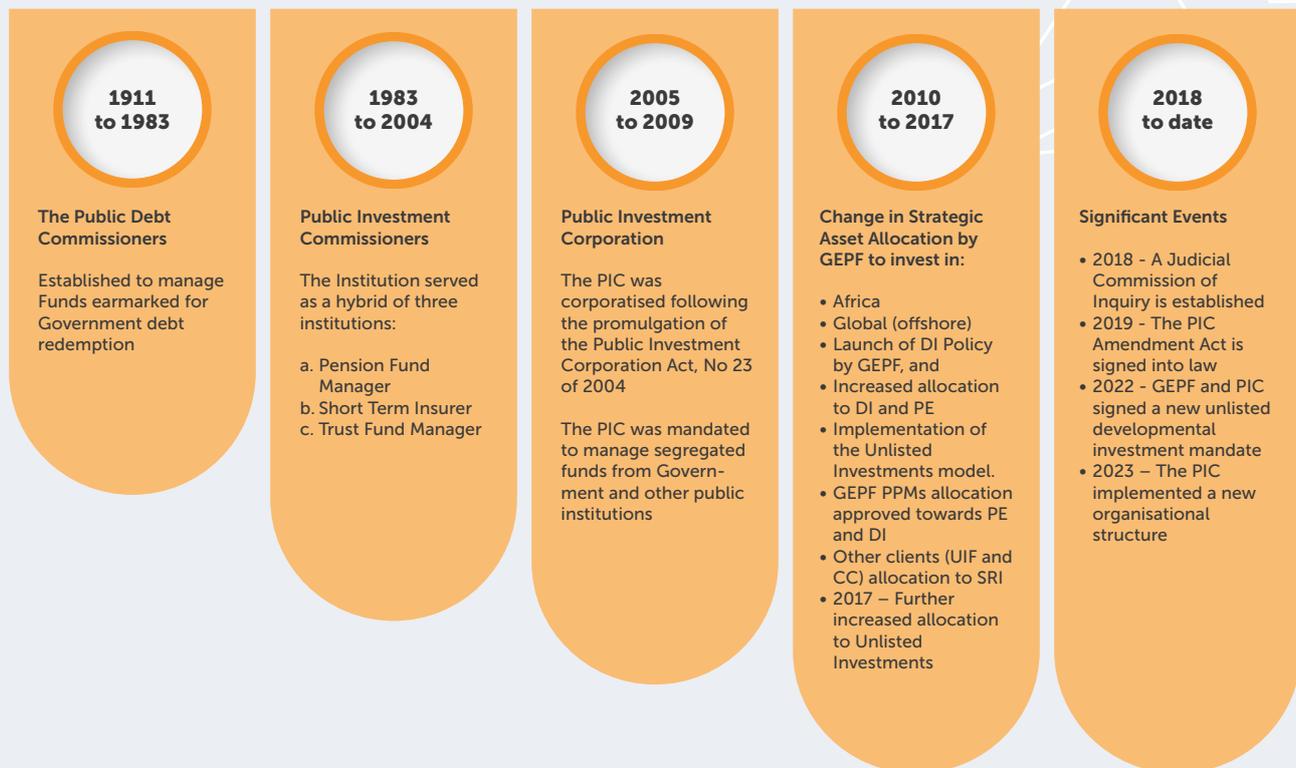
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THE PUBLIC INVESTMENT CORPORATION OVERVIEW

INTRODUCTION AND HISTORY – WHO WE ARE?

- 1.1. The Public Investment Corporation SOC Limited (PIC) was established in 1911 and has more than 110 years' of history in asset management. The PIC's mandate has changed over time, with the most important shift occurring on 1 April 2005, when the PIC was established by the Public Investment Corporation Act, No 23 of 2004, as amended by the PIC Amendment Act, No 14 of 2019 (the PIC Act), as a Financial Services Provider (FSP), wholly owned by the South African Government.

Figure 1: PIC History



KEY

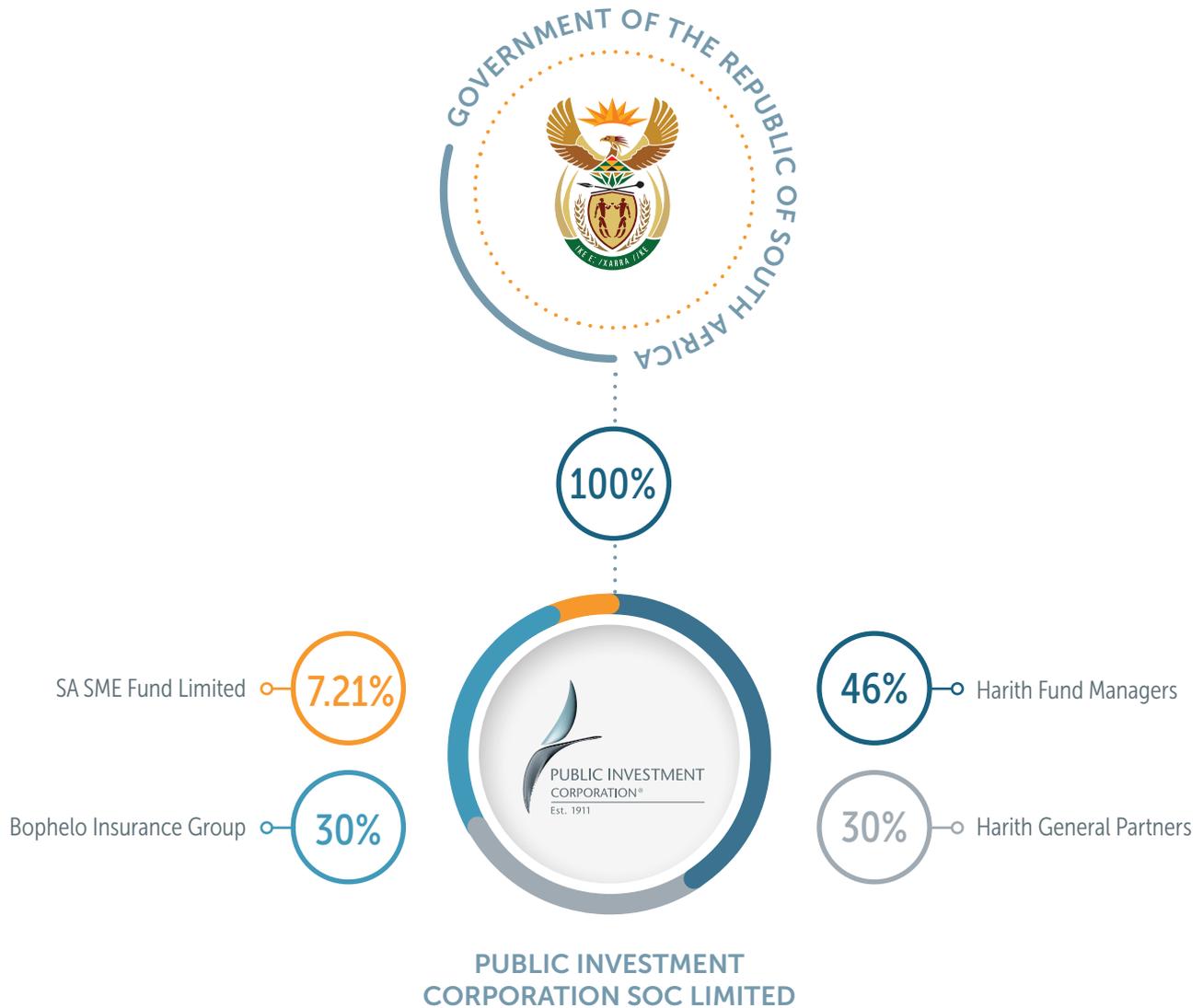
DI – Developmental Investments. **II** – Impact Investments. **PE** – Private Equity Investments. **GEPF** – Government Employees Pension Fund. **PPM** – Private Placement Memorandum. **SRI** – Social Responsible Investments. **UIF** – Unemployment Insurance Fund. **CC** – Compensation Commissioner Fund.

- 1.2. The PIC is a registered Financial Services Provider (FSP), licensed Category II FSP, in terms of the Financial Advisory and Intermediary Services Act, No 37 of 2002. The primary purpose of the PIC is to invest certain monies received or held on behalf of the Government of the Republic of South Africa and certain bodies, councils, funds, and accounts. As the custodian of substantial assets generated by the labour of generations of South Africa's public sector employees, the PIC has a responsibility to conduct its affairs with integrity, transparency, and in an exemplary manner. The PIC manages a diversified portfolio to generate steady real returns for clients over a long-term period. The work done by the PIC contributes to the well-being of present and future generations of pensioners and member beneficiaries and South Africans at large.
- 1.3. The clients of the PIC are mainly pension, provident, social security, and guardian funds. PIC's mandate is to invest funds on behalf of these clients, based on investment mandates agreed with each client. PIC's client mandates are approved and regulated by the Financial Sector Conduct Authority (FSCA).
- 1.4. The PIC employed 393 people as at 31 December 2023. More than a quarter (27%) of the staff complement are investment professionals who have the responsibility to implement clients' mandates diligently and responsibly.

PIC OWNERSHIP STRUCTURE

1.5. The ownership structure of the PIC is outlined in the diagram below.

Figure 2: PIC Ownership Structure



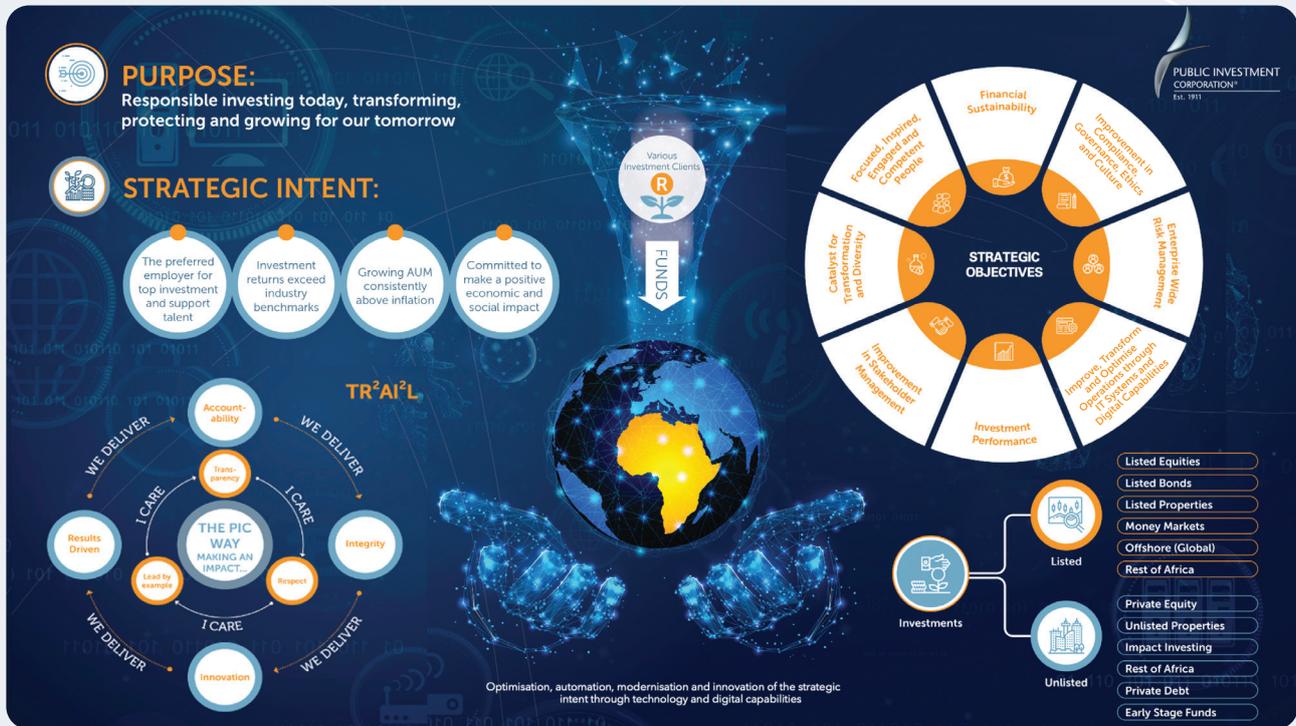
1.6. The PIC has a 46% shareholding in Harith Fund Managers (Pty) Ltd and has a 30% shareholding in Harith General Partners. Harith Fund Managers (Pty) Ltd manages the funds of the Pan African Infrastructure Development Fund (PAIDF) and is also responsible for the provision of specified administrative services relating to the operations of the PAIDF. Harith General Partners (Pty) Ltd is the Pan-African Fund Manager for infrastructure development across the African continent. The fund's mandate is to invest in both economic and social infrastructure sectors.

1.7. The South African Small Medium Enterprise Fund Limited (SA SME Fund) was established as part of the members of the CEO initiative in collaboration between South African Government, Labour and Business. The SA SME Fund's objective is to provide equity investments in high-potential entrepreneurial enterprises in the SME sector and to build a high-quality mentorship cohort to provide business and other forms of support to SMEs and entrepreneurs funded by the SME Fund.

PIC'S STRATEGY

1.8. The below diagram provides a summary of PIC's Strategy.

Figure 3: Strategy Map



UNPACKING PIC'S STRATEGIC INTENT

1.9. PIC's Strategic Intent is outlined in the diagram below.

Figure 4: PIC's Strategic Intent

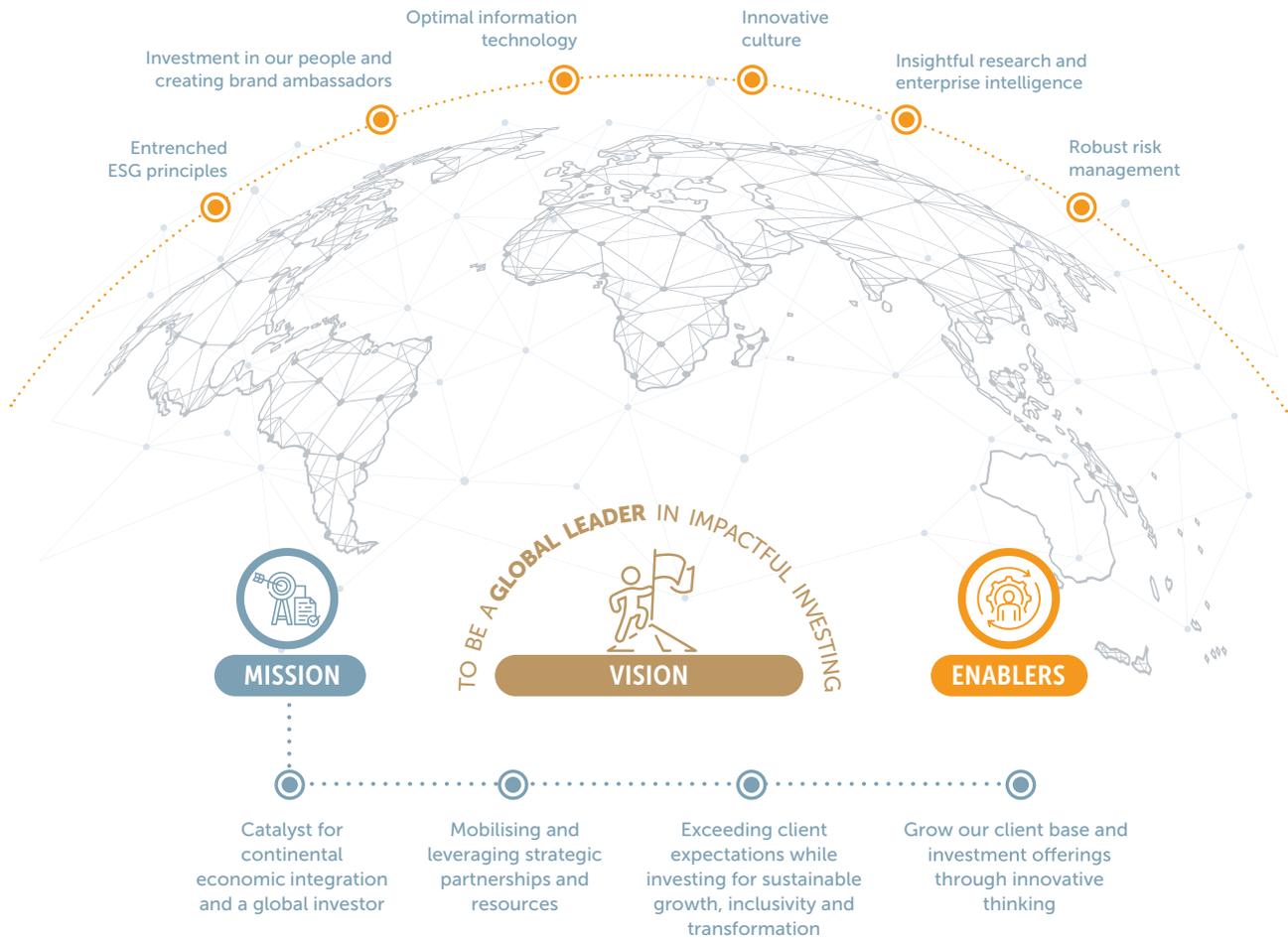


OUR VISION AND MISSION

1.10. Our mission is 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.

1.11. The diagram below shows the PIC Vision and Mission.

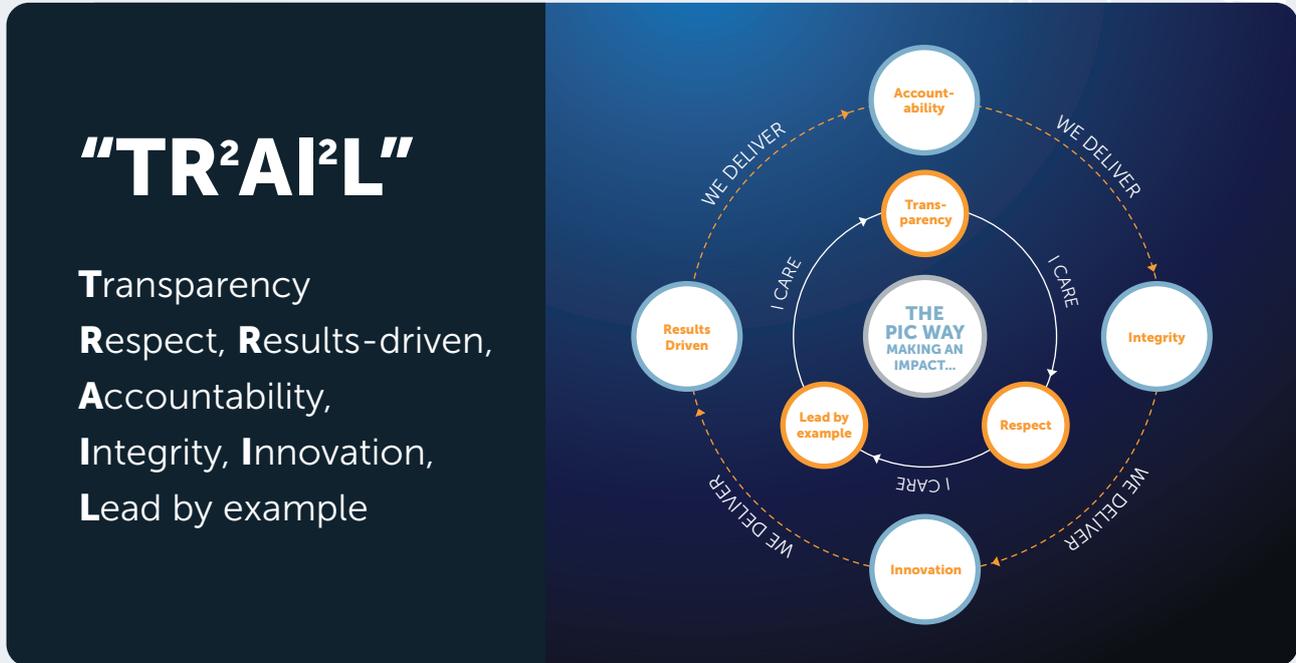
Figure 5: Our Vision and Mission



PIC'S VALUES

1.12. The PIC values are aligned to the PIC vision and mission. These values are a cornerstone of PIC's culture. The PIC values are discussed below in detail.

Figure 6: PIC's Values



"Living our PIC values, leaving a trail that goes beyond business: We at the PIC are passionate about a lasting legacy and leaving a mark on the lives of South African people and beyond. Our actions will leave a mark beyond financial returns and make an impact within the communities we serve and the wider society."

1.13. Translating PIC Values into Action

Table 1: Translating PIC's Values into Action

VALUES	DEFINITION
Transparency	<ul style="list-style-type: none"> We value creating a space for open communication, transparency and feedback above all else. We convey all necessary information to all our stakeholders.
Respect	<ul style="list-style-type: none"> We respect human rights and the elimination of all forms of discrimination. We treat each stakeholder with respect and listen to their views. We listen to the views of our stakeholders, and never disregard their opinions, no matter how different they are from ours.
Result driven	<ul style="list-style-type: none"> We drive for results with passion, grit and determination. Our passion drives us to work with great urgency and aspire for excellence in all we do. We accelerate each other and are accountable to each other to deliver on our vision. We will always go above and beyond to make our customers successful. We believe in value creation for our stakeholders. We enable our clients to realise the investment objectives and deliver beyond stakeholder expectations.
Accountable	<ul style="list-style-type: none"> We are prepared to take accountability for our organisation and individual commitments and decisions. We are accountable to our organisation for our individual commitments and decisions, and to our stakeholders for every decision we make.

VALUES	DEFINITION
Integrity	<ul style="list-style-type: none"> At the PIC, we do the right things, at the right time and in the right way, in all that we do, taking responsibility for our actions. We behave and conduct our business ethically, openly, with honesty, integrity, and diligence in order to meet the expectations of our colleagues, clients and all stakeholders. The stakeholders we do business with are expected to share our commitment to integrity by doing business fairly, ethically and in compliance with all applicable laws and regulations. Ethical leadership starts at the top. It is the responsibility of the Board, EXCO and Senior Management to embed an ethical culture at the PIC.
Innovative	<ul style="list-style-type: none"> We encourage and appreciate innovation and creativity. We consistently look for new ways of improving what we do, with emphasis on research and development.
Lead by example	<ul style="list-style-type: none"> We live the company values and model behaviour that we are proud of in all we do. We aim to outperform our benchmarks and play a leading role in terms of developmental investments and operational excellence.

PIC'S LEGISLATIVE MANDATE

1.14. The PIC is regulated by various laws and regulations, illustrated below.

Figure 7: PIC's Legislative Mandate



The FAIS Act

- 1.15. The PIC is regulated by the Financial Sector Conduct Authority (FSCA) through the operation of the Financial Advisory and Intermediary Services (FAIS) Act. The PIC is a Category II licensed FSP in terms of the FAIS Act. The PIC is required to be compliant with all aspects of the FAIS Act and to conduct its business within the limits of the Category II FSP conditions.
- 1.16. The clients of the PIC are mostly pension, provident, social security, and guardian funds. PIC's mandate is to invest funds on behalf of these clients, based on investment mandates agreed with each client. All client mandates are compliant with the legislation and regulations set by the FSCA. As a Category II FSP, the PIC is a discretionary FSP.

The PIC Act

- 1.17. The Corporation reports to the Minister of Finance who is the sole Shareholder Representative on behalf of the South African Government. The concept of a separate body responsible for the investment of Government deposits has its origins in the Public Debt Commissioners Act, No 18 of 1911 which came into operation on 02 May 1911. This Act was later replaced by the Public Debt Commissioners Act, No 2 of 1969. This legislation established the 'Public Debt Commissioners', which was later replaced by the 'Public Investment Commissioners', and was governed by the Public Investment Commissioners Act, No 45 of 1984. In 2005, the Public Investment Corporation SOC Limited was established by the PIC Act. In 2019, the PIC Amendment Act, No 14 of 2019 was signed into law to enhance transparency and accountability.

PFMA

- 1.18. In addition to the PIC Act, the operations of the PIC are bolstered by the establishment of legislation for some public entities which specifically directs these entities to invest monies that are not required for immediate use, with the PIC.
- 1.19. The PIC is a public entity and is listed in Schedule 3B of the PFMA. The PIC is therefore required to comply with the requirements of the PFMA.

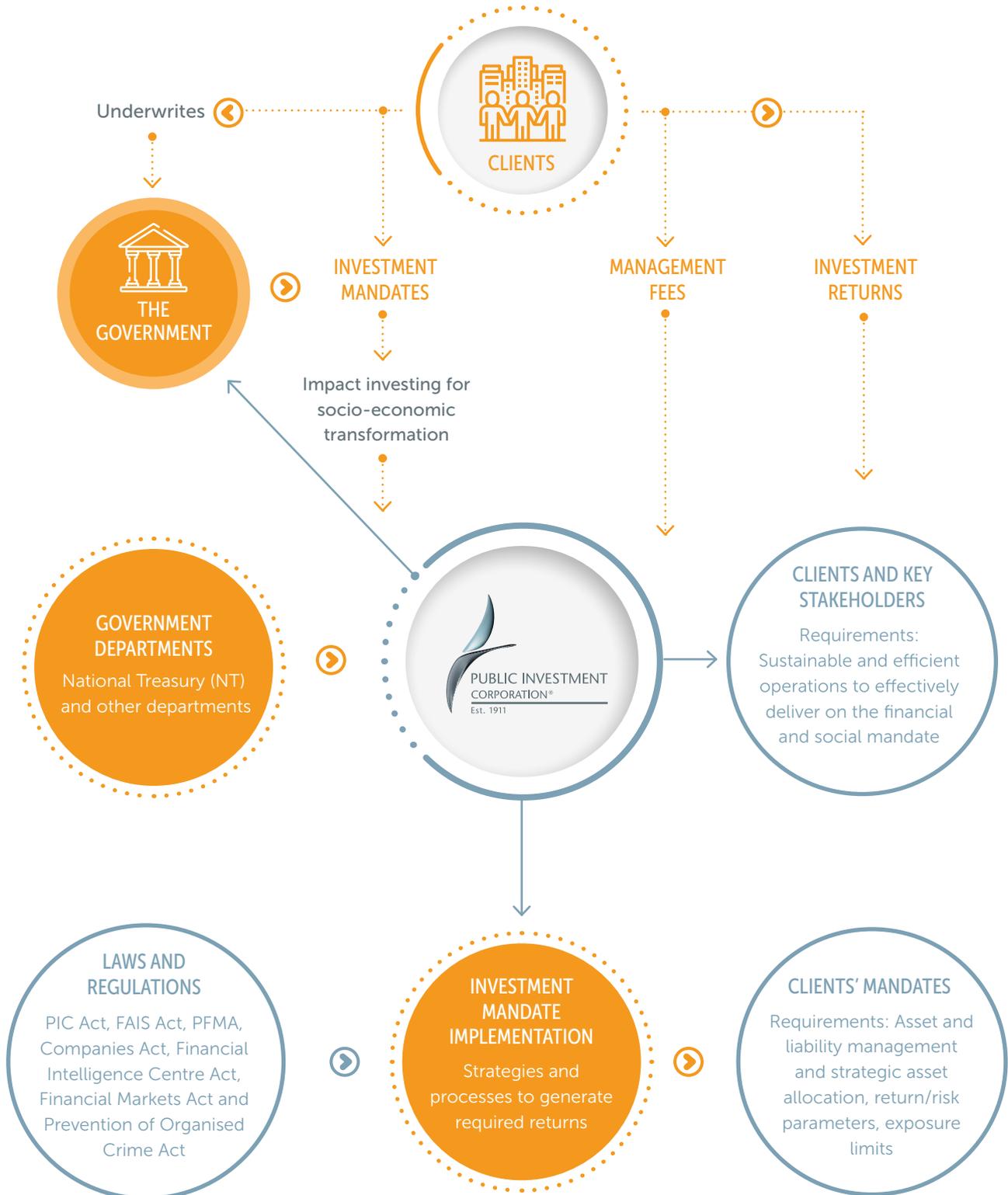
Other relevant laws and regulations

- 1.20. The investment operations of the PIC are regulated by the FSCA and the corporation is an approved financial services provider in terms of the FAIS Act. The PIC has been regulated by the FSCA since its inception in 2005. In addition to these laws, the PIC has to operate in line with other legislation such as the Companies Act, No 71 of 2008 (the Companies Act) and the Financial Intelligence Centre Act, No 38 of 2001 (FICA).
- 1.21. As the financial service provider and institutional investor in various markets, both listed markets, and unlisted markets, the PIC is required to comply with various exchange laws and regulations as well as competition laws, among others, in the regions in which it invests. The PIC is regulated by various legislation in the jurisdictions where it conducts its business.

PIC'S BUSINESS OPERATING MODEL

1.22. The diagram below shows the PIC Business Operating Model.

Figure 8: PIC's Business Operating Model

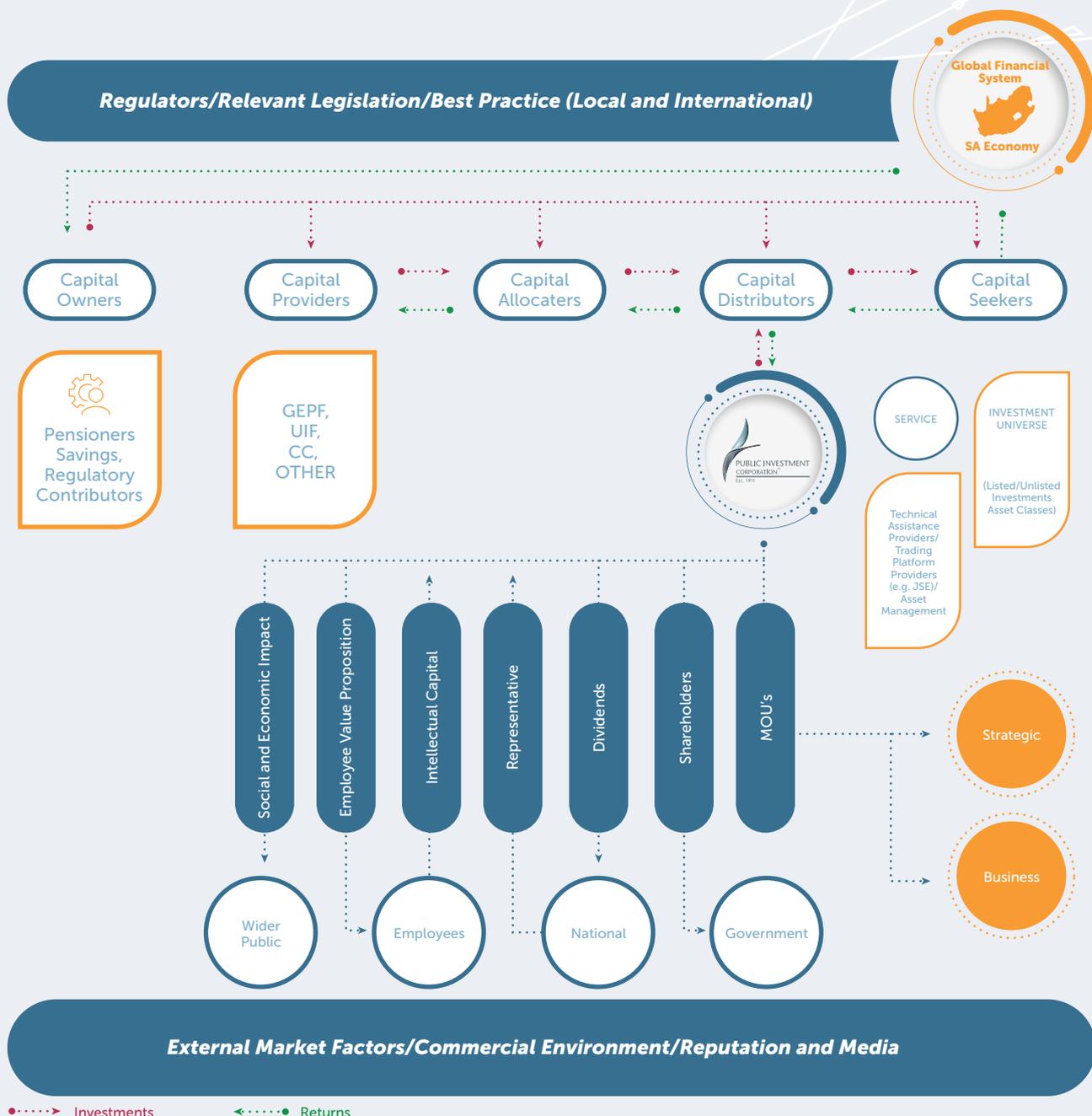


- 1.23. The PIC business model can be summarised as follows: The PIC invests funds allocated by clients. The clients pay management fees to the PIC. The management fees constitute a major source of the PIC's income that finances its operations. The PIC investment activities and implementation of the strategy are guided and overseen by the Board.
- 1.24. In doing business, the PIC interacts with the investee companies, Government (alignment of developmental and sectoral priorities, e.g., the National Development Plan (NDP)), service providers (provides specialist services), and strategic partners (crowding-in of private sector funding and co-investments) in implementation of the client mandates.
- 1.25. To effectively implement the clients' mandates, the PIC operating model is designed in a way that promotes efficiency and effectiveness.

PIC'S ECOSYSTEM AND STAKEHOLDERS

- 1.26. To ensure successful execution of the strategy PIC interacts with various stakeholders in the asset management ecosystem, as illustrated in the diagram below.

Figure 9: PIC's Ecosystem and Stakeholders



1.27. The table below shows the PIC's interactions and impact with its various stakeholders.

Table 2: PIC's Interactions and Impact with Various Stakeholders

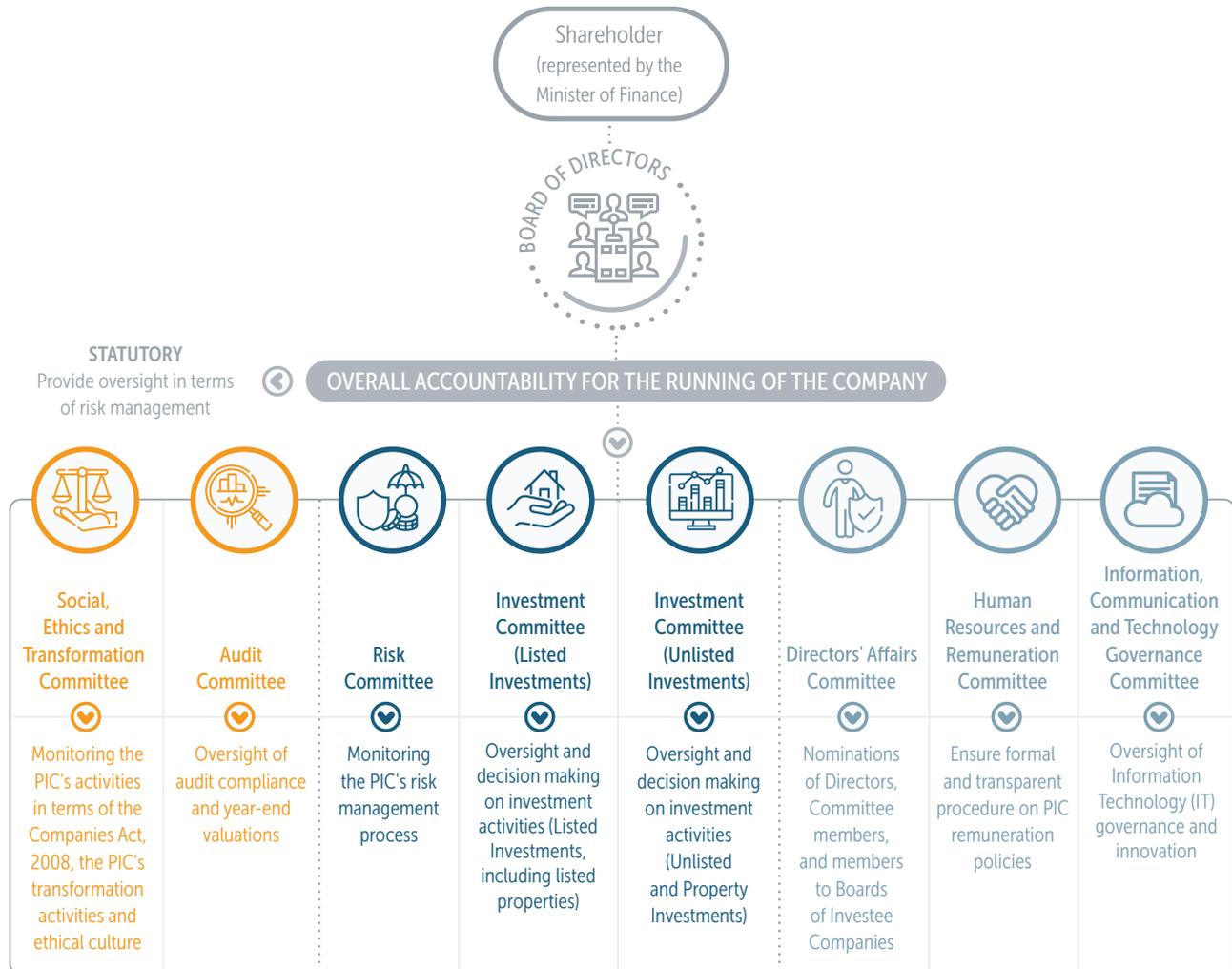
Counterparty	What they require from PIC	PIC Strategic Positioning	Strategic Impact
Clients	<ul style="list-style-type: none"> Financial returns Asset growth Sustainability and impact investing Pension security and increases Client direct benefit products Expectation to act ethically Management fees containment 	<ul style="list-style-type: none"> PIC relationship with clients Competitive management fees Owned by the Government Build an organisation based on confidence and trust Human Capital Management: Attract and retain the best talent Clean audit to ensure confidence by stakeholders Consistent good client performance over a long period Client benefits design e.g., Housing, Healthcare, Education 	<ul style="list-style-type: none"> Security for beneficiaries Driving inclusive growth Developmental Investments Development of innovative solutions to advance financial inclusion and allow the clients to directly participate in the economy Job creation Transformation of various sectors Expanding client products
Shareholder	<ul style="list-style-type: none"> Corporate financial sustainability Good corporate governance and compliance Be the best in class asset manager 	<ul style="list-style-type: none"> Prudent management of client's assets to ensure that Government guarantee is not threatened Strong financial sustainability Strong governance Alignment of PIC investment strategy to the shareholders strategic intent 	<ul style="list-style-type: none"> Strategic intent implementation Alignment to NDP, Sustainable Development Goals (SDG's) 2030, and other key initiatives by the Shareholder
Government	<ul style="list-style-type: none"> Alignment to Government developmental agendas Be a catalyst to reform State Owned Enterprises (SOEs) National Treasury bond market support Investments in strategic sectors of the economy Crowding-in of private sector investments funding Job creation and impact investing 	<ul style="list-style-type: none"> Alignment of PIC investment strategy to key Government developmental agendas Driving transformation, and impact investing in various sectors of the economy Contributing to economic growth and job creation through investments Biggest player in the bond market and the JSE Biggest investor in the economy and unlisted investments Driving SOE reforms Driver to SDGs 2030 Driver and contributor to NDP objectives attainment 	<ul style="list-style-type: none"> Investments in critical sectors that drive the economy Targeting high job creation sectors Investments in social and economic infrastructure Crowding-in of private sector funding Transformation across all sectors
Regulators	<ul style="list-style-type: none"> Compliance 	<ul style="list-style-type: none"> Good standing with regulators, competition commission, and other assurance providers Compliance and good governance 	<ul style="list-style-type: none"> Use regulation to his/her advance transformation and impact investments, e.g., FSCA
Service providers	<ul style="list-style-type: none"> Business from PIC (e.g., brokerage, systems, advisory work) Fees 	<ul style="list-style-type: none"> Drive transformation SMME development Transmit PIC ESG principles to service providers Youth employment through internship provided by PIC's service providers – ensure measurement takes place 	<ul style="list-style-type: none"> Drive good governance in all companies that we invest in Drive good behaviour at management Drive transformation job creation Youth training through an internship

Counterparty	What they require from PIC	PIC Strategic Positioning	Strategic Impact
Asset Managers	<ul style="list-style-type: none"> Allocation of funds from PIC for alpha generation Extension of PIC activities 	<ul style="list-style-type: none"> Large AuM base Multi-asset classes Very low fees Good performance Drive ESG sustainable best practice 	<ul style="list-style-type: none"> Drive transformation in the sector Create new enterprises (new emerging Asset Managers) Job creation Youth training and development Women advancement
Investee companies	<ul style="list-style-type: none"> Funding for new projects or expansion Access to capital Driving transformation and ESG Being a shareholder of their companies 	<ul style="list-style-type: none"> Drive good governance and ESG in all companies that we invest in Key/strategic investment partner Investor of choice Ability to monitor closely (Active Portfolio Management) 	<ul style="list-style-type: none"> Drive transformation in the sectors Assisting sectors in distress to save jobs Assist investee companies to expand through the provision of funding Driving ESG and compliance with the BEE Act in investee companies – Driving SDGs and ESG
Sponsors	<ul style="list-style-type: none"> Funding from PIC B-BBEE transactions 	<ul style="list-style-type: none"> Drive tangible transformation which results in effective skills transference 	<ul style="list-style-type: none"> BEE funding framework Insisting on “skin-in-the-game” contribution Active BEE sponsors Risk alignment with BEE sponsor
Wider public	<ul style="list-style-type: none"> Impact Investments (social and economic) Job creation Sustainability (clean environment, water, electricity, etc) 	<ul style="list-style-type: none"> Contribute to economic growth Contribute to job creation Crowd in effect to create new industry or sector Drive social and transformation agenda 	<ul style="list-style-type: none"> Contribute to economic growth Contribute to job creation Drive social and transformation agenda Drive achievement of NDP and SDGs
Strategic Partners	<ul style="list-style-type: none"> Co investments Co-development Partnership to crowd-in funding Credible Investment Partner 	<ul style="list-style-type: none"> PIC AuM attracts good strategic partners Strategic partnership with government departments Regional and global partners 	<ul style="list-style-type: none"> Crowding-in funding Competitive advantage when investing in the rest of the continent Tapping into global expertise from strategic partners Extension of PIC activities
Employees	<ul style="list-style-type: none"> Employee Value Proposition Alignment of interest Confidence and trust Competitive and engaging work environment 	<ul style="list-style-type: none"> Retain and attract Skills development with a focus on women and youth 	<ul style="list-style-type: none"> Job creation Young talent development

PIC BOARD GOVERNANCE STRUCTURE

1.28. The PIC has a Board that governs and has overall accountability for the well-functioning of the company. Below is the PIC Board structure and its Board Committees.

Figure 10: PIC Board Governance Structure



1.29. The PIC Board reports to the Minister of Finance who is the sole Shareholder Representative on behalf of the South African Government. In terms of Section 6(1) of the PIC Act, the Minister, in consultation with Cabinet, appoints the Board members of the PIC, and in terms of Section 7 of the PIC Act, the Board may establish such Committees as it considers necessary.

1.30. The PIC Board provides leadership to the PIC on all issues of strategy, performance, resources, and standards of conduct, either directly or through its Committees. Good corporate governance is an integral part of the business of the PIC.

1.31. The PIC Board further facilitates long-term Shareholder value and enhances the benefits that all stakeholders derive from PIC's continued success.

1.32. The Board has adopted a Code of Ethics to promote proper standards of conduct, sound and prudent practices for PIC employees and Directors, and to guide them when dealing with stakeholders, including clients, suppliers, and customers. The PIC's employees and Directors are committed to managing its affairs in an ethical and disciplined manner.

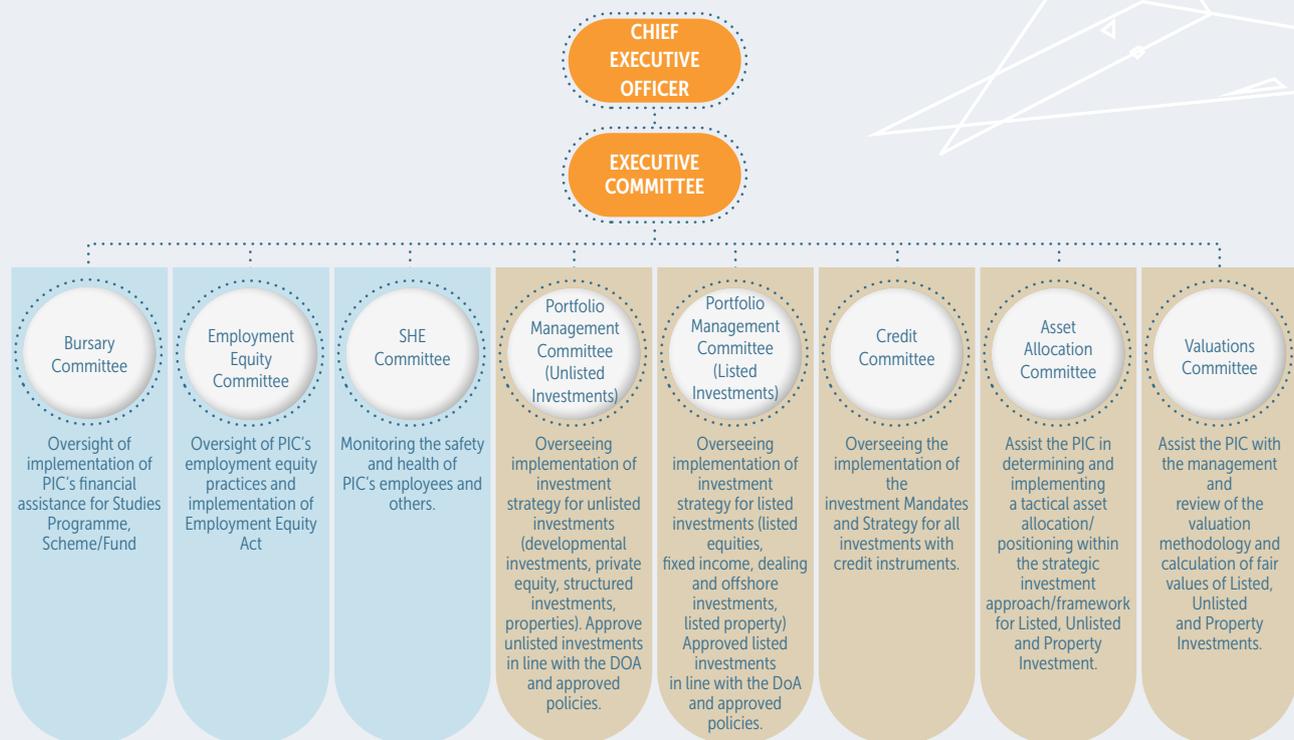
1.33. The PIC Board has embraced the King Report on Corporate Governance for South Africa, 2016 (the King IV™ Report) as the key governance framework. The aim is to instil a culture of compliance and good governance and to ensure that Board members and PIC employees conduct the PIC's affairs with accountability, transparency, fairness, and prudence.

- 1.34. The PIC Board has eight Board Committees, of which the Audit Committee and the Social, Ethics, and Transformation Committee are Statutory Committees as required by the Companies Act.
- 1.35. The other Board Committees are the Directors' Affairs Committee, Risk Committee, the Human Resources and Remuneration Committee, the Information Communication and Technology Governance Committees, and the Investment Committee (Listed Investments and Unlisted Investments).
- 1.36. The Investment Committee (IC) is responsible for overseeing the implementation of investment decisions, monitoring the performance of investments, and reporting on the investment activities.

PIC EXECUTIVE COMMITTEE GOVERNANCE STRUCTURE

- 1.37. The diagram below shows the Executive Committee (Exco) governance structure and Exco Sub-Committees.

Figure 11: Executive Committee Governance Structure

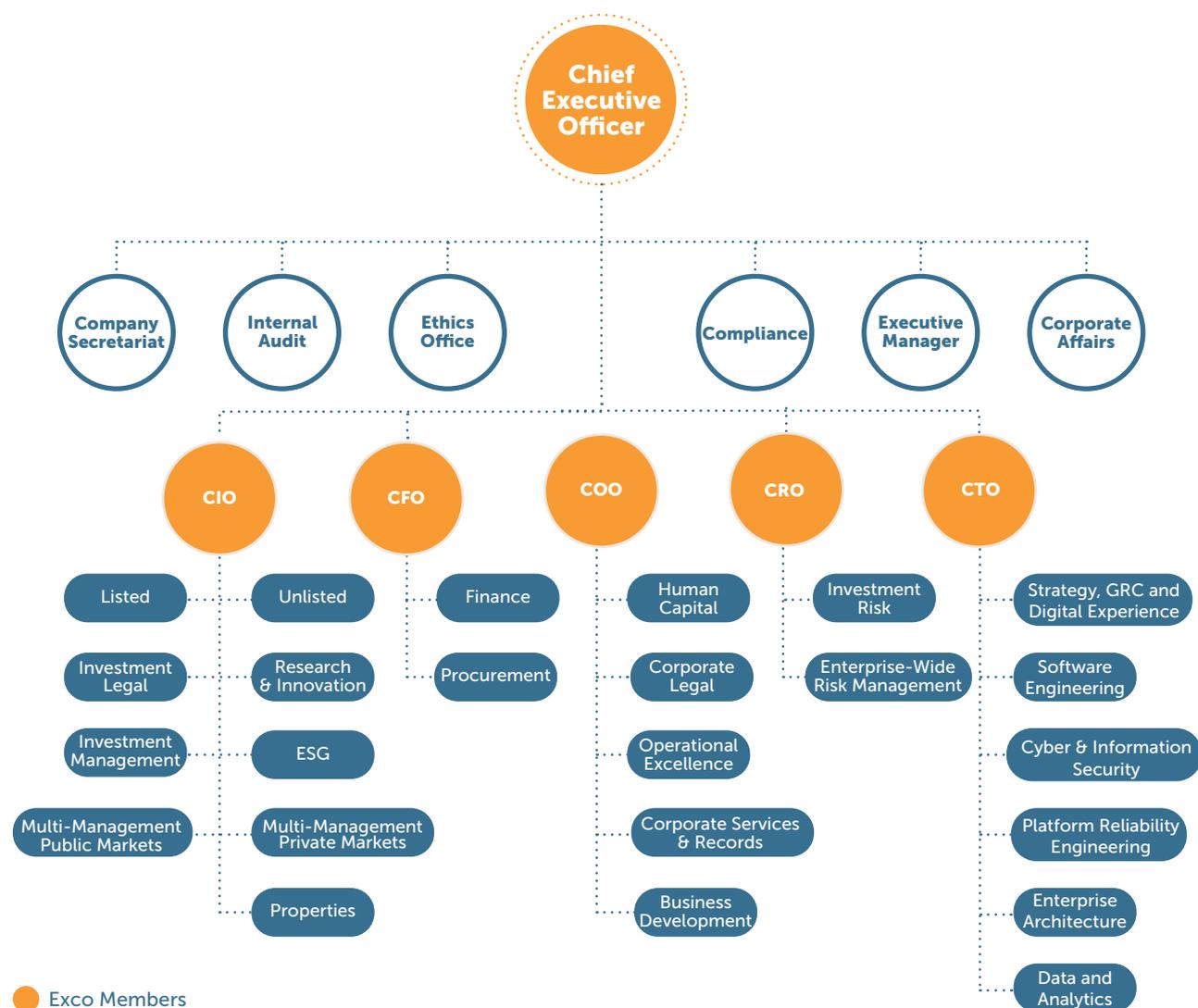


- 1.38. The Chief Executive Officer (CEO), who is also an Executive Director, is responsible for the day-to-day management of the PIC in line with the Board-approved Delegation of Authority Framework (DOA) and the strategic direction set by the Board. The CEO is assisted by an Exco. The objective of Exco is to assist the CEO to effectively discharge his/her duties and manage the PIC. Exco is governed by all applicable laws, as well as an approved Terms of Reference (ToR). Exco has established Sub-Committees in line with PIC's investment strategy to instil a culture of compliance and good governance and to ensure that the PIC's governance processes and affairs are conducted with accountability, transparency, fairness, and prudence. This ensures effective implementation of PIC's mandate, collective, robust decision-making, and proper management of the affairs of the PIC.
- 1.39. The Sub-Committees which support the investment strategy of the PIC are the Portfolio Management Committee (Unlisted Investments) (for all unlisted investments, including properties), Portfolio Management Committee (Listed Investments) (for all listed investments), the Credit Committee, and the Asset Allocation Committee. A Credit Committee looks at credit instrument analysis and pricing. The Portfolio Management Committees report to the Investment Committee on a quarterly basis.
- 1.40. The Valuation Committee is responsible for the management and review of the valuation methodology and calculation of fair values of listed and unlisted investments made by the PIC on behalf of its clients, and reports to the Audit Committee on a quarterly basis.

1.41. Each Exco Sub-Committee operates in line with an Exco-approved ToR, Board-approved DOA Framework, and approved policies. The ToR and DOA are reviewed on an annual basis.

1.42. The diagram below is a high-level structure of the PIC.

Figure 12: PIC's High-level Organisational Structure



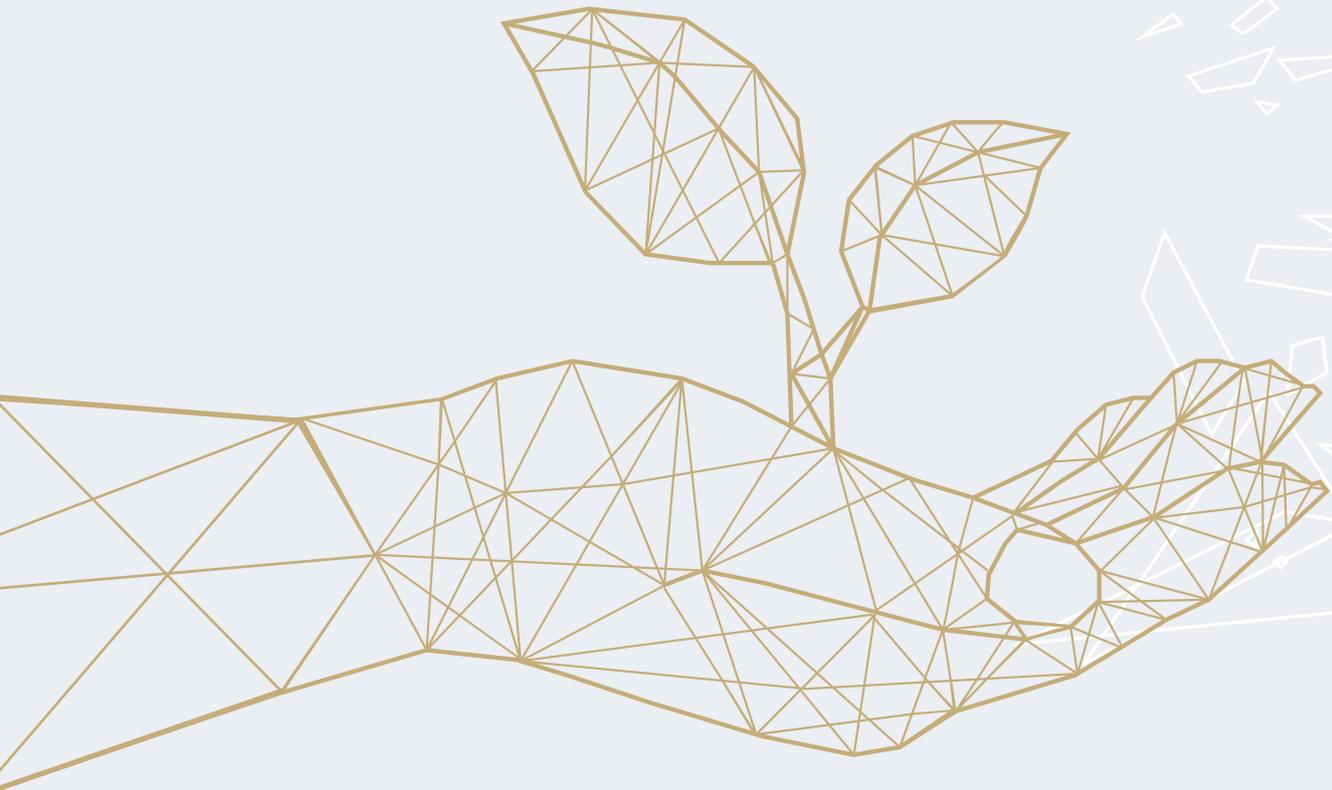
1.43. The PIC regards its highly skilled and experienced staff, robust Information and Communication Technology (ICT) platforms, risk management practices, as well as good corporate governance and compliance, as its business enablers. The corporation is highly reliant on and leverages ICT to achieve its objectives. As a key operating principle, the PIC maintains an optimum level of employees with the relevant skills to support its investment products as well as modern efficient IT systems and platforms.

Source of Income

1.44. The PIC's main source of income is management fees, charged on the market value of Assets under Management (AuM) and committed capital during the commitment period.

1.45. The PIC continues to deliver investment performance which compares well with that of active asset managers in the private sector.

1.46. Other sources of income include Board fees, where employees are nominated as Directors on investee companies, and investment income, which PIC receives from surplus corporate operations funds that have been invested.



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SECTION TWO

PIC OPERATING ENVIRONMENT

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PIC OPERATING ENVIRONMENT

MACROECONOMIC OUTLOOK - GLOBAL BACKDROP

2.1. Global economic growth is expected to slow this year as the effects of the aggressive monetary policy tightening in the past couple of years, tight credit conditions, and weak trade and investment weigh on economic activity. The World Bank projects global growth of 2.4% YoY for 2024, and 2.7% for 2025 as advanced economies improve and inflation falls within most central banks' targets.

Table 3: Global Economic Growth Forecasts

REGION/COUNTRY	ACTUAL		ESTIMATE	FORECAST		PPT DIFF. FROM JUNE FORECAST		
	2021	2022	2023	2024	2025	2023	2024	2025
World	6,2	3	2,6	2,4	2,7	0,5	0,0	-0,3
Advanced economies	5,5	2,5	1,5	1,2	1,6	0,8	0,0	-0,6
United States	5,8	1,9	2,5	1,6	1,7	1,4	0,8	-0,6
Euro area	5,9	3,4	0,4	0,7	1,6	0,0	-0,6	-0,7
Japan	2,6	1	1,8	0,9	0,8	1,0	0,2	0,2
Emerging markets	7	3,7	4	3,9	4,0	0,0	0,0	0,0
East Asia and Pacific	7,5	3,4	5,1	4,5	4,4	-0,4	-0,1	-0,1
China	8,4	3	5,2	4,5	4,3	-0,4	-0,1	-0,1
Indonesia	3,7	5,3	5	4,9	4,9	0,1	0,0	-0,1
Thailand	1,5	2,6	2,5	3,2	3,1	-1,4	-0,4	-0,3
Europe and Central Asia	7,1	1,2	2,7	2,4	2,7	1,3	-0,3	0,0
Russia	5,6	-2,1	2,6	1,3	0,9	2,8	0,1	0,1
Turkey	11,4	5,5	4,2	3,1	3,9	1,0	-1,2	-0,2
Poland	6,9	5,1	0,5	2,6	3,4	-0,2	0,0	0,2
Latin America and the Caribbean	7,2	3,9	2,2	2,3	2,5	0,7	0,3	-0,1
Brazil	5	2,9	3,1	1,5	2,2	1,9	0,1	-0,2
Mexico	5,8	3,9	3,6	2,6	2,1	1,1	0,7	0,1
Argentina	10,7	5	-2,5	2,7	3,2	-0,5	0,4	1,2
Middle East and North Africa	3,8	5,8	1,9	3,5	3,5	-0,3	0,2	0,5
Saudi Arabia	3,9	8,7	-0,5	4,1	4,2	-2,7	0,8	1,7
Iran	4,7	3,8	4,2	3,7	3,2	2,0	1,7	1,3
Egypt	3,3	6,6	3,8	3,5	3,9	-0,2	-0,5	-0,8
South Asia	8,3	5,9	5,7	5,6	5,9	-0,2	0,5	-0,5
India	9,1	7,2	6,3	6,4	6,5	0,0	0,0	0,0
Bangladesh	6,9	7,1	6	5,6	5,8	0,8	-0,6	-0,6
Pakistan	5,8	6,2	-0,2	1,7	2,4	-0,6	-0,3	-0,6
Sub-Saharan Africa	4,4	3,7	2,9	3,8	4,1	-0,3	-0,1	0,1
Nigeria	3,6	3,3	2,9	3,3	3,7	0,1	0,3	0,6
South Africa	4,7	1,9	0,7	1,3	1,5	0,4	-0,2	-0,1
Angola	1,2	3	0,5	2,8	3,1	-2,1	-0,5	0,0
			KEY	LOW	HIGH	LOW		HIGH

Source: PIC Research, World Bank

Note: Growth forecasts for South Africa are based on the World Bank projections.

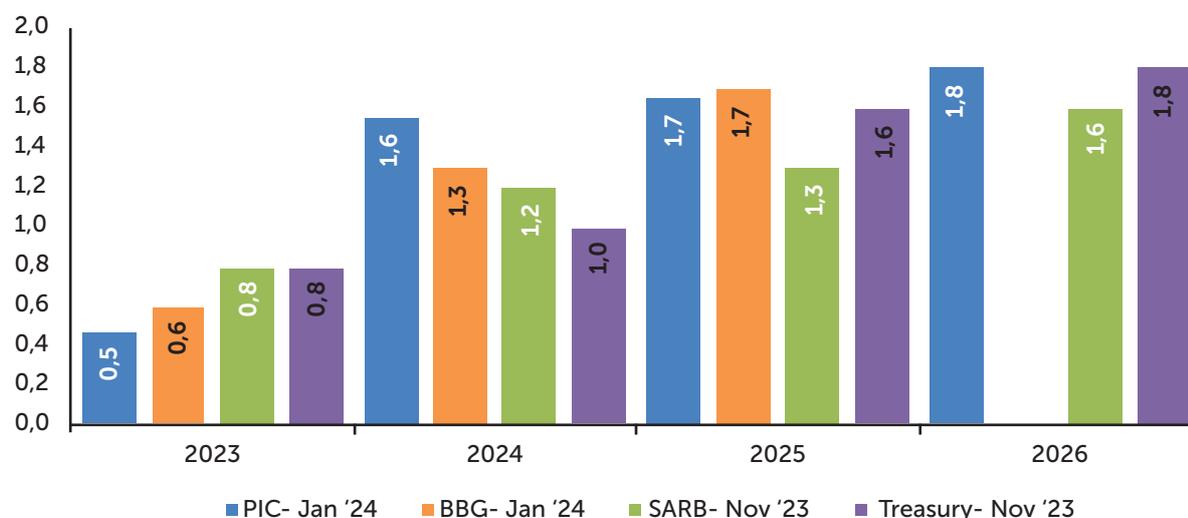
- 2.2. This year, we expect advanced economies to slow as US consumption will likely wane as pandemic savings are depleted, and investment is constrained by high interest rates. Consequently, we do not expect robust performance within risky assets classes given the high interest rates. Emerging Markets (EMs) are expected to grow at about 3.9% YoY in 2024 and 2025 as China continues to slow, while other EMs pick up slack as exports and investment improve.
- 2.3. Heightened geopolitical tensions could influence monetary policy settings, prolonging the high-interest rate period as inflationary risks are elevated with rising shipping costs and potentially higher oil prices. In addition, geopolitical developments could trigger risk-off sentiment, making it costlier for emerging markets to attract capital and alleviate fiscal pressures. As a result, EM assets will likely be out of favour this year.
- 2.4. Downside risks to the macroeconomic outlook include geopolitical risks in the Middle East, which add to the already elevated risks resulting from the war in Ukraine and developments in China and Taiwan. The ongoing geopolitical tensions could have ramifications for commodity prices, trade, and financial markets. In addition, uncertainty, confidence, and sentiment will also be moved by geopolitical developments. The impact on inflation could lead to higher interest rates or the period of high interest rates persisting for longer. Other downside risks include weak growth and elevated interest rates, especially considering high debt levels from pandemic fiscal stimulus. Continued weakness in China could lead to weaker global growth, especially in EMs. On the upside, recent robust growth in the US and declining inflation allude to the possibility that growth could be stronger than expected.

Asset allocation implications: Risks are skewed to the downside for equities as borrowing costs are at their peak and activity is being dragged lower by the cumulative effects of the interest rate hikes over the past two years. The high hurdle rate compared to cash makes equities unattractive, however this view could change if the Fed starts cutting rates.

DOMESTIC GROWTH PROSPECTS AND OUTLOOK

2.5. South Africa's GDP declined by 0.2% quarter-on-quarter in the third quarter of 2023 as more intense loadshedding materialised. The PIC had pencilled in growth of +0.1% QoQ, while market consensus was for a contraction of 0.2%. Consequently, lower GDP growth was not a surprise to the market as the economy was expected to move more or less sideways.

Figure 13: GDP Growth Outlook Remains Bleak



- 2.6. The resiliency of the economy despite lower electricity output supports the argument that South Africa has become less dependent on electricity supply from Eskom. Despite this, more intense loadshedding does limit economic growth and since we expect more loadshedding, as typically observed in summer months when planned maintenance resumes, growth in the last quarter of the year will likely be lower. In addition, local headwinds, notably in the logistics sector, and lower global economic growth driven by lower commodity prices, will likely continue to weigh on economic activity in the near term.
- 2.7. Growth will continue to be bound by logistical and energy constraints which will see less economic activity and higher costs of doing business. While from the demand side, expenditure by government, public corporations, firms and households have been positive on an annual basis. Continued reduction in loadshedding, increased supply of energy from alternative sources and an improvement in logistics would significantly increase economic growth.
- 2.8. Looking ahead, we expect subdued economic growth due to lower than expected global economic growth and loadshedding to limit the recovery in job creation. Although temporary jobs could be supported by activity ahead of the elections in 2024. Nevertheless, the stagnant labour market continues to bode ill for future household consumption. For these reasons, we expect upward revisions to government debt-to-GDP forecasts in the Budget Review to be presented by the Minister of Finance in February. This could see government bond yields remaining elevated, resulting in higher debt refinancing costs for the state.

Asset allocation implications: Regarding domestic equities, the "storm" is essentially priced in for China, indicated by a significant decrease in their high yield credit yields. From an economic view, China is also looking better which may support the broader domestic stock market, notably domestic miners and China-exposed stocks such as Naspers and Tencent. However, we do caution that this is highly dependent on regulation policy pronouncements in China as we have recently witnessed how haphazard gaming regulations have impacted stocks such as Tencent. Domestic banks are also showing good value when considering their return on equity.

Domestic bonds have double digit yields and tend to be attractive with high real yields. That said, we may see a sell-off as we approach the election period in the year, however yields and Credit Default Swap (CDS) spreads tend to rebound quickly. Bonds may become increasingly attractive once we see evidence of the implementation of key structural reforms.

From a property perspective, the price-to-book ratios have gone down significantly and, provided we have seen a peak in interest rates (which is likely), we should see recovery in the property sector, which bodes well from a multi-year outlook.

Cash remains attractive, and we are still slightly overweight in cash due to the current risk-reward profile. However, once interest rates normalise, we would aim to secure longer-dated fixed rates and begin decreasing our cash holdings and increasing our exposure to risk assets.

Table 4: Summary of PIC Macroeconomic Forecasts – January 2024

Indicators	2022	2023			2024			2025			2026			2027			2028	
	Act	Curr	Prev	Cons	Curr													
Real GDP (YoY)	1.9	0.5	0.4	0.6	1.6	1.6	1.3	1.7	1.7	1.7	1.8	1.9		1.9	2.1		2.0	
Household expenditure	2.5	0.5	0.5		0.8	1.4		2.3	2.8		3.1	2.9		3.2	2.8		3.1	
Durable goods	0.9	0.1	-1.2		-1.6	-0.1		2.5	5.4		5.3	5.8		6.2	6.0		6.4	
Semi-durable goods	1.4	3.1	1.4		3.0	1.6		4.8	4.7		5.9	5.2		6.8	5.3		7.4	
Non-durable goods	2.3	-1.3	-0.4		-0.3	1.2		0.5	1.1		1.2	1.3		1.4	1.2		1.5	
Services	3.1	1.2	1.1		1.6	1.7		2.9	2.9		3.1	2.8		2.8	2.5		2.6	
Government expenditure	1.0	2.2	1.7		1.1	2.2		1.1	2.5		1.1	2.7		1.1	2.8		1.0	
Gross fixed capital formation	4.8	4.4	5.0		1.2	0.1		2.1	1.6		2.6	2.5		4.1	4.0		5.5	
Exports	7.4	3.4	0.7		0.0	-1.8		1.2	-0.9		1.6	0.1		1.8	0.7		1.9	
Imports	14.9	4.0	3.2		-1.2	-2.9		2.3	2.1		4.4	3.4		5.1	3.8		5.5	
Current acc. as % of GDP	-0.5	-1.5	-3.3	-1.7	-2.1	-3.5	-2.5	-2.5	-3.7	-2.6	-2.7	-3.7		-2.9	-3.7		-2.4	
CPI inflation (Avg.)	6.9	5.9	5.9	5.9	4.9	4.8	5.0	4.5	4.5	4.5	4.5	4.4		4.5	4.4		4.5	
CPI inflation (EOP)	7.2	5.2	5.6		4.8	4.4		4.5	4.5		4.5	4.4		4.5	4.5		4.5	
Repo rate (EOP)	7.00	8.25	8.25	8.25	7.50	7.25	7.50	6.50	6.00	7.00	5.50	5.50		5.00	5.00		5.00	
Baseline Scenario	USD/ZAR (Avg.)	16.46	18.49	18.54		18.70	18.71		19.00	18.85		19.17	19.15		19.63	19.62		20.41
	USD/ZAR (EOP)	17.04	18.36	18.72	18.36	18.99	18.69	18.25	19.02	18.99	17.83	19.30	19.29	17.70	19.91	19.90	19.30	20.85
	USD/ZAR (EOP)	17.04	18.36	17.73		18.97	17.73		19.94	19.58		20.95	20.58		22.02	21.63		23.14
Worst case scenario	USD/ZAR (Avg.)	16.46	18.32	19.13		19.95	21.20		21.20	21.02		21.03	20.98		21.15	21.11		21.59
	USD/ZAR (EOP)	17.04	18.36	21.40		21.37	21.40		21.06	21.00		21.00	20.97		21.27	21.24		21.87

Source: PIC Research, Stats SA, SARB, Bloomberg

Note: EOP = End of Period, PPP = Purchasing Power Parity (base = Jan 1994). Cons = Bloomberg median consensus forecast as at 18 January 2024



ENVISIONING A TRANSFORMED FUTURE:
EMPOWERING COMMUNITIES
WITH SUSTAINABLE
INFRASTRUCTURE FUNDING



SECTION THREE

PIC INVESTMENT STRATEGY

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PIC INVESTMENT STRATEGY

INTRODUCTION

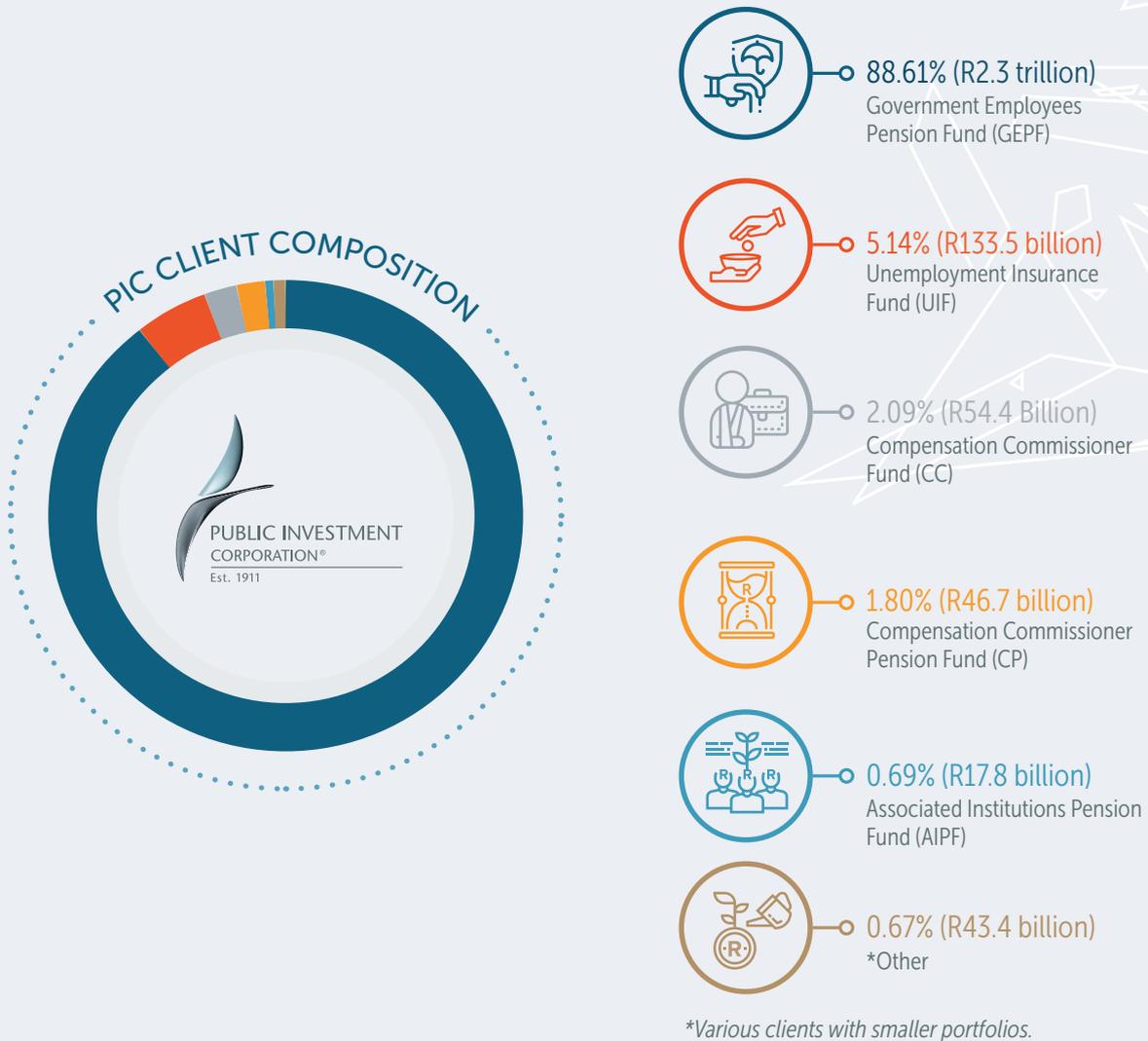
- 3.1. The PIC's investment strategy is based on the mandate provided to us by our valued clients. The PIC is an active manager and a responsible steward of our investors' capital. We further believe that it is imperative to be a catalyst for economic growth, transformation and job creation, especially in South Africa. The key objective is to build investment portfolios that can deliver superior risk-adjusted returns while considering social, environmental and governance related matters. Our goal, as a responsible investment firm, is to ultimately deliver inflation beating returns to our clients on a consistent and sustainable manner. As we endeavour to deliver and exceed our client expectations, we do so within strict mandate guidelines and parameters. To this end, the PIC has developed a robust investment framework for an increasingly challenging and complex investment environment.
- 3.2. The PIC, as an investment firm owned by the Government of the Republic of South Africa, is in the business of trust and confidence. It has an enormous responsibility bestowed upon it by its clients and stakeholders. To achieve its strategic objectives, a robust and compelling investment strategy, philosophy, and culture within the PIC, supported by the right people, organisational structure, investment processes, systems and risk management is vital.
- 3.3. The PIC is a long-term investor and its investment strategy is designed to take into consideration a long-term view based on both top-down (macro environment, business cycles, interest rate cycles, etc) and bottom-up fundamental research.
- 3.4. The PIC's primary investment objectives are to deliver benchmark beating returns over the medium-to-long-term periods. This is supported by diligent risk management while contributing to the broader social and economic development of South Africa and the rest of Africa. PIC's strategy includes building a portfolio around clients' requirements, diversified by asset classes, industries, sector, geography, instrument type, duration, and size.

PIC CLIENTS AND STRATEGIC ASSET ALLOCATION PROCESS

- 3.5. The PIC's clients are the cornerstone of its business. The clients own the funds that PIC manages and decide on the overall risk preference and targeted benchmark returns. The PIC continues to strengthen existing client relations through structured interactions. The major clients include the Government Employees Pension Fund (GEPF), the Unemployment Insurance Fund (UIF), the Compensation Commissioner Fund (CC), the Compensation Commissioner Pension Fund (CP), the Associated Institutions Pension Fund (AIPF) and various other clients.
- 3.6. Each client has specific investments objectives, expressed in the investment mandate given to the PIC to execute. These client investment mandates are based on actuarial asset and liability studies and approved by the Financial Sector Conduct Authority (FSCA).

3.7. The diagram below shows the PIC clients and their AuM totalling R2.599 trillion as of 31 March 2023.

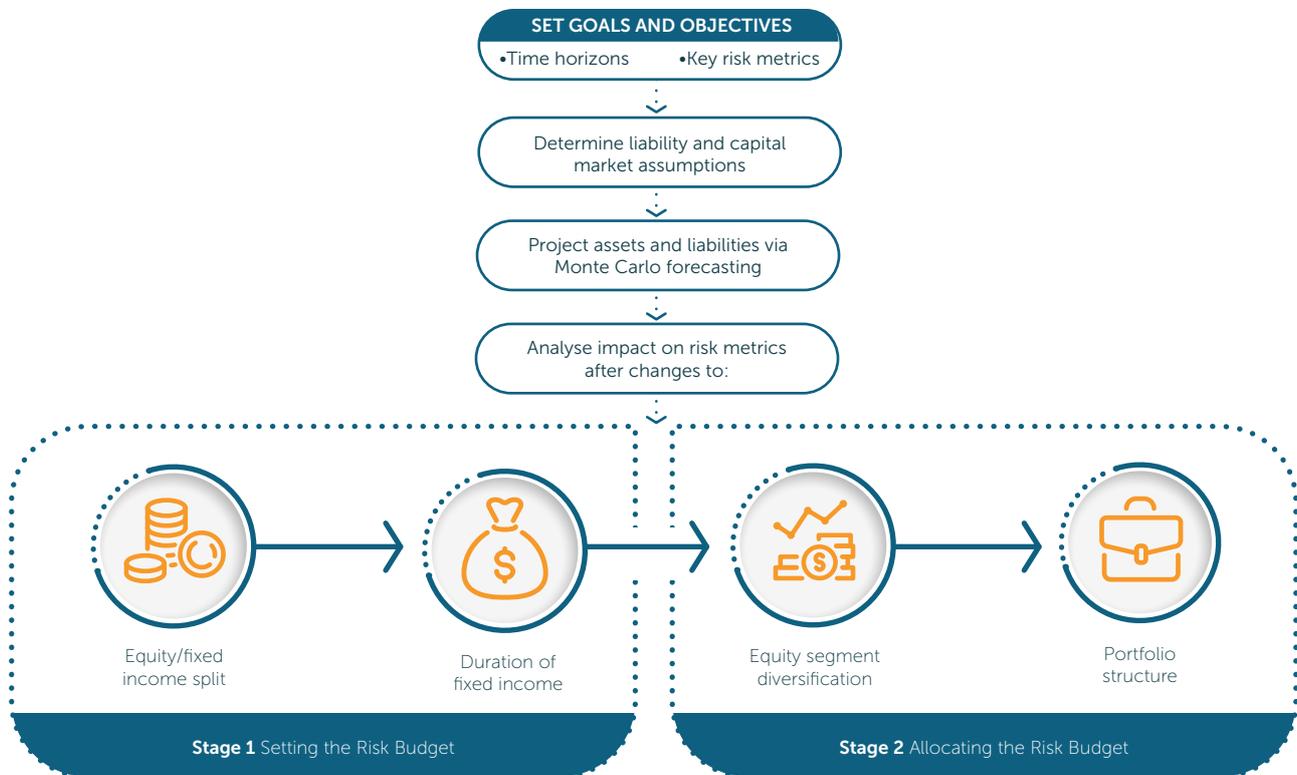
Figure 14: PIC's Clients



* Office of the Auditor-General: Staff Liabilities; Guardian Fund Cape Town; Guardian Fund Eastern Cape; Guardian Fund Main Account; Guardian Fund Natal – Pietermaritzburg; Guardian Fund Northern Cape; Guardian Fund Orange Free State; Guardian Fund Reserve; Guardian Fund Transvaal; King George V Silver Jubilee Tuberculosis Fund; President Fund; and University Fund.

3.8. The clients set the Strategic Asset Allocation for the PIC. The clients with assistance from actuarial consultants perform an independent comprehensive Asset and Liability Modelling (ALM) process to determine the Strategic Asset Allocation (SAA). The process that is undergone by the clients is summarised below:

Figure 15: PIC's Clients' Strategic Asset Allocation Process through ALM Process



3.9. After the ALM study is complete, the clients develop comprehensive mandates that prescribe the desired SAA, investment styles, benchmarks, targeted external manager styles, risk parameters, credit rating limits, exposure limits, time horizon, and geographical exposures. The client mandates are then approved by the FSCA before implementation by the PIC. The PIC has a fully discretionary mandate to manage the investments of its clients within the prescribed mandate parameters. The clients' SAA methods are different, and the PIC manages all these mandates independently of each other. It is the responsibility of the PIC to develop an appropriate investment strategy for each client mandate and a Tactical Asset Allocation (TAA).

3.10. The process for moving from clients' Strategic Asset Allocation (SAA) to implementation of the mandate by the PIC, is shown below:

Figure 16: Process from Strategic Asset Allocation to implementation of Mandate

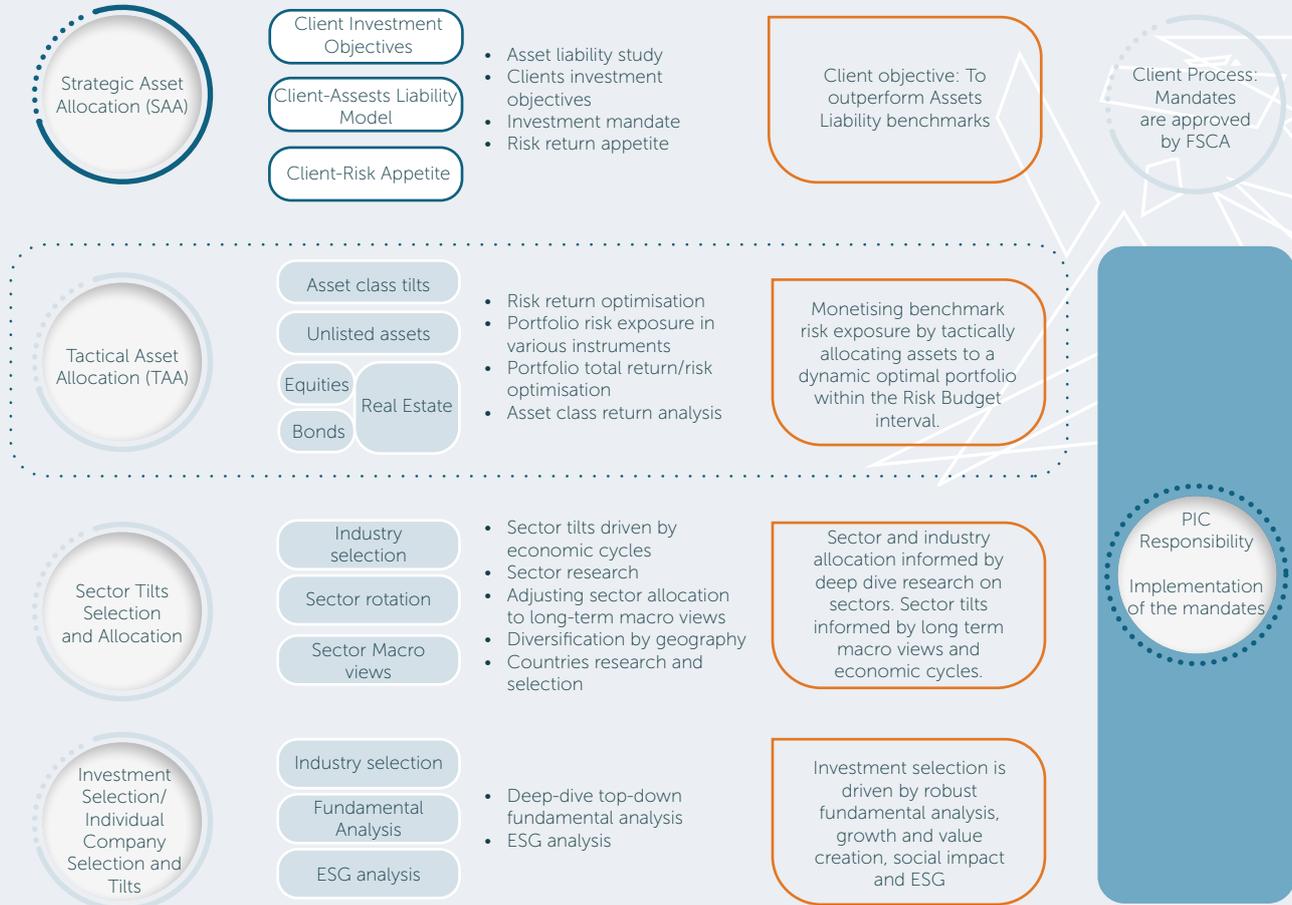
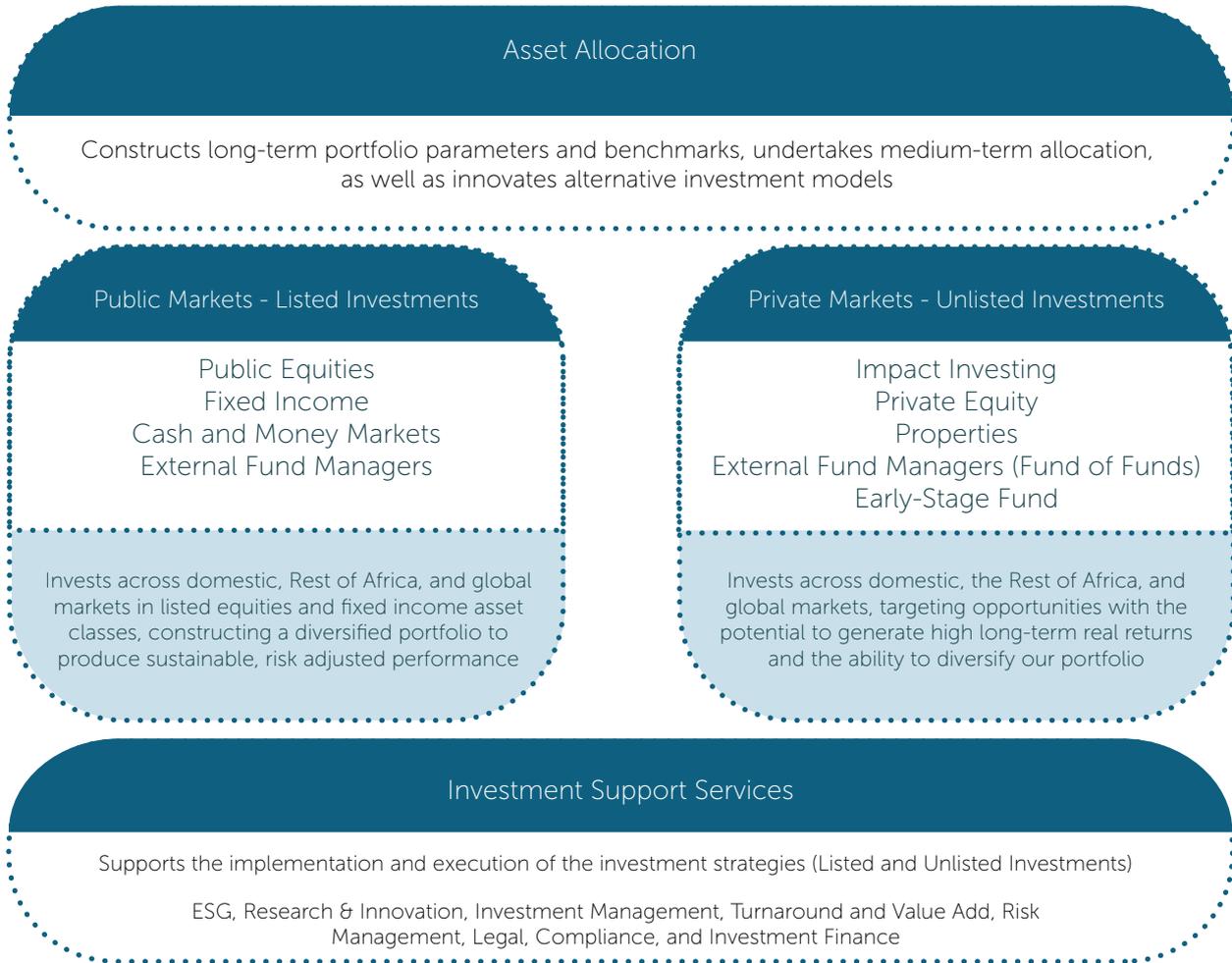


Figure 17: Functioning Structure from Asset Allocation to Execution



3.11. The PIC manages all clients' mandates independently of each other. The PIC broadly invests in all asset classes, both listed and unlisted investments. The broad categories of the investment classes are shown in the diagram below.

Figure 18: Categories of Investments Classes



PIC ASSETS UNDER MANAGEMENT GROWTH

3.12. Notwithstanding the impact of COVID-19 and sluggish growth in the domestic economy, the AuM for PIC clients increased by 2.01% (R51.2 billion) from 31 March 2022 to 31 March 2023. This is a commendable growth in challenging domestic and global markets.

3.13. Below is a diagram showing the asset class composition of the portfolio and AuM growth as of 31 March 2023.

Figure 19: Asset Class Composition

As of 31 March 2023, the asset class composition as a percentage of AuM was as follows:

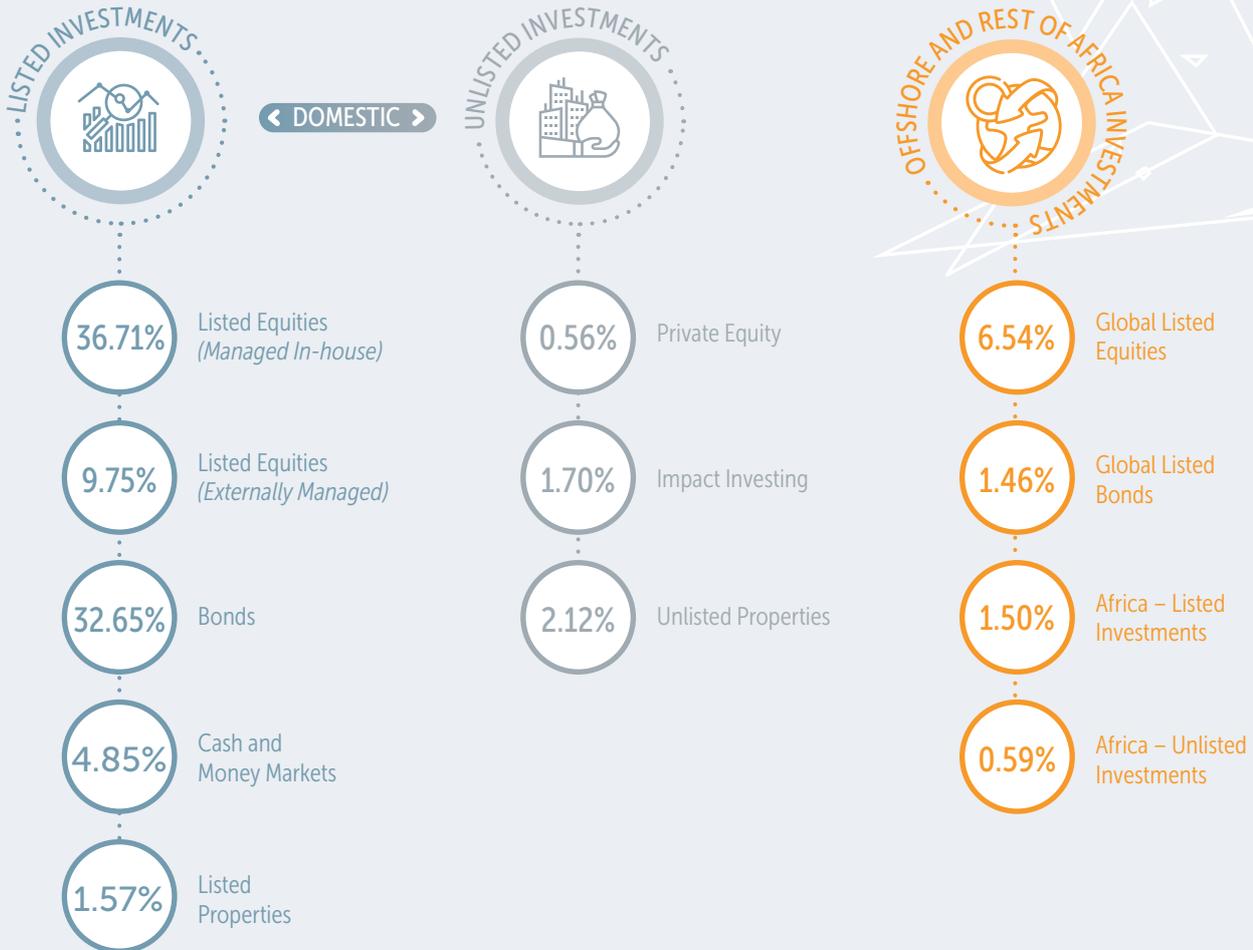
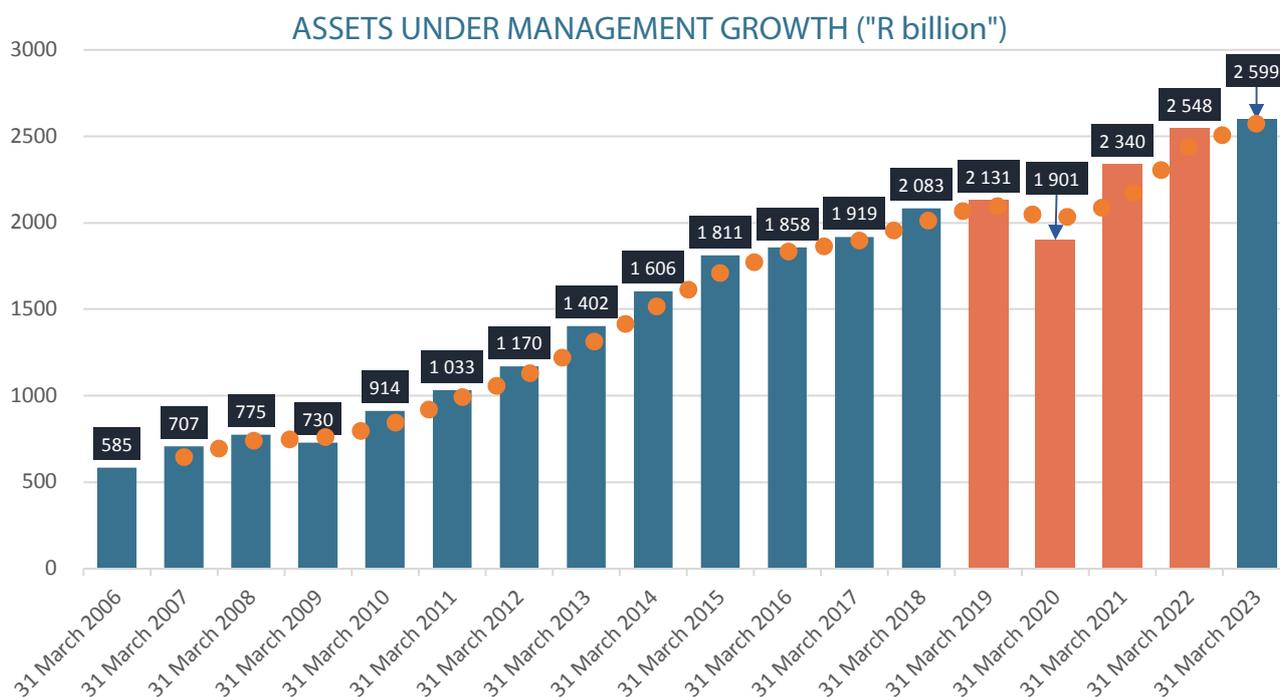


Figure 20: Assets Under Management Growth



3.14. The global COVID-19 pandemic and the Government's response to introduce a series of lockdowns had far-reaching implications for the economy, the fiscus, the labour market, and the portfolio of assets that the PIC manages on behalf of its clients. Nevertheless, by 31 March 2023, the PIC's AuM had grown by R51.2 billion, from R2.548 trillion in March 2022 to R2.599 trillion in March 2023 in line with the recovery in the global economy and financial markets. PIC clients benefited from substantial growth in their AuM during this period.

PIC INVESTMENT PHILOSOPHY

3.15. The PIC's Investment Philosophy is premised on a belief that certain investment markets are near efficient and thus a core-satellite approach may be appropriate while others require active management. The PIC believes in generating superior risk-adjusted sustainable long-term returns for its clients. The PIC's Investment Philosophy is based on a belief that sustainable businesses are not only about profits, but also about people (i.e. stakeholders and governance) and the planet and thus will outperform those who only consider profits. We categorise this into two principles:

- (1) "Financial Returns", and
- (2) "Sustainable Investing", which is mainly called "ESG" (Environmental, Social and Governance).

The philosophy is internally coded as the "FRESG" principle.

3.16. This Investment Philosophy is further built on the belief that the PIC can still achieve above benchmark financial returns while contributing to socio-economic development, inclusive growth, and transformation through investment activities. The diagram below summarises the Investment Philosophy of the PIC.

Figure 21: PIC's Investment Philosophy

FINANCIAL AND SOCIAL 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.

SOCIO-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

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

Efficient use of risk budget by avoiding risks that do not provide commensurate returns, results in a low volatility portfolio.



DIVERSIFICATION

Well-diversified portfolios produce stable distribution of returns.



TIME HORIZON

The PIC is a long-term investor and believes that, in the long-term, markets revert to their mean. Investment strategies will generally be long-term based and will avoid ad-hoc decision-making based on short-term factors.



MARKET EFFICIENCY

Markets differ in efficiency at macro, sector and asset levels, providing opportunities to generate excess returns over related benchmarks through asset allocation. Investment strategies will reflect a mix of active and passive investments, with passive investments being emphasised in more efficient markets.



VALUATION AND ANALYSIS

Valuation and analysis based upon fundamentals generally produce superior return/risk results. Investment strategies will focus on fundamentally based processes.



COST

The PIC believes that managing the costs of investing adds significant value to the production of excess returns. Investment strategies will be used cost-effectively.

3.17. PIC's Portfolio is a well-diversified portfolio of asset classes. Each asset class carries a different risk-return profile. The Portfolio aims to have the right mix of growth assets such as Equities that generate higher returns but are riskier, and defensive assets such as Bonds that offer lower returns but help protect the portfolio in market downturns. As the markets are uncertain, the Portfolio is constructed to be resilient across a broad range of market cycles and economic conditions, while generating positive long-term real returns.

“ESG” - SUSTAINABLE INVESTING APPROACH

- 3.18. The PIC is a long-term investor who understands that long-term value creation is not achievable through short-term solutions; at the expense of future generations; or through moral decay. Therefore, the PIC remains committed to the implementation of sustainable practices from both an operational and an investment perspective.
- 3.19. The long-term nature of our clients' obligations is a primary driver of our approach to sustainable and responsible investing: we believe well-run companies in which we invest with sound ESG practices will perform better, particularly over the long term. We also believe that ESG factors may be relevant to the financial performance of the companies and assets in which we invest. Integrating ESG factors into investment decision-making, along with evaluation of other risk factors, is both prudent and consistent with PIC's fiduciary duties to its clients. The PIC believes that a strong commitment to the highest standards of business ethics and sound corporate governance is essential to creating long-term value for clients.
- 3.20. The PIC has therefore developed a unique matrix to rate the ESG performance of investee companies. This matrix is used to support the investment decisions and shareholder activism by the PIC. The PIC must lead by example and live by the very principles it wants to instil in investee companies. In this context, the PIC has continued to evaluate itself against the matrix.
- 3.21. The PIC investment strategy is therefore driven by rigorous macro-economic, bottom-up fundamental research, risk management and ESG analysis. This involves analysis of companies' performance in terms of the ESG scoring matrix. The ESG score for each investment is plotted against potential financial returns. Companies (investment opportunities) with low financial returns and very low ESG scores may pose a significant risk to the portfolio, while those with very good financial returns but with a poor ESG score will potentially be a danger to the portfolio. Research has shown that companies with low ESG scores are not sustainable in the long run. As part of the PIC Investment Strategy, ESG performance evaluation play a huge factor in arriving at investment decisions.

ESG engagements approach

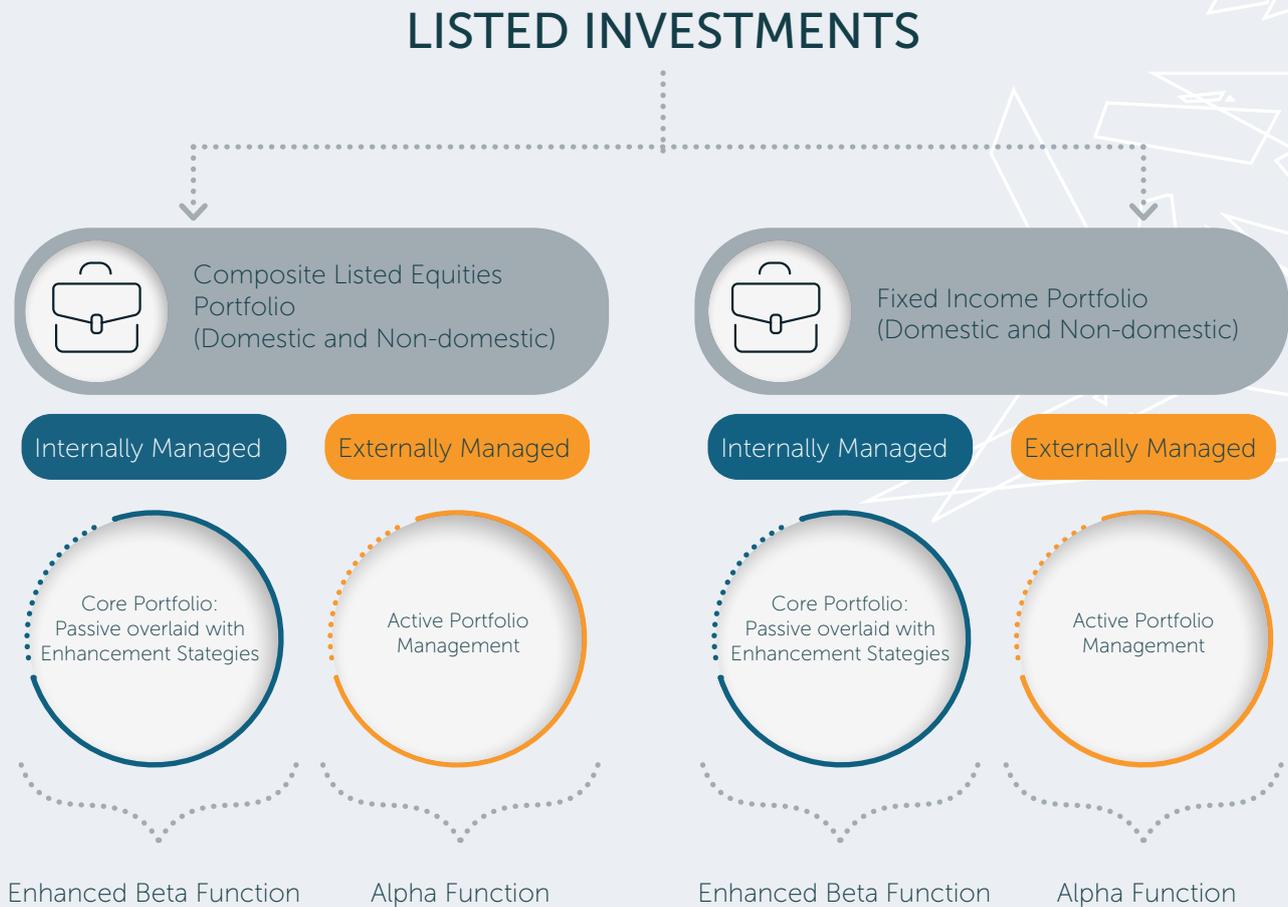
- 3.22. The PIC uses a combination of measures and stewardship approaches to drive responsible (ESG) investing:
- ESG Integration;
 - Engagements with Partner Companies;
 - Proxy Voting;
 - AGM engagements; and
 - Shareholder activism.
- 3.23. Furthermore, the PIC is a proud signatory to both the United Nations Global Compact (UN Global Compact), the Principles for Responsible Investing (PRI) and endorses the Code for Responsible Investing in South Africa (CRISA). It conducts its business in such a way that it lives up to the principles of the UN Global Compact and PRI and will continue its sustainability journey with conviction and commitment, believing that its continued success depends on its ability to share its successes with other stakeholders, enhancing their lives and their ability to be successful.

LISTED INVESTMENTS STRATEGY

- 3.24. Whilst the PIC's investments are spread across various asset classes, approximately 87% of the portfolio is invested in listed asset classes (Bonds and Equities). The Listed Investment Portfolio is composed of the Listed Equities and Fixed Income portfolios.
- 3.25. The high-level investment strategies applied by Listed Investments can be categorised as:
- **Enhanced Beta (Passive) Strategy**
This strategy is mainly a passive strategy, executed at very low tracking error. The strategy is overlaid with an enhancement strategy to achieve a smart beta portfolio outcome. This strategy is applied both to Listed Equities and Fixed Income. The enhanced passive strategies are managed in-house.
 - **Alpha (Active) Strategies**
This investment approach entails beating the benchmark with a slightly higher tracking error. In this case, the manager attempts to beat the passive benchmark, by using skill to identify investment opportunities with better prospects that may result in higher returns than those of passive managers. The alpha strategies for Listed Investments are outsourced to external managers.

3.26. The diagram below shows the high-level Listed Investments Strategies.

Figure 22: PIC's High-level Listed Investments Strategies



Driving inclusive growth and transformation through Listed Investments

3.27. The Listed Investment Strategy also includes driving transformation and impact investing by investing in sectors that drive inclusive growth and socio-economic development. This will be achieved by:

- Alignment with the NDP, focusing specifically on State-Owned Entity (SOE) infrastructure projects;
- ESG integration across investment processes (direct engagement and active proxy voting);
- External Manager Programme for growing sustainable black-owned and women-owned asset management businesses; and
- Adoption of B-BBEE in all aspects of PIC's investment activities.

UNLISTED INVESTMENTS STRATEGY

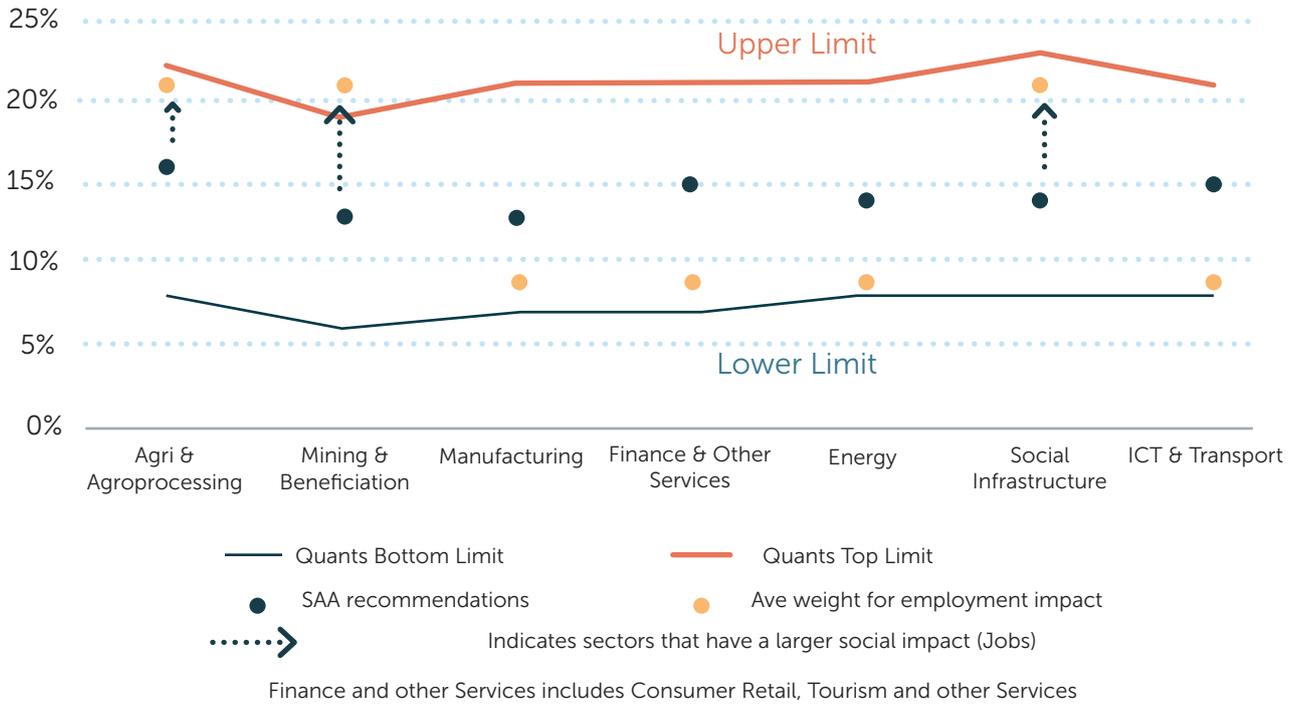
3.28. The PIC invests in Unlisted Investments on behalf of four clients, namely the GEPF, UIF, CC, and CP. These investments are not listed on a registered exchange and thus provide portfolio diversification benefits given the low correlation to Listed Investments. Unlisted Investments seek to invest directly into the economy to generate financial and social returns for our clients, the country, and the continent.

3.28.1. Unlisted Investments provide the ability to make significant, material investments while placing a limited percentage of AuM at risk. This empowers us to catalyse investments in certain sectors and industries through crowding in other public and private funders. We achieve social returns through leading, promoting, and advocating for the adoption of sustainability principles thereby promoting job creation/retention, new enterprises, B-BBEE/transformation, economic inclusion, and ESG. This applies to **South Africa** and the **Rest of Africa**.

Sector approach to driving sustainable economic development

3.29. We embark on Unlisted Investments using a sector approach that is informed by global thematic megatrends. We overlay the Sustainable Development Goals (SDGs) to determine the sectors that we will focus on. This results in the key sectors of the South African economy that also supports Government’s initiatives and policies. These sectors have the largest impact on jobs and the economy.

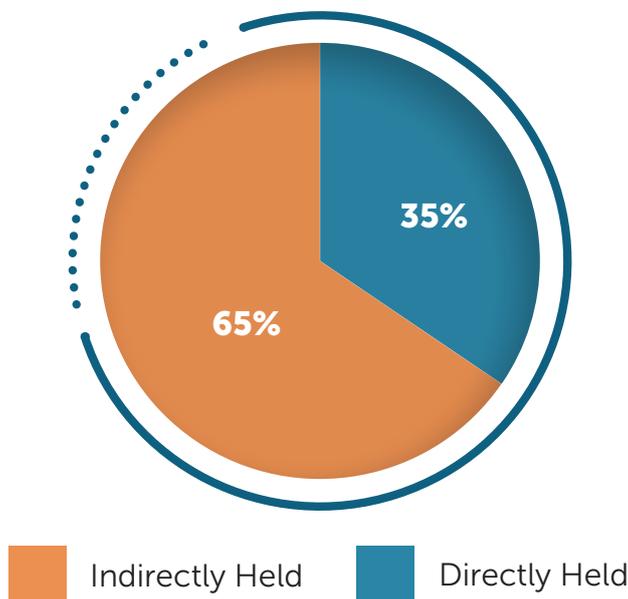
Figure 23: Sector Asset Allocation



UNLISTED PROPERTY INVESTMENTS STRATEGY

3.30. The PIC, on behalf of its clients, the GEPPF, UIF, CC, and CF, is mandated to invest in Unlisted Property. As at 31 March 2023, the portfolio comprises directly and indirectly held property investments, with a value of R51,6 billion in assets. The Unlisted Properties Market Value is based on Audit Committee recommendations to the Clients.

Figure 24: Unlisted Properties Split



3.31. The Unlisted Property strategy seeks to invest in high quality real estate assets which enable portfolio diversification and yield appreciation. The preference of the PIC is to invest in scalable platforms with risk aligned partners which facilitates not only multi-sectoral exposures, but also geographical diversity.

NON-DOMESTIC INVESTMENTS

3.32. The PIC is investing outside South Africa, in line with the GEPF's and UIF's strategies and mandates to diversify its investments offshore.

Rest of Africa Investment Approach

3.33. There is a further diversification in the equities asset class, with African listed, local unlisted, international and the Rest of Africa equities. Bonds are diversified, with local listed and local unlisted bonds and offshore capital markets. Property assets consist of both listed and unlisted properties, including directly- and indirectly-held portfolios. The Rest of Africa portfolio also includes Funds of Funds (FoF), private equity (PE), and developmental investment (DI) vehicles, adding to the diversification strategy

3.34. The diagram below shows the high-level breakdown of the Rest of Africa's Strategic Asset Allocation as at 31 March 2023.

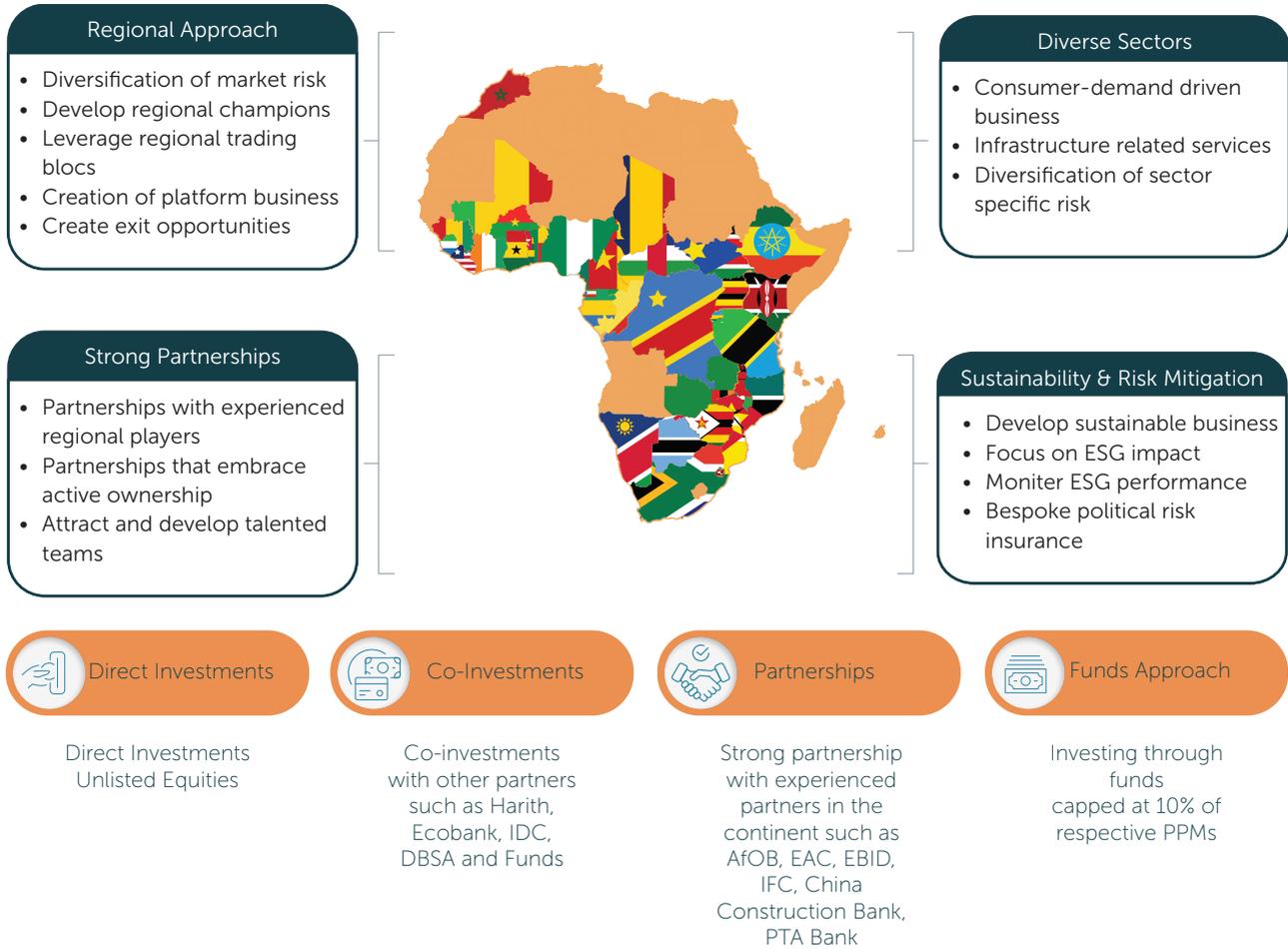
Figure 25: Rest of Africa's Strategic Asset Allocation as at 31 March 2023



3.35. The PIC uses various approaches when investing in the Rest of Africa. These approaches include direct investing, co-investments, strategic partnerships, and indirect investment approaches using various specialized external fund managers.

3.36. The diagram below shows the PIC investment approach in the Rest of Africa.

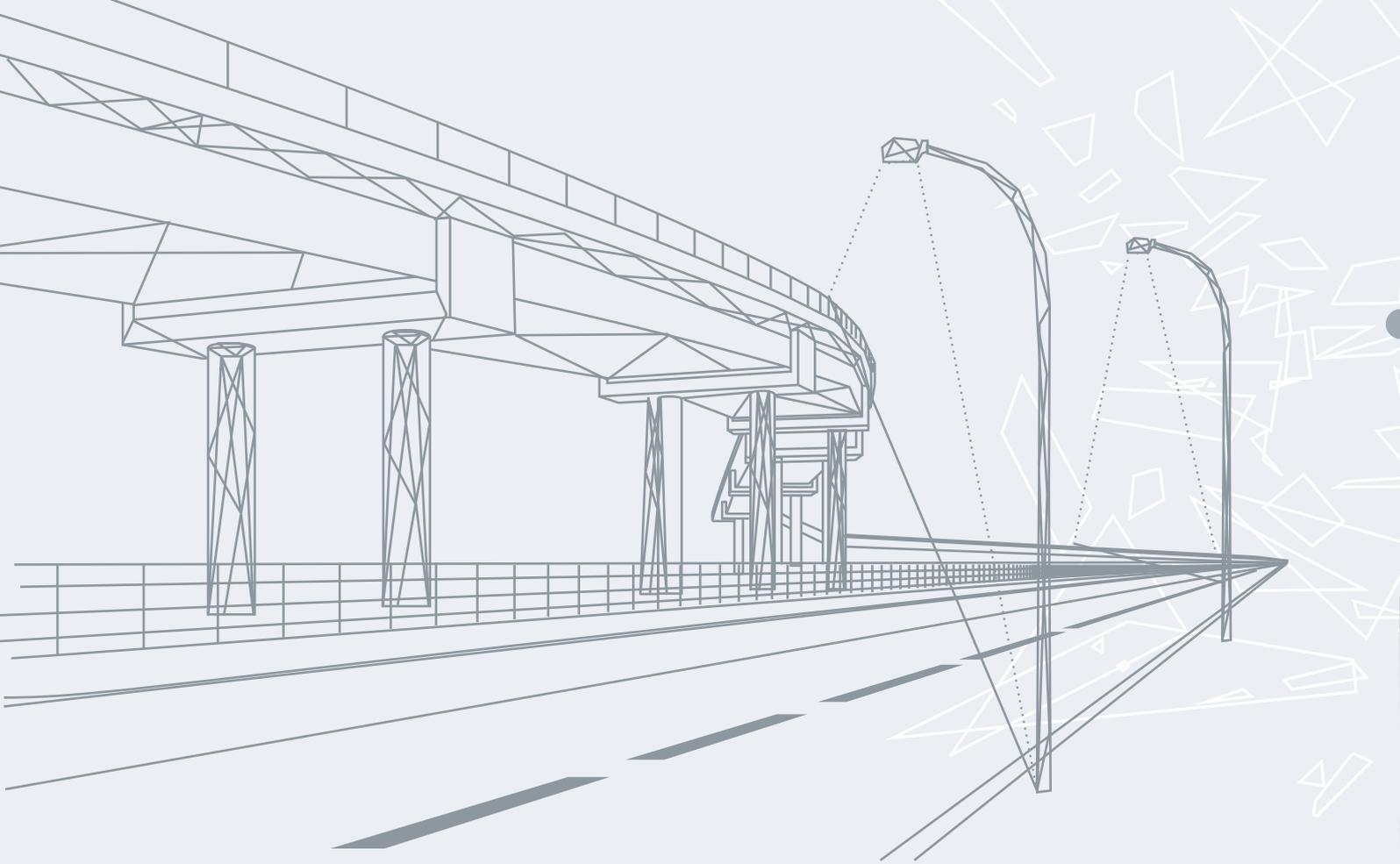
Figure 26: PIC's Investment Approach in the Rest of Africa



INVESTMENT PROCESS GOVERNANCE

Policies and Frameworks

3.37. All transactions are subject to various Board-approved PIC investment, compliance, risk, and legal policies as well as ESG frameworks, all of which are based on international best practices and are aligned with applicable legislation and regulations. The PIC also has a Board-approved Delegation of Authority Framework (DOA) in place, delegating responsibilities for different transactions to a variety of role-players in the investment divisions (i.e., Listed, Unlisted and Property Investments) as well as to employees in Risk Management, Legal, Compliance, Corporate Services, and Investment Management. The DOA sets out the powers of the Board as well as the Committees of the Board and those of the Chief Executive Officer.



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SECTION FOUR

PIC CORPORATE OPERATIONS STRATEGIES

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INFORMATION AND COMMUNICATION TECHNOLOGY	41
RISK MANAGEMENT FRAMEWORK	42

PIC CORPORATE OPERATIONS STRATEGIES

FINANCIAL SUSTAINABILITY

- 4.1. The PIC's business strategy is supported by its Financial Strategy/Plan. The long-term goal of the PIC is to continue to strike a suitable balance between high-grade profitability and excellent service delivery to its clients.
- 4.2. Budgetary resources are allocated to grow the organisation over a period, and budget allocations to each business unit are directly linked to strategic business objectives.
- 4.3. The PIC is self-sustainable and has achieved its targeted financial ratios. The selection of these ratios is based on the objective of ensuring that the Corporation remains a sustainable entity that performs on par with, if not better than, the best in the asset management industry.
- 4.4. The Financial Strategy/Plan is attached as **Annexure C** to this Corporate Plan.

HUMAN CAPITAL

- 4.5. The key success factor for any organisation is putting its people first. The PIC Human Capital Strategy is guided by three overarching goals that would create and deliver value for the organisation, our people, and the achievement of the clients' mandates, i.e., Culture and Leadership; High Performance; and Talent.
- 4.6. The Human Capital Strategy is a plan of action that will enable the revitalisation of the organisation, manage talent and support employees to reach their full potential.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

- 4.7. Information and Communication Technologies (ICT) remain key to business enablement and central to the day-to-day running of the PIC operations, both investment and corporate.
- 4.8. The PIC adoption of cloud technologies and other digital capabilities like low code/no code platforms, artificial intelligence, robotics, process automation etc has set itself up to enable the much-needed innovation by the investment community internally and externally to the PIC.
- 4.9. This three year corporate plan will see innovation that will enable PIC to achieve its aspiration of being always-compliant, improving the amount of time it takes to approve and to allocate funds, proactively being able to identify risks before they realise in aid of Turnaround and Value Add (TOVA), enable ESG performance rating as and when required, and undertaking due diligence exercises for Multi-Management as frequently as the need requires, not once a year as per the current, manual, process. These are some of the key modernisation and automation projects targeted by this corporate plan.
- 4.10. It is further the objective of this corporate plan to meet the client aspirations of accessing their portfolios and being able to self-monitor anytime and from anywhere. Digital transformation will therefore fundamentally change how the PIC delivers value.
- 4.11. The ICT Digital Strategic Plan aligns with the business strategy and incorporates the utilisation of the best technologies to deliver business results. The objective of this ICT and Digital strategy is to transform, modernise and unlock the operations of PIC by automating and digitising the overall investment as well as support processes of interaction and engagement.

RISK MANAGEMENT FRAMEWORK

- 4.12. An Enterprise Risk Management (ERM) methodology is applied by the PIC in identifying and responding to the spectrum of risks that the organisation is confronted with, in its drive to meet its strategic objectives. The PIC recognises that, in a complex financial services environment, risk management processes and strategies are evolutionary and subject to ongoing review and modifications, considering the risk appetite and risk tolerance of the business, as defined by an Enterprise Risk Management Framework (ERMF). The ERM methodology is encapsulated in the ERMF and Risk Management Policies that are based on aspects of the Committee of Sponsoring Organisations of the Treadway Commission ERM standard, as well as ISO 31000 Risk Management - Principles and Guidelines.
- 4.13. To ensure a more integrated approach to managing risks, the PIC follows a combined assurance methodology in line with the requirements of the King IV™ Report, a collaboration of management, risk, compliance, and internal audit functions to ensure optimal use of resources. The ERMF is instrumental in supporting the PIC's combined assurance model and therefore embraces the principles of the King IV™ Report as well.
- 4.14. The PIC further subscribes to the "Three Lines of Defence" approach to Risk Management. Principle 15 of the King IV™ Report recommends that the Board should ensure that assurance services and functions enable an effective control environment. The PIC's Three Lines of Defence model provides for a simple and effective way to help ensure that the required level of assurance services and functions are embedded within the organisation and that these support the integrity of information for internal decision making and of the organisation's external reports.
- 4.15. The ERMF and Risk Management Policies further define the risk appetite of the PIC. The Risk Committee (RC) and the Board review and approve these policies on an annual basis.
- 4.16. The Risk Management Plan and summary, as outlined in the Section 52 Practice Note to the PFMA, are attached as **Annexure E** to this Corporate Plan.



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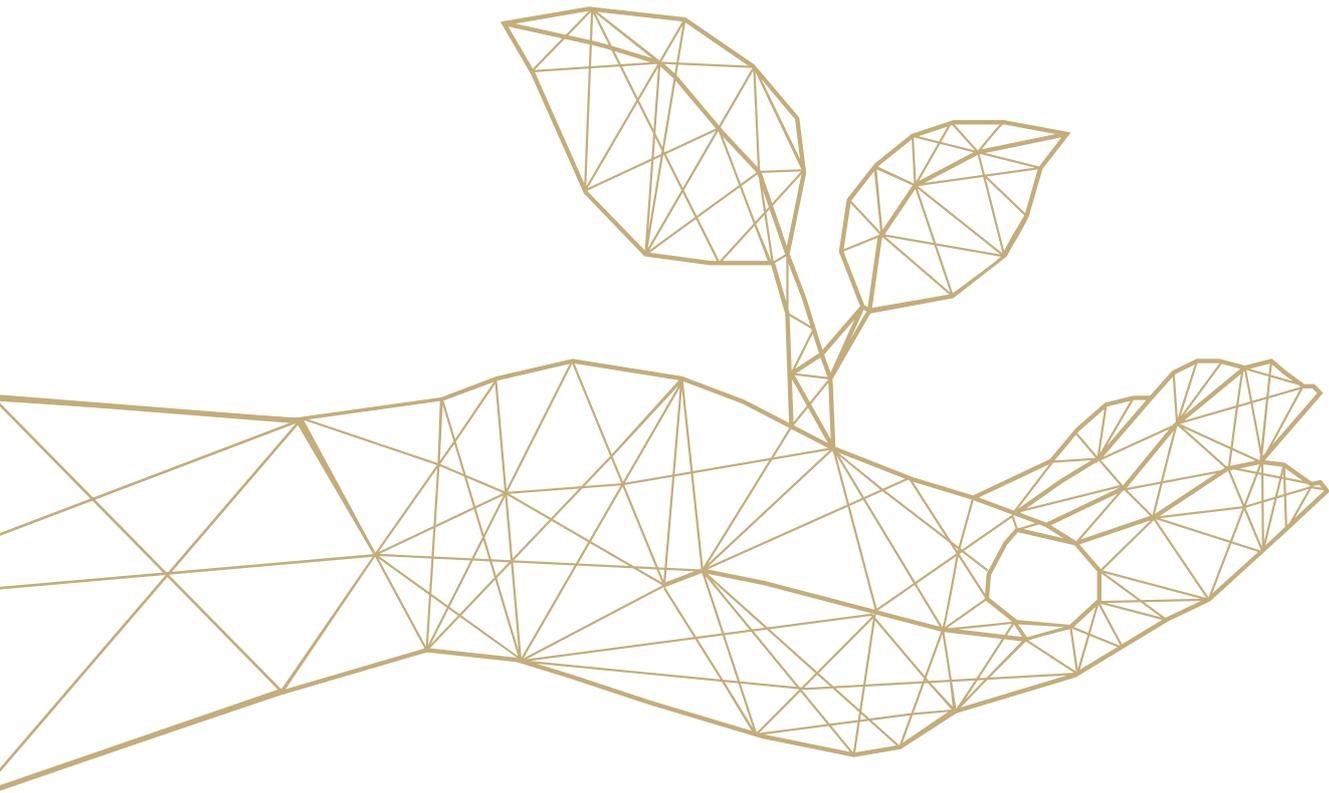


SECTION FIVE

STRATEGIC DRIVERS

STRATEGIC DRIVERS

- 5.1. The PIC has identified the following strategic drivers to achieve organisation-wide performance which is cascaded in line with applicable policies:
- 5.1.1. Financial Sustainability
 - a) Revenues and cost containment
 - b) New sectors and clients
 - c) Increase in management fees
 - 5.1.2. Improve, transform, and optimise operations and how PIC engages with stakeholders through IT systems and digital capabilities
 - 5.1.3. Investment Performance
 - a) Deployment of Funds
 - b) Pooled fund for UIF and CF
 - c) Industry costs consolidation
 - 5.1.4. Catalyst for transformation and diversity
 - 5.1.5. Improvement in Stakeholder Management
 - 5.1.6. Focused, inspired, engaged and competent people
 - 5.1.7. Enterprise Wide Risk Management
 - 5.1.8. Improvement in compliance, governance, ethics, and culture
- 5.2. All these drivers mutually reinforce and support overall performance. This in turn is driven particularly by a clear investment strategy and a business model that adequately supports it. The above strategic drivers of success inform the strategic goals and objectives of the PIC for the medium term. The PIC has also reviewed Government documents such as the New Growth Path (NGP) and the NDP, and incorporated elements applicable to the PIC into the Corporate Plan.



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SECTION SIX

STRATEGIC OBJECTIVES AND KEY
PERFORMANCE INDICATORS AND
TARGETS FOR 2024/25FY – 2026/27FY

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STRATEGIC OBJECTIVES AND KEY PERFORMANCE INDICATORS AND TARGETS FOR 2024/25FY - 2026/27FY

6.1. The PIC's Key Performance Indicators (KPIs) and Targets are depicted in the table below:

Table 6: Key Performance Indicators and Targets

	Strategic Objective	Measure	Target 2024/25	Target 2025/26	Target 2026/27
Financial Sustainability (25%)					
1a	Improve PIC's financial sustainability and going concern through efficient operations and cost containment	Total employee costs ratio (CTC excluding PICeeds/Total income) (<i>where X is the ratio</i>)	x = 40%	x < 40% - 35%	x < 35%
1b		Total costs/Total income (<i>where X is the ratio</i>)	x = 80%	x < 80% - 75%	x < 75%
Internal Business Processes/Operational Efficiency (20%)					
2a	Improve compliance and governance	Submit all PFMA submissions within the stipulated deadline	Submit all PFMA submissions within the stipulated deadline	Submit all PFMA submissions within the stipulated deadline	Submit all PFMA submissions within the stipulated deadline
		Achieve an unqualified audit opinion with no material findings on performance information, annual financial statements, compliance and AuM	Achieve an unqualified audit opinion with no material findings on performance information, annual financial statements, compliance and AuM	Achieve an unqualified audit opinion with no material findings on performance information, annual financial statements, compliance and AuM	Achieve an unqualified audit opinion with no material findings on performance information, annual financial statements, compliance and AuM
		Ethical Behaviour - % of action taken when unethical conduct is confirmed	80% of management actions initiated within 1 month of the unethical conduct being confirmed	80% of management actions initiated within 1 month of the unethical conduct being confirmed	85% of management actions initiated within 1 month of the unethical conduct being confirmed
		% of employees who have completed Ethics Awareness Training	100% of PIC employees to complete Ethics Training per annum	100% of PIC employees to complete Ethics Training per annum	100% of PIC employees to complete Ethics Training per annum
2b	Improve, transform and optimise operations through IT systems and digital capabilities	The number of processes automated and optimised	At least 50% of Isibaya processes automated and optimised	100% of Isibaya processes automated and optimised	Digital ambition statement achieved
2c	Improve Enterprise-Wide Risk Management practices	Reduce PIC risk exposure and improve the internal control environment (<i>Measured by a reduction in the Risk Index and the control environment rating</i>)	At least 10% reduction in the Risk Index from the prior year and a satisfactory control environment rating	At least 10% reduction in the Risk Index from the prior year and a satisfactory control environment rating	At least 10% reduction in the Risk Index from the prior year and a satisfactory control environment rating

	Strategic Objective	Measure	Target 2024/25	Target 2025/26	Target 2026/27
2d	Improve on a rating of "Good" on the Corporate Governance matrix as of 31 March	Assessment against PIC's Corporate Governance Matrix ratings as per the PIC internally generated ESG assessment	ESG rating score = 75%	ESG rating score = 75%	ESG rating score = 75%
Clients/Stakeholders (45%)					
3a	Meet Client Benchmark Portfolio Returns and compliance with Client Risk Parameters (over period of 36 months)	Listed Investments α is defined as Total Individual Fund Return for the Top 5 Funds Individual Fund Benchmark Return	Individual Top 5 Funds $\alpha = 0$ (meet Benchmark)	Individual Top 5 Funds $\alpha = 0$ (meet Benchmark)	Individual Top 5 Funds $\alpha = 0$ (meet Benchmark)
3b	Meet Client Benchmark Portfolio Returns (Unlisted Investments ex Properties) (over period of 36 months)	Unlisted Investments (excluding Properties) (Measured by GEPF Hurdle Rate (x))	IRR = Weighted Hurdle rate	IRR = Weighted Hurdle rate	IRR = Weighted Hurdle rate
			MOIC = 1	MOIC = 1	MOIC = 1
3c	Meet Client Benchmark Portfolio Returns (Measured as per IPD returns calculation = customised for the PIC unlisted properties portfolio structure) (over period of 36 months)	Property Investments Measured as Total Return (Capital and Income) (X) = MSCI RE (formerly IPD) adjusted by weighting the portfolio returns as customised for the PIC's clients' portfolio structure	X = MSCI RE	X = MSCI RE	X = MSCI RE
3d	Catalyst for transformation and diversity to facilitate transformation through investment activities both in Listed and Unlisted Investments	Multi-Management (Public Markets) A minimum of X% (percentage) of the total AuM allocated to domestic firms should be managed by transformed managers with BEE Level 1 – 3 and with at least 51% Black Ownership; and at least 30% Black Management Control (X%). This excludes non-SA allocation	X = > 40% - 50% AuM of allocations to domestic firms should be managed by external BEE managers with at least 51% Black ownership; and 30% Management Control	X > 50% - 60% AuM of allocations to domestic firms should be managed by external BEE managers with at least 51% Black ownership; and 30% Management Control	X > 60% AuM of allocations to domestic firms should be managed by external BEE managers with at least 51% Black ownership; and 30% Management Control
		Listed Investments (Brokerage) Percentage of brokerage allocated to designated BEE broker firms used as a percentage of total brokerage paid	At least 90% of brokerage spend shall be to brokers on level 1 – 3 BEE rating	At least 90% of brokerage spend shall be to brokers on level 1 – 3 BEE rating	At least 90% of brokerage spend shall be to brokers on level 1 – 3 BEE rating
		(BEE Brokers must be BEE Level 1 – 3 and certified by an independent rating agency; at least 51% Black Ownership; and at least 30% Black Management Control)	At least 60% of a total brokerage shall be paid to brokers with 51% Ownership by HDIs and 30% Management Control by HDIs	> 70% of total brokerage shall be paid to brokers with 51% Ownership by HDIs and 30% Management Control by HDIs	> 80% of total brokerage shall be paid to brokers with 51% Ownership by HDIs and 30% Management Control by HDIs

	Strategic Objective	Measure	Target 2024/25	Target 2025/26	Target 2026/27
3e	Catalyst for transformation and diversity to facilitate transformation through investments activities both in Listed and Unlisted Investments	Multi-Management (Private Markets) <i>(Measured by X% (percentage) of the approved funds during the Financial Year allocated towards BEE – transformed External Managers)</i>	60% of all the approved funds is allocated to BEE Managers	60% - 70% all the approved funds are allocated to BEE Managers	> 70% of all the approved funds are allocated to BEE Managers
		<i>(To qualify as a BEE Asset Manager, the service provider must at least have 51% Black ownership and 30% Management control by HDIs)</i>	30% - 40% women participation within Management and Board level	40% - 50% women participation within Management and Board level	> 50% women participation within Management and Board level
		Isibaya (Unlisted Investments) <i>(Measured by approved Isibaya transactions)</i>	30% - 40% women participation within Management and Board Level	40% - 50% women participation within Management and Board level	> 50% women participation within Management and Board level
		Property Investments (unlisted) <i>(Measured by approved transactions for new developments/acquisitions of property investments) (Women participation refer to participation at management and board level)</i>	At least 15% of the approved unlisted property BEE transactions must have ownership by black women	At least 20% of the approved unlisted property BEE transactions must have ownership by black women	At least 25% of the approved unlisted property BEE transactions must have ownership by black women
Organisational Capacity – Human Capital Management (10%)					
4a	Ensure PIC functions are adequately capacitated in line with its internal transformation and EE plan	1. Implement Organisational Design as per approved priorities for 2024/25 2. Filling of critical roles per EE Plan 3. Women representation at Senior Management level (measured as X%) 4. Increase number of employees living with disabilities	80% of critical vacancies filled in line with EE Plan	> 80% - 85% of critical vacancies filled in line with EE Plan	> 85% of critical vacancies filled in line with EE Plan
			Maintain a minimum of 30% women at Senior Management level based on the Paterson grading scales	> 30% - 35% of women at Senior Management level based on the Paterson grading scales	> 35% of women at Senior Management level based on the Paterson grading scales
			2% of employees with disabilities as a percentage (%) of overall total staff	> 2% - 2.5% of employees with disabilities as a percentage (%) of overall total staff	> 2.5% of employees with disabilities as a percentage (%) of overall total staff

	Strategic Objective	Measure	Target 2024/25	Target 2025/26	Target 2026/27
4b	Focused, inspired, engaged and competent people	Further implementation and internalisation of the Revitalising, Brilliant basics and beyond programme	Team Connect ¹ effectiveness Level 3	Team Connect effectiveness Level 3,5	Team Connect effectiveness Level 4
			Performance management implemented in the organisation	Performance management system is effective and reflects alignment between corporate and aggregate individual performance	Performance improvement system is effective and pro-active performance coaching is a standard practice in PIC
			Succession management complete, up to date and implemented for mission critical roles	Sustain and improve succession management	Succession plan complete, up to date and available for mission critical roles. Bench strength of 1 per mission critical role
			Talent forum operational and talent policy implemented	Performing talent retention rate > 90%	Performing talent retention rate > 95%
			Implementation of all 2023 survey action plans	Culture survey participation rate > 70% and 10% improvement in results of 2023	Culture survey participation rate > 80% and improvement of 10% in results YOY

KEY

“**Hurdle Rate**” means the minimum return to be achieved by the PIC within Unlisted investments.

“**Internal Rate of Return or IRR**” means a metric used to measure returns on an unlisted investment. It calculates the return by looking at all of the cash flows from the investment over a given period, taking into account drawdowns, distributions such as capital gains and investment income through dividends, interest etc, and a valuation if the fund still has residual value. For reporting performance, gross IRR will be used i.e. return excluding costs and expenses.

“**Multiple on Invested Capital or MOIC**” means a ratio of money received (or receivable) relative to the investment amount.

“**MSCI Real Estate or MSCI RE**” is the benchmark for the directly held properties. MSCI Inc is a leading provider of research-based indexes and has acquired IPD indexes and renamed them under the MSCI brand.

MONITORING THE CORPORATE PLAN

- 6.2. To ensure that this Corporate Plan is achieved, the achievement of Key Performance Indicators and Strategic Goals are monitored by the PIC Board and management regularly.
- 6.3. This Corporate Plan is the core of the PIC Corporate Balanced Scorecard and the Performance Management System of the PIC, which is cascaded to every member of staff. The Performance Management System and incentive schemes of the PIC have been designed to ensure that employees of the PIC will be motivated towards the realisation of the approved targets and outcomes.

¹ Team Connect effectiveness is measured against a set of maturity standards. Level 1 = Don't meet standards; L2 = Partially meet standards; L3 = Meet all standards; L4 = Best practice in high performance



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SECTION SEVEN

ANNEXURES TO THE CORPORATE PLAN

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- ANNEXURE A : Information on the Board of Directors and Executive Management
- ANNEXURE B : High-Level Organisational Structure
- ANNEXURE C : Financial Plan
- ANNEXURE D : Dividend Policy
- ANNEXURE E : Enterprise Risk Management Plan and Risk Register
- ANNEXURE F : Fraud Prevention Plan
- ANNEXURE G : Materiality and Significance Framework

Annexure A

Information on the Board of Directors
and Executive Management

INFORMATION ON THE BOARD OF DIRECTORS

	SURNAME	NAMES	CURRENT ROLE	AGE (YEARS) GENDER RACE	ACADEMIC QUALIFICATIONS	AREA OF EXPERTISE	OTHER BOARDS	APPOINTED TO PIC BOARD	SHORT CV OF INDIVIDUAL (WITH RECENT ACHIEVEMENTS)
1.	Masondo	David	<ul style="list-style-type: none"> Chairperson of the Board Chairperson of the Directors' Affairs Committee 	48 Male Black	<ul style="list-style-type: none"> Matric Master of Arts Honours PhD Political Economy 	<ul style="list-style-type: none"> Finance Economics 	<ul style="list-style-type: none"> Oliver Tambo School of Leadership 	Nov 2021	<ul style="list-style-type: none"> Deputy Minister of Finance
2.	Mtoba	Ntombifuthi (Futhi)	<ul style="list-style-type: none"> Member of the Board Chairperson of the Audit Committee Member of the Risk Committee Member of the Directors' Affairs Committee 	68 Female Black	<ul style="list-style-type: none"> Chartered Accountant (SA) Higher Diploma in Banking Law B Compt (Hons) BA (Hons) BA (Hons) DCOM (Honoris Causa) 2017 Harvard Advanced Leadership Initiative Fellow 	<ul style="list-style-type: none"> Accounting 	<ul style="list-style-type: none"> Discovery Bank Limited Discovery Bank Holdings Limited South 32 Limited Zanele Mbeki Development Trust (ZMDT) Nelson Mandela Foundation National Education Collaboration Trust International Women,s Forum South Africa (IWFSa) 	Oct 2020 Nov 2021	<ul style="list-style-type: none"> Lead Independent Director and Audit Committee Chairperson: Discovery Bank Limited Founding Trustee of ZMDT
3.	Dumisa	Bonke	<ul style="list-style-type: none"> Member of the Board Member of the Risk Committee Member of the Information Communication and Technology Governance Committee Member of the Investment Committee 	65 Male Black	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Business Administration Law 	<ul style="list-style-type: none"> National Consumer Tribunal Member KwaZulu-Natal Liquor Authority Deputy Chairperson and Chairperson of its Board Adjudications Committee Commissioner at the Broadcasting Complaints Commission of South Africa Dumisa Investments (Pty) Ltd Durban International Cricket Council (ICC) 	July 2019 Nov 2021	<ul style="list-style-type: none"> Advocate of the High Court of South Africa and the Court of Lesotho Arbitrator and Mediator Legal and Business Consultant
4.	Maluleke	Mugwena	<ul style="list-style-type: none"> Member of the Board Chairperson of the Human Resources and Remuneration Committee Member of the Investment Committee Member of the Directors' Affairs Committee 	60 Male Black	<ul style="list-style-type: none"> Master in Business Management Master in Labour Law Bachelor of Arts Primary Teachers Diploma Project Management Programme Personal Finance Management Diploma in Negotiations 	<ul style="list-style-type: none"> Business Administration Law Labour Relations 	<ul style="list-style-type: none"> South African Democratic Teachers Foundation National Labour and Economic Development Institute Global Campaign for Education Education International, Brussels 	July 2019 Nov 2021	<ul style="list-style-type: none"> General Secretary: SADTU (September 2009 to date)

	SURNAME	NAMES	CURRENT ROLE	AGE (YEARS) GENDER RACE	ACADEMIC QUALIFICATIONS	AREA OF EXPERTISE	OTHER BOARDS	APPOINTED TO PIC BOARD	SHORT CV OF INDIVIDUAL (WITH RECENT ACHIEVEMENTS)
5.	Watson	Barbara	<ul style="list-style-type: none"> Member of the Board Chairperson of the Social, Ethics and Transformation Committee Member of the Human Resources and Remuneration Committee Member of the Directors' Affairs Committee 	73 Female Black	<ul style="list-style-type: none"> Bachelor of Social Science 	<ul style="list-style-type: none"> Social Science Human Rights Governance Women's Empowerment of People with Disabilities 	<ul style="list-style-type: none"> None 	July 2019	<ul style="list-style-type: none"> Extensive experience in social work Council member to Freedom Park Museum Former Commissioner to the Commission on Employment Equity Former member of the Board of Trustees of the Government Employees Pension Fund
6.	Ramano	Tryphosa	<ul style="list-style-type: none"> Member of the Board Chairperson of the Investment Committee Member of the Audit Committee Member of the Directors' Affairs Committee 	52 Female Black	<ul style="list-style-type: none"> Chartered Accountant (SA) Bachelor of Accounting Post Graduate Diploma Accounting 2021 Harvard Advanced Leadership Initiative Fellow 	<ul style="list-style-type: none"> Accounting Finance Economics Investments Risk Management Corporate Governance Strategy 	<ul style="list-style-type: none"> International Women,s Forum South Africa (IWFSa) Solidarity Fund Mmakgomake Legacy (Pty) Ltd South African Reserve Bank GBV Fund 1 Audit, IT and Risk Council University of Pretoria National Transmission Company of South Africa (NTCSA) 	Nov 2021	<ul style="list-style-type: none"> Founder of PPC Women's Forum Self-employed as Consultant
7.	Hlaise	Walter	<ul style="list-style-type: none"> Member of the Board Member of the Audit Committee Member of the Social, Ethics and Transformation Committee Member of the Risk Committee 	54 Male Black	<ul style="list-style-type: none"> Secondary Education Diploma Advanced Certificate in Education BEd Honours Education Management, Law and Policy Advanced Certificate in Labour Law 	<ul style="list-style-type: none"> Education Labour Law 	<ul style="list-style-type: none"> South African Council of Educators South African Democratic Teachers Union (SADTU) Co-operative Bank 	Nov 2021	<ul style="list-style-type: none"> Councillor, South African Council for Educators
8.	Baleni	Frans	<ul style="list-style-type: none"> Member of the Board Chairperson of the Information Communication and Technology Governance Committee Member of the Social, Ethics and Transformation Committee Member of the Risk Committee Member of the Directors' Affairs Committee 	63 Male Black	<ul style="list-style-type: none"> Certificate in Human Resources Management Certificate in Building on Talent Management BA Social Science Development Studies Diploma in Political Science and Trade Unionism Board of Directors Certificate in Management Development Project and Infrastructure Finance Programme Certificate in Generative AI for Professionals 	<ul style="list-style-type: none"> Human Resources Education Social Science Mining Health & Safety Stakeholder Management Social Development 	<ul style="list-style-type: none"> F11 Management Consulting Investing in African Mining Indaba Advisory Board South African Forestry Company SOC Ltd (SAFCOL) Kalagadi Manganese (Pty) Ltd Novo Energy (Pty) Ltd Tswelopele Beneficiation Operation (Pty) Ltd TFS Africa (Pty) Ltd Akhona Mining Services (Pty) Ltd 	Nov 2021	<ul style="list-style-type: none"> Founder of F11 Management Consulting Sibanye Stillwater Ltd - Social Performance Advisory Panel Unionist

	SURNAME	NAMES	CURRENT ROLE	AGE (YEARS) GENDER RACE	ACADEMIC QUALIFICATIONS	AREA OF EXPERTISE	OTHER BOARDS	APPOINTED TO PIC BOARD	SHORT CV OF INDIVIDUAL (WITH RECENT ACHIEVEMENTS)
9.	Bouwer	Beverley Elizabeth	<ul style="list-style-type: none"> Member of the Board Chairperson of the Risk Committee Member of the Audit Committee Member of the Directors' Affairs Committee 	56 Female White	<ul style="list-style-type: none"> Actuary Chartered Financial Analyst Bachelor of Economic Science Valuator of Defined Benefit and Defined Contribution Funds FAIS Examinations 	<ul style="list-style-type: none"> Actuary 	<ul style="list-style-type: none"> None 	Nov 2021	<ul style="list-style-type: none"> Fellow of the Institute of Actuaries Valuator of Defined Benefit and Defined Contribution Funds (Category B)
10.	Mulaudzi	Lufuno Jean Pierre	<ul style="list-style-type: none"> Member of the Board Member of the Social, Ethics and Transformation Committee Member of the Human Resources and Remuneration Committee Member of the Information Communication and Technology Governance Committee 	52 Male Black	<ul style="list-style-type: none"> BA in History and Political Studies Postgraduate Diploma in Museum and Heritage Masters in Heritage Studies PhD in History 	<ul style="list-style-type: none"> Administration 	<ul style="list-style-type: none"> Fedusa Public Servants Association of South Africa 	Nov 2021	<ul style="list-style-type: none"> Vice-President: Public Sector, Fedusa President: PSA

	SURNAME	NAMES	CURRENT ROLE	AGE (YEARS) GENDER RACE	ACADEMIC QUALIFICATIONS	AREA OF EXPERTISE	OTHER BOARDS	APPOINTED TO PIC BOARD	SHORT CV OF INDIVIDUAL (WITH RECENT ACHIEVEMENTS)
11.	Sithole	Abel	<ul style="list-style-type: none"> Member of the Board (Ex-Officio Executive) (CEO) Member of the Investment Committee Member of the Directors' Affairs Committee 	61 Male Black	<ul style="list-style-type: none"> Master of Arts (International Relations) Master of Philosophy (Futures Studies) Master of Business Administration High School Teacher's Licence Bachelor of Arts 	<ul style="list-style-type: none"> Asset Management Employee Benefits Trusteeship Financial Advisory Futures Research University Lecturing Regulation and Policy Development 	<ul style="list-style-type: none"> None 	Aug 2020 Nov 2021	<ul style="list-style-type: none"> Fellow of the Institute of Life and Pension Advisors Qualified Chartered Financial Planner Previous Commissioner of the Financial Sector Conduct Authority Previous Principal Executive Officer of the Government Employees Pension Fund Previous Chairperson of the Institute of Retirement Funds Previous Chairperson of the Savings Institute of South Africa Senior Researcher and Deputy Director with the Institute for Futures Research at the University of Stellenbosch Spent over 20 years in the insurance and retirement fund industries Completed Regulatory Examinations 1, 3 & 5

	SURNAME	NAMES	CURRENT ROLE	AGE (YEARS) GENDER RACE	ACADEMIC QUALIFICATIONS	AREA OF EXPERTISE	OTHER BOARDS	APPOINTED TO PIC BOARD	SHORT CV OF INDIVIDUAL (WITH RECENT ACHIEVEMENTS)
12.	Mavuka	Brian	<ul style="list-style-type: none"> Member of the Board (Ex-Officio Executive) (Acting CFO) Member of the Information Communications and Technology Governance Committee Member of the Social, Ethics and Transformation Committee 	40 Male Black	<ul style="list-style-type: none"> Chartered Accountant (SA) Bachelor of Commerce Accounting (Honours) Bachelor of Commerce Accounting Accredited SAICA Assessor 	<ul style="list-style-type: none"> Accounting Finance 	<ul style="list-style-type: none"> None 	Nov 2018 Nov 2021	<ul style="list-style-type: none"> Member of SAICA Vast knowledge and understanding of finance governance including in-depth knowledge of IFRS, PFMA, KING III and IV, and Companies Act. Strong analytical and technical knowledge in Investment field. Managed audit projects in Banking, Private Equity, Treasury and Investment Banking and gained a thorough understanding of the financial services and its control environment.
13.	Rikhotso	Kabelo	<ul style="list-style-type: none"> Chief Investment Officer Chairperson of the Portfolio Management Committees Member of the Executive Committee 	43 Male Black	<ul style="list-style-type: none"> Chartered Financial Analyst (CFA Institute) M.Com (Financial Economics) B.Com Hons (Financial Analysis and Portfolio Management) BSc (Mathematical, Physical and Statistical Sciences) 	<ul style="list-style-type: none"> Investment Manager Deal Maker Risk Manager Founder/CEO Board member Business Builder Leader 	<ul style="list-style-type: none"> Raging Bull – Investment Solutions High Income Fund 	10 May 2022	<ul style="list-style-type: none"> Executive Management, PIC Experienced Investment Manager, Deal Maker, Corporate Financier, Risk Manager, Strategic Adviser, Corporate Governance Executive and Fund Manager at Visio Fund Management Founder, Director and Chief Executive Officer of Royal Investment Managers Served as a Management Committee Member for the Alexander Forbes Retirement Funds

INFORMATION ON EXECUTIVE MANAGEMENT

	SURNAME	NAMES	ROLE	AGE (YEARS) GENDER RACE	ACADEMIC QUALIFICATIONS	AREA OF EXPERTISE	OTHER BOARDS	APPOINTMENT DATE AT PIC	SHORT CV OF INDIVIDUAL (WITH RECENT ACHIEVEMENTS)
1.	Sithole	Abel	<ul style="list-style-type: none"> Member of the Board (Ex-Officio Executive) Chief Executive Officer Member of the Investment Committee Member of the Directors' Affairs Committee Chairperson of the Executive Committee 	61 Male Black	<ul style="list-style-type: none"> Master of Arts (International Relations) Master of Philosophy (Futures Studies) Master of Business Administration High School Teacher's Licence Bachelor of Arts 	<ul style="list-style-type: none"> Asset Management Employee Benefits Trusteeship Financial Advisory Futures Research University Lecturing Regulation and Policy Development 	<ul style="list-style-type: none"> None 	1 Aug 2020	<ul style="list-style-type: none"> Fellow of the Institute of Life and Pension Advisors Qualified Chartered Financial Planner Previous Commissioner of the Financial Sector Conduct Authority Previous Principal Executive Officer of the Government Employees Pension Fund Previous Chairperson of the Institute of Retirement Funds Previous Chairperson of the Savings Institute of South Africa Senior Researcher and Deputy Director with the Institute for Futures Research at the University of Stellenbosch Spent over 20 years in the insurance and retirement fund industries Completed Regulatory Examinations 1, 3 & 5

	SURNAME	NAMES	ROLE	AGE (YEARS) GENDER RACE	ACADEMIC QUALIFICATIONS	AREA OF EXPERTISE	OTHER BOARDS	APPOINTMENT DATE AT PIC	SHORT CV OF INDIVIDUAL (WITH RECENT ACHIEVEMENTS)
2.	Mavuka	Brian	<ul style="list-style-type: none"> Member of the Board (Ex-Officio Executive) (Acting CFO) Member of the Information Communications and Technology Governance Committee Member of the Social, Ethics and Transformation Committee Chairperson of the Valuations Committee Member of the Executive Committee 	40 Male Black	<ul style="list-style-type: none"> Chartered Accountant (SA) Bachelor of Commerce Accounting (Honours) Bachelor of Commerce Accounting Accredited SAICA Assessor 	<ul style="list-style-type: none"> Accounting Finance 	<ul style="list-style-type: none"> None 	1 Oct 2014	<ul style="list-style-type: none"> Member of SAICA Vast knowledge and understanding of finance governance including in-depth knowledge of IFRS, PFMA, KING III and IV, and Companies Act. Strong analytical and technical knowledge in Investment field. Managed audit projects in Banking, Private Equity, Treasury and Investment Banking and gained a thorough understanding of the financial services and its control environment. Acting Chief Financial Officer from 23 March 2018 to date
3.	Mosidi	Makano	<ul style="list-style-type: none"> Member of the Board (Ex-Officio Executive) Member of the Information Communications and Technology Governance Committee Member of the Executive Committee 	59 Female Black	<ul style="list-style-type: none"> B Com Financial Accounting and Data Processing Diploma Accounting and Economics 	<ul style="list-style-type: none"> Information Technology Change management and teaching 	<ul style="list-style-type: none"> Bitanium Pty Ltd 	1 May 2021	<ul style="list-style-type: none"> Extensive experience in IT and Executive IT management IT leadership Business administration Member of the Chartered CIO Council (CCIO)

	SURNAME	NAMES	ROLE	AGE (YEARS) GENDER RACE	ACADEMIC QUALIFICATIONS	AREA OF EXPERTISE	OTHER BOARDS	APPOINTMENT DATE AT PIC	SHORT CV OF INDIVIDUAL (WITH RECENT ACHIEVEMENTS)
4.	Rikhotso	Kabelo	<ul style="list-style-type: none"> Member of the Board (Executive Director) Chief Investment Officer Chairperson of the Portfolio Management Committees Member of the Executive Committee 	43 Male Black	<ul style="list-style-type: none"> Chartered Financial Analyst (CFA Institute) M.Com (Financial Economics) B. Com Hons (Financial Analysis and Portfolio Management) BSc (Mathematical, Physical and Statistical Sciences) 	<ul style="list-style-type: none"> Investment Manager Deal Maker Risk Manager Founder/CEO Board member Business Builder LeadeR 	<ul style="list-style-type: none"> Heineken Beverages Africa Finance Corporation 	10 May 2022	<ul style="list-style-type: none"> Board member at PIC Executive Management, PIC Experienced Investment Manager, Deal Maker, Corporate Financier, Risk Manager, Strategic Adviser, Corporate Governance Executive and Fund Manager at Visio Fund Management Founder, Director and Chief Executive Officer of Royal Investment Managers Served as a Management Committee Member for the Alexander Forbes Retirement Funds
5.	Hako	Vuyani	<ul style="list-style-type: none"> Chief Operating Officer Member of the Executive Committee Member of the Valuations Committee Member of the Portfolio Management Committees 	57 Male Black	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Executive Management and Property Investments 	<ul style="list-style-type: none"> None 	1 Oct 2014	<ul style="list-style-type: none"> Executive Management, PIC Executive Director, Eris Property Group CEO, Momentum Property Investments MD, Metropolitan Property Services Town Planner
6.	Van Heerden	August	<ul style="list-style-type: none"> Chief Risk Officer Member of the Executive Committee Chairperson of the Credit Committee Member of the Portfolio Management Committees Member of the Asset Allocation Committee Member of the Valuations Committee 	62 Male White	<ul style="list-style-type: none"> Public Accountants and Auditors Board Final Qualifying Exam Bachelor of Accounting Science (Honours) Bachelor of Commerce Advanced Diploma in Banking Law Diploma in Financial Markets and Instruments International Executive Programme 	<ul style="list-style-type: none"> Risk and Finance in Financial Services 	<ul style="list-style-type: none"> None 	1 Jan 2021	<ul style="list-style-type: none"> CA(SA), with additional qualifications in banking, finance, and leadership Significant experience in banking – Absa Group CRO and Separation Officer Discovery Bank CRO Standard Bank Group Financial Controller Former partner at KPMG

	SURNAME	NAMES	ROLE	AGE (YEARS) GENDER RACE	ACADEMIC QUALIFICATIONS	AREA OF EXPERTISE	OTHER BOARDS	APPOINTMENT DATE AT PIC	SHORT CV OF INDIVIDUAL (WITH RECENT ACHIEVEMENTS)
7.	Lettape	Esther	<ul style="list-style-type: none"> Acting Chief Operating Officer Head: Human Capital Member of the Executive Committee 	56 Female Black	<ul style="list-style-type: none"> Bachelor Administration Honours Admin, (Industrial Psychology) 	<ul style="list-style-type: none"> Human Capital Business Rescue Transformation, Culture and Change Management Executive Management and Leadership Boards 	<ul style="list-style-type: none"> Hendrik Van Wyk Vervoer (Pty) Ltd 	1 Dec 2022	<ul style="list-style-type: none"> Executive Management, PIC Extensive experience in Management Consulting Business Turn Around and Rescue (Most influential women in business award) Human Capital Generalist (Few awards achieved in industry) Transformation and Change management Board Experience (Private and public sector)

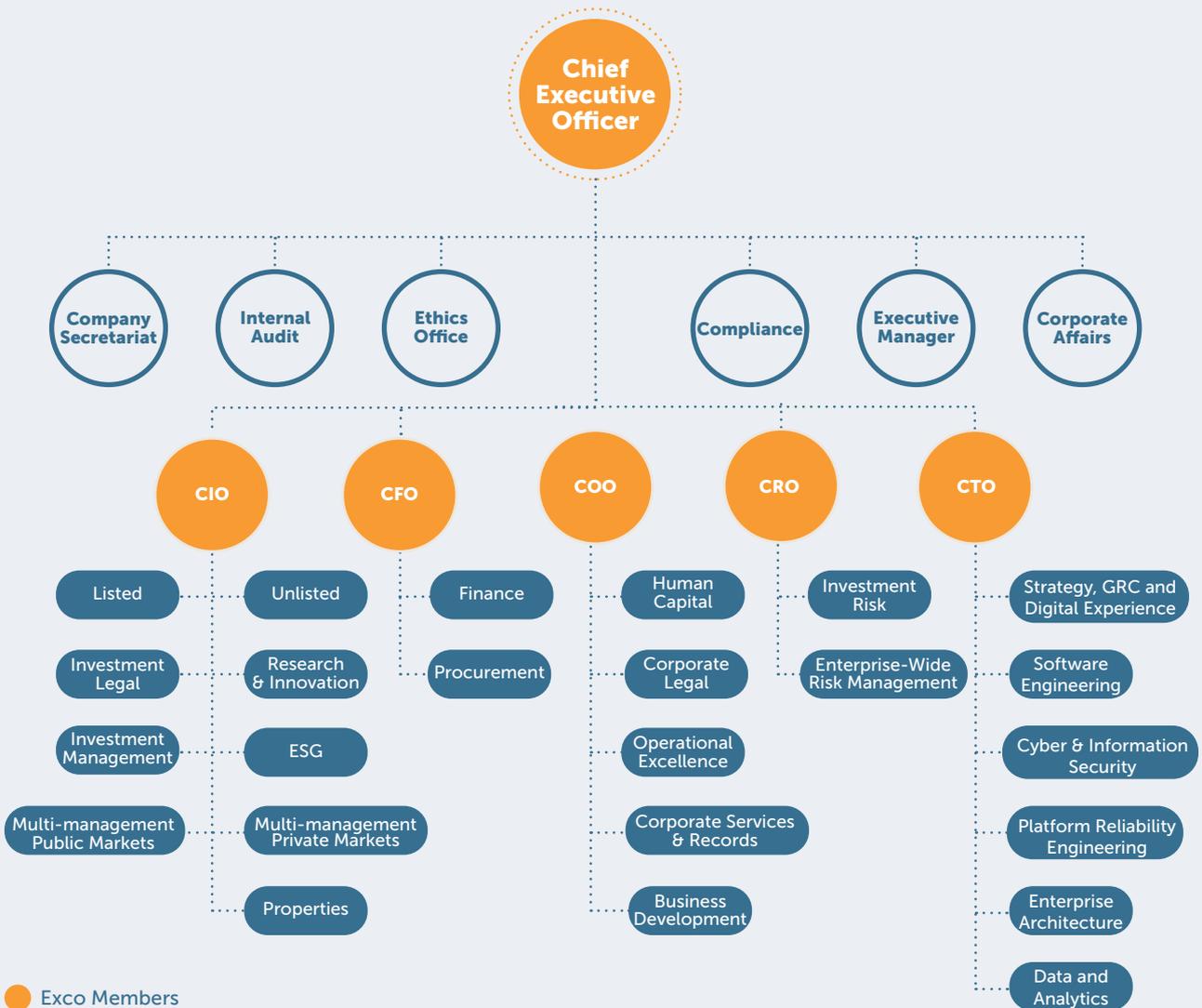
Annexure B

High-Level
Organisational Structure

PIC ORGANISATIONAL STRUCTURE APPROVED LEVEL 1 DIVISIONAL STRUCTURE



LEVEL 2 DEPARTMENTS STRUCTURE



● Exco Members

Annexure C

Financial Plan

STATEMENT OF COMPREHENSIVE INCOME- ANNEXURE C	MAR-24	MAR-25	MAR-26	MAR-27
	FORECAST	BUDGET YR.1	BUDGET YR.2	BUDGET YR.3
Fixed Income	204,451,035	203,000,000	211,000,000	224,000,000
Isibaya	457,905,656	405,606,890	517,509,524	542,623,770
Equities	430,560,626	858,657,531	929,626,717	999,323,966
Unlisted properties	166,824,894	229,215,100	250,568,006	262,602,086
Management Fees	1,259,742,211	1,696,479,521	1,908,704,247	2,028,549,822
Other Income	296,372,002	310,597,858	325,817,153	342,108,010
<i>Investment income</i>	277,878,711	291,216,889	305,486,517	320,760,842
<i>Board fees</i>	1,708,492	1,790,500	1,878,234	1,972,146
<i>Sundry income</i>	756,879	793,209	832,076	873,680
<i>Income from associates</i>	16,027,920	16,797,260	17,620,326	18,501,342
Total Revenue	1,556,114,213	2,007,077,379	2,234,521,400	2,370,657,832
Personnel costs	738,833,576	938,241,615	1,016,584,698	1,069,503,091
CTC	522,916,938	689,916,938	723,722,868	759,909,011
Incentives	215,916,638	248,324,677	292,861,830	309,594,080
Other personnel related costs	29,720,598	39,212,238	41,133,638	43,190,320
PICeeds costs	11,309,320	11,852,167	12,432,924	13,054,570
Board related costs	9,421,964	23,507,307	24,615,496	25,876,269
Office accommodation	62,469,939	65,468,496	68,676,452	72,110,275
Corporate costs	9,225,824	20,628,296	22,823,571	25,187,463
Travel costs	13,530,847	31,372,783	32,910,049	34,555,551
Stakeholder costs	18,287,947	24,188,186	26,327,658	25,104,030
Consultancy and professional fees	96,672,626	101,312,912	101,409,585	101,506,257
IT related costs	144,023,077	181,336,964	201,839,000	213,360,267
Finance costs	10,426,096	9,564,179	8,833,888	8,207,211
Depreciation	24,002,887	58,717,887	85,284,553	113,549,553
Total Expenses	1,167,924,702	1,505,403,031	1,642,871,512	1,745,204,858
Operating Profit	388,189,511	501,674,348	591,649,888	625,452,974
Fair value adjustments & impairment gain/(loss)	- 177,488,461	- 186,007,907	- 195,122,294	- 204,878,409
Net Profit /(Loss)	210,701,051	315,666,441	396,527,594	420,574,565
Taxation	- 38,515,253	- 65,659,921	- 86,745,551	- 92,438,765
Net Profit or Loss after tax	172,185,798	250,006,520	309,782,043	328,135,800

STATEMENT OF FINANCIAL POSITION - ANNEXURE C	FORECAST	BUDGET	BUDGET	BUDGET
	2023/2024	2024/2025	2025/2026	2026/2027
	R	R	R	R
ASSETS				
Non-current assets				
Property, Plant and Equipment	36,649,966	43,797,589	29,533,545	22,899,501
Right of use Assets	68,665,047	50,300,094	31,935,140	13,570,187
Intangible Assets	72,108,146	169,698,102	232,888,057	256,878,013
Investments in associates	372,375,920	389,173,180	406,793,506	425,294,848
Deferred tax	145,251,749	192,124,881	261,076,351	320,974,851
Current assets	695,050,828	845,093,845	962,226,600	1,039,617,400
Financial Assets at Fair value through P/L	2,914,069,634	3,000,327,997	3,188,927,032	3,395,394,922
Current tax receivable	11,697,889	-	-	-
Trade and other receivables	383,720,027	402,138,588	421,843,379	442,935,548
Other financial asset	371,134,708	374,625,839	233,023,560	252,523,978
Cash and cash equivalents	79,080,205	65,906,000	150,932,000	151,401,000
	3,759,702,462	3,842,998,424	3,994,725,971	4,242,255,448
Total assets	4,454,753,290	4,688,092,269	4,956,952,570	5,281,872,848
EQUITY & LIABILITIES				
Share capital	1,000	1,000	1,000	1,000
Non distributable and other reserves	962,980,000	962,980,000	962,980,000	962,980,000
Retained Income	2,933,936,367	3,070,253,024	3,301,898,668	3,557,688,948
Total Equity	3,896,917,367	4,033,234,024	4,264,879,668	4,520,669,948
LIABILITIES				
Non-current liabilities				
Lease Liability	111,398,984	103,441,674	96,091,959	89,263,634
Provisions	181,127,070	246,475,170	234,074,427	252,786,090
Current liabilities	292,526,054	349,916,844	330,166,386	342,049,724
Lease liability	22,495,926	20,889,026	19,404,823	18,025,910
Trade and other payables	42,324,338	44,355,906	46,529,345	48,855,813
Provisions	200,489,606	235,732,986	276,481,967	319,828,470
Current tax payable	-	3,963,484	19,490,380	32,442,983
	265,309,869	304,941,401	361,906,516	419,153,176
Total liabilities	557,835,923	654,858,245	692,072,903	761,202,901
Total equity and liabilities	4,454,753,290	4,688,092,269	4,956,952,571	5,281,872,848

STATEMENT OF CASH FLOWS				
STATEMENT OF CASH FLOWS-ANNEXURE C	2023/24	2024/25	2025/26	2026/27
	FORECAST	BUDGET	BUDGET	BUDGET
	R	R	R	R
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from operations	86,897,481	326,717,258	391,661,603	457,571,720
Investment income	277,878,711	291,216,889	305,486,517	320,760,842
Finance costs	(10,426,096)	(9,564,179)	(8,833,888)	(8,207,211)
Tax paid	(81,677,769)	(144,923,364)	(149,139,231)	(166,714,175)
Dividends paid	(269,956,431)	(113,689,863)	(78,136,399)	(72,345,521)
Net cash from operating activities	2,715,896	349,756,740	461,038,601	531,065,655
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(3,200,900)	(47,500,556)	(52,655,556)	(88,550,556)
Purchase/sale of other intangible assets	(26,712,146)	(97,589,956)	(63,189,956)	(23,989,956)
Other financial assets addition/Disposal	(340,605,105)	(484,497,838)	(353,220,051)	(391,001,983)
Other financial assets disposal	5,457,000	423,101,836	455,864,554	335,443,319
Financial assets at fair value through profit and loss addition	(889,174,120)	(172,709,722)	(492,349,902)	(499,214,848)
Financial assets at fair value through profit and loss disposal	284,727,945	37,244,828	130,952,097	136,756,650
Net cash from investing activities	(969,507,326)	(341,951,408)	(374,598,813)	(530,557,374)
Payment on lease liabilities	(88,431,365)	(20,979,537)	(1,413,787)	(39,281)
Net cash from financing activities	(88,431,365)	(20,979,537)	(1,413,787)	(39,281)
Total cash movement for the year	(1,055,222,795)	(13,174,205)	85,026,000	469,000
Cash at the beginning of the year	1,134,303,000	79,080,205	65,906,000	150,932,000
TOTAL CASH AT END OF THE YEAR	79,080,205	65,906,000	150,932,000	151,401,000

Annexure D

Dividend Policy

DIVIDEND POLICY

August 2023

Document review and approval

REVISION HISTORY

VERSION	AUTHOR	DATE	INCEPTION/REVISION
Version 01	Sibusiso Nsuntsha	April 2020	Revision
Version 02	Corporate Legal	June 2022	Revision
Version 02	PIC & National Treasury	June 2023	Revision

THIS DOCUMENT HAS BEEN REVIEWED BY

	REVIEWER	DATE	REVIEWED
1	Brian Mavuka	April 2020	
2	Corporate Legal	April 2020	
3	EXCO	22 April 2020	
4	Audit Committee	23 July 2020	
5	EXCO	10 April 2021	
6	Audit Committee	17 May 2021	
7	Brian Mavuka	June 2022	
8	Audit Committee	21 July 2022	

THIS DOCUMENT HAS BEEN APPROVED BY

SUBJECT MATTER EXPERTS			
	NAME	SIGNATURE	DATE REVIEWED
1	BOARD		04 November 2016
2	BOARD		26 May 2021
3	BOARD		05 August 2022
4	SHAREHOLDER		02 August 2023

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1. INTRODUCTION

- 1.1. The Public Investment Corporation (PIC) is an asset manager established by the South African government in accordance with the Public Investment Corporation Act, 2004 (Act No. 23 of 2004) ("the PIC Act").
- 1.2. The PIC is regulated by the Public Finance Management Act, 1999 (Act No.1 of 1999) ("PFMA") and is a schedule 3B public entity in terms of the PFMA.
- 1.3. The PIC manages funds on behalf of public sector institutions and is the largest asset manager on the African continent.
- 1.4. The mandate of the PIC as set out in the PIC Act, is to be a financial services provider in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002) ("the FAIS Act"). The principal purpose of the PIC is to invest certain monies received or held by, for or on behalf of the Government of the Republic and certain bodies, councils, funds and accounts. As the custodian of substantial assets generated by the labour of generations of South Africa's public sector employees, the PIC has a responsibility to conduct its affairs with integrity, transparency and in an exemplary fashion.
- 1.5. The investment operations of the PIC are regulated by the Financial Sector Conduct Authority ("FSCA") and the corporation is an approved financial services provider in terms of the FAIS Act. The PIC has been registered with the FSCA since its inception in 2005. In addition to these laws, the PIC has to operate in line with other legislation set out herein below.
- 1.6. The PIC, as a State-Owned Enterprise (SOE), is obliged by legislation as well as by good business practice to develop and implement an effective framework and systems to guide its planning, monitoring and evaluation practices.
- 1.7. The Minister of Finance, as the Shareholder representative of Government in the PIC, issued its first Strategic Intent Statement to the PIC in September 2014. The PIC will ensure alignment between its strategic objectives and the Strategic Intent Statement from its Shareholder.

2. OBJECTIVES AND PURPOSE

- 2.1. The Shareholder expects an appropriate return on the equity invested in its business enterprises. However, unlike publicly listed companies, ownership rights in Government Business Enterprises are not tradeable.
- 2.2. This necessitates a policy mechanism to secure the interests of the Government as a shareholder and to provide a strong incentive for the Board and Management to focus on enhancing the value of the PIC.
- 2.3. The objective of the dividend policy is to:
 - 2.3.1. enhance the transparency of, and accountability for, the financial performance of the PIC;
 - 2.3.2. set parameters that determine the sustainability growth targets; and
 - 2.3.3. recognise the opportunity costs associated with Government's equity.

3. APPLICABLE LEGISLATION

- 3.1. The following Applicable Legislation governs the Dividend Policy:
 - 3.1.1. Companies Act, 2008 (Act No. 71 of 2008) ("the Companies Act");
 - 3.1.2. FAIS Act;
 - 3.1.3. PIC Memorandum of Incorporation ("MOI");
 - 3.1.4. PICOF Mandate;
 - 3.1.5. PFMA; and
 - 3.1.6. PIC Act.

4. DEFINITIONS

The following words and expressions bear the following meanings, unless the context indicates otherwise:

- 4.1. **"AGM"** means annual general meeting of the PIC;
- 4.2. **"Applicable legislation"** means, inter alia, legislation, papers including policy papers, directives, guidelines that apply to the subject matter of the Policy referred to herein;
- 4.3. **"Board"** means the board of directors of the PIC;
- 4.4. **"Capital expenditure"** means money invested by the company to acquire fixed assets and intangible assets used to maintain existing levels of operation within a company and to foster its future growth as set out in the approved Corporate Plan;
- 4.5. **"Cash"** means, money that is readily available for use. It may be kept in physical form, digital form, or invested in short-term money market products;
- 4.6. **"Cost to Company"** means, employee costs excluding PICeeds;
- 4.7. **"Director"** means, a member of the board of directors, and refers to both Executive and Non-Executive Directors;
- 4.8. **"Distribution"** means, a company's payment of Cash, stock, or physical product to its shareholders;
- 4.9. **"Distributable Reserves"** means, accumulated profits since inception of the company and retained income as disclosed in the Statement of Financial Position;
- 4.10. **"Dividend"** means, the distribution of a portion of a company's profits, decided by the board of directors, to its shareholders; and "Distribution" shall have corresponding meaning;
- 4.11. **"Dividend tax"** means, amount payable by the beneficial owner of the dividend, provided the beneficial owner is not exempt, but is withheld from the dividend payment and paid to South African Revenue Services by a withholding agent; section 64F (b) of the Income Tax Act, exempt the government of the Republic in the national, provincial, or local sphere provided the beneficial owner of the dividend has made a prescribed declaration;
- 4.12. **"Effective Date"** means, the date of approval of the Dividend Policy;
- 4.13. **"Liquidity Test"** means, the assessment of the company being able to pay its debts as they become due in the ordinary course of business for a period of 12 months;
- 4.14. **"Minister"** means, the Minister of Finance, the government shareholder representative of the PIC;
- 4.15. **"Non-Distributable Reserves or NDR"** means, an amount made by a company that is not available to be paid as dividends to shareholders.
- 4.16. **"PIC" or "Company"** means, the Public Investment Corporation SOC Limited, registration number 2005/009094/30;
- 4.17. **"PICOF"** means, Public Investment Corporation Operating Fund;
- 4.18. **"Profit"** means, profit after tax as reflected in the audited annual financial statements of the year under review, excluding unrealised gains/losses provided that any such unrealised gain or loss shall be taken into account in any subsequent financial year in which it is realised;
- 4.19. **"Shareholder"** means, the Minister, who is the Shareholder representative of Government in the PIC; and
- 4.20. **"Solvency Test"** means, an assessment on whether the company's assets exceed its liabilities.

5. COMPLIANCE WITH THE PROVISIONS OF THE COMPANIES ACT

- 5.1. When the Board wishes to declare a dividend, it must comply with the provisions of section 46 of the Companies Act;
- 5.2. In terms of section 46 of the Companies Act:
 - 5.2.1. the Board of the Company, by resolution, must authorise the distribution;
 - 5.2.2. it must reasonably appear to the Board that the Company will satisfy the solvency and liquidity test immediately after completing the proposed distribution; and
 - 5.2.3. the Board of the Company, by resolution, must acknowledge that it has applied the solvency and liquidity test as set out in section 4 of the Companies Act and, reasonably conclude that the company will satisfy the solvency and liquidity test immediately after completing the proposed distribution.
- 5.3. In order for the company to satisfy the solvency and liquidity test in accordance with section 4 of the Companies Act:
 - 5.3.1. in terms of section 4(1) of the Companies Act, in order to satisfy the solvency test the Company's assets (including contingent assets) fairly valued, must exceed the Company's liabilities (including contingent liabilities), fairly valued. The date for determining whether this requirement is satisfied is at the time the distribution is made;
 - 5.3.2. in terms of section 4(1) of the Companies Act, in order to satisfy the liquidity test, it must appear that the company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months immediately after the distribution;
 - 5.3.3. for the purposes of conducting the solvency and liquidity test section 4(2) of the Companies Act regulates the books and records to be used and judgement to be exercised in determining solvency and liquidity. In essence, it must be fair value as reasonably determined in all the circumstances;
 - 5.3.4. thus, the starting point in the decision to declare a dividend must be compliance with the solvency and liquidity test as set out above. That will determine the maximum amount that may be declared as a dividend at any time.
- 5.4. Even though the Companies Act may permit the declaration of a dividend falling within the maximum amount, the company's own constitutional documents ("MOI") may limit such amount to a smaller amount.

6. PRINCIPLES RELATING TO THE AMOUNT OF THE DIVIDEND THAT MAY BE DECLARED

- 6.1. As set out above, the Board of the PIC must determine the maximum amount of the dividend that may be declared in terms of the Companies Act at any time.
- 6.2. Having determined the maximum amount, the Board of the PIC must then comply with the dividend requirements of the PIC. These dividend requirements include the PIC Sustainability Ratio Targets summarised in the table below;

1. PIC SUSTAINABILITY RATIO TARGETS	TARGET
1.1 Cost to Company/ Management Fees	≤ 40%
1.2 Total Cost/ Management Fees	≤ 80%
1.3 Solvency Test (after the distribution)	> R0
1.4 Liquidity Test (after the distribution)	> R0

- 6.3. Dividends must only be declared once all the above requirements have been met.
- 6.4. KPI's are used to evaluate the performance of different divisions within the organisation, these KPI's are incorporated in the Shareholders' Compact in consultation with the shareholder.
- 6.5. Incorporated in the KPI's are sustainability ratios that regulate costs and ensures that the organisation operates at a profit.

7. AMOUNT TO BE EXCLUDED FROM THE DIVIDEND CALCULATION

- 7.1. The ultimate amount that may be declared as a dividend at any time shall be determined as follows:
 - 7.1.1. the maximum amount of the dividend which may lawfully be declared as set out in 5 is the starting point;
 - 7.1.2. thereafter there must be deducted exclusions in terms of the "Residual Dividend Policy". In this regard:
 - 7.1.2.1. the PIC applies a "Residual Dividend Policy", as it relies on internally generated income to finance new projects.
 - 7.1.2.2. the PIC will transfer to NDR the sum of:
 - 7.1.2.2.1. one-year budgeted capital expenditure.
 - 7.1.2.3. the PIC shall, on an annual basis, make a transfer to NDR as determined above.
 - 7.1.3. the NDR are not available to be declared as a dividend.
 - 7.1.4. an annual assessment to be performed to determine the unutilised transferred capital expenditure to be released to distributable reserves.

8. PROCEDURE FOR DECLARING DIVIDENDS

- 8.1. The Board of Directors may declare a dividend in an amount of one-third of profit after tax after deducting NDR.
- 8.2. The declaration by the Board of PIC of the dividend shall be subject to approval by the Shareholder at the next AGM.

9. SPECIAL DIVIDENDS

- 9.1. The Board may consider declaring a special dividend during the year of assessment;
- 9.2. The special dividends may be declared from Distributable Reserves;
- 9.3. The solvency and liquidity test will still be applicable in terms of section 4(1) of the Companies Act;
- 9.4. The special dividend will amount to 5% of Distributable Reserves;
- 9.5. The declaration of the special dividend by the Board of PIC shall be subject to approval by the Shareholder at the next AGM; and
- 9.6. Where the distribution reduces the tax capital it is considered a return of capital, and where there is no reduction, it is a dividend.

10. EFFECTIVE DATE

This Dividend Policy shall be effective from the date it is adopted and approved.

11. DISCLAIMER

The Policy does not represent a commitment on future Dividends of the Company but represents a general guidance on the Dividend Policy.

12. RISK OWNER

The Risk Owner shall be the Policy Owner being the Chief Financial Officer.

13. REVIEWS AND APPROVAL OF THE POLICY

- 13.1. The policy shall be reviewed and approved annually and tabled at the AGM or reviewed at any time if there are relevant changes to the applicable legislation and prescripts.
- 13.2. The policy and subsequent reviews of the policy must be approved by the shareholder. The approval of the policy may take place at or outside the AGM.

Annexure E

Enterprise Risk
Management Plan and Risk Register

ENTERPRISE RISK MANAGEMENT FRAMEWORK

November 2023 v7

Document review and approval

REVISION HISTORY

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5.1	Thabo Maluleka Nkosinathi Buthelezi	November 2019	3
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7	Mahlako Moleke Nkosinathi Buthelezi August van Heerden	September 2023	7

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1 Board	February 2018	Yes
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9 Board	28 October 2021	Yes
10 Risk Committee	10 November 2022	Yes
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SUBJECT MATTER EXPERTS		
NAME	SIGNATURE	DATE REVIEWED
1 Board (version 4.0)		February 2018
2 Board (Version 5.0)		February 2019
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4 Board (Version 6.1)		28 October 2021
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1. INTRODUCTION

- 1.1. The Public Investment Corporation ("PIC") is an asset manager established by the South African government. The PIC manages funds on behalf of public sector institutions and is the largest asset manager on the African continent.
- 1.2. As a leader in asset management, risk management sets the tone and values of the organisation.
- 1.3. Risk management is an enabling function that adds value to the organisation and serves to contribute to the success in achieving PIC's strategic objectives. The management of identified risks ensures that PIC minimises the probability and impact of negative events and maximises the potential for credible investment opportunities.
- 1.4. This document, the Enterprise Risk Management Framework (ERMF), outlines the PIC's approach to risk management. The ERMF codifies the approach to identifying, measuring, monitoring, reporting and managing risks throughout the organisation.

2. PURPOSE

- 2.1. Effective enterprise risk management is essential to maximise the prospects of attaining the vision, mission and strategic objectives. Utilising a well-understood, consistent framework and methodology for risk management enables the PIC to seek and exploit opportunities to create value while managing any potential downside. Effective enterprise risk management is essential.
- 2.2. Through an understanding of and managing our risks, we provide greater reliability and credibility for our shareholder, employees, clients and all other stakeholders. The organisation is better informed, more decisive and acts with increased confidence when implementing the business of the day to achieve the desired strategy. We balance our ultimate level of risk control against our continued encouragement of profitable business activities and improvement. Contribution to the assurance of good corporate governance is achieved through the regular measurement, reporting and communication of risk management performance.
- 2.3. To be most effective, the management of risk must be embedded within the PIC culture. It must be embedded in our philosophy, practices and business processes, rather than be viewed or practised as a separate activity. We must commit the necessary resources to ensure that the requirements of this framework are satisfied.

3. DEFINITIONS

In this framework, unless the context indicates otherwise -

- 3.1. **AUM** means Assets Under Management.
- 3.2. **Applicable Legislation** means, inter alia, legislation, papers and including policy papers and research papers, directives and guidelines that apply to the subject matter of the Policy.
- 3.3. **Applicable Governance Documents** means, and includes, policies, guidelines, frameworks, directives, papers, and other reference material.
- 3.4. **CEO** means the Chief Executive Officer of the PIC.
- 3.5. **CIO** means the Chief Investment Officer of the PIC.
- 3.6. **COO** means the Chief Operating Officer of the PIC.
- 3.7. **CRO** means the Chief Risk Officer of the PIC.
- 3.8. **CTO** means the Chief Technology Officer of the PIC.
- 3.9. **Committee** means any of the following committees and subcommittees of the Board or EXCO.
 - 3.9.1. **AC** means the Audit Committee;
 - 3.9.2. **Board** means the Board of Directors of the PIC;
 - 3.9.3. **EXCO** means the Executive Committee;
 - 3.9.4. **RC** means the Risk Committee;
 - 3.9.5. **IC** means the Investment Committee;

3.9.6. **Sub-committees of the Board** include the various sub-committees of the Board; and "Sub-committees of EXCO" includes the various sub-committees of EXCO.

- 3.10. **Company or PIC** means the Public Investment Corporation SOC Limited.
- 3.11. **Control** means an action, procedure, policy or activity undertaken to either contain the risk to an acceptable level (concerning its impact) or reduce its likelihood. As far as possible, controls must be identified for three key categories, namely:
- Preventative Controls (the strongest form of control)
 - Detective Controls (an intermediate strength control)
 - Corrective Controls (the weakest form of control)
- 3.12. **Credit Risk** includes risk due to the probability of failure of the borrower and/or counterparty/(ies) to meet their financial obligations. Credit risk further includes risks stemming from impaired or distressed assets.
- 3.13. **A financial crisis** means a broad range of situations wherein some financial assets suddenly experience a significant reduction in their value.
- 3.14. **Inherent risk** means the gross risk that exists before any controls and/or treatment measures have been applied. It is the risk to an entity in the absence of any actions management take to alter either the risk's likelihood or impact.
- 3.15. **Internal controls** mean any process, policy, device, practice or other actions within the internal environment which modifies the likelihood or impact (consequence) of a risk.
- 3.16. **Impact** means the effect that the risk being realised would have on the corporate strategic objectives. The greater the significance of the impact, the more severe the risk.
- 3.17. **Likelihood** means the chance that the risk may be realised or occur. The higher the probability of occurrence, the greater the likelihood.
- 3.18. **Liquidity Risk** means the risk that a listed asset will become illiquid (unable to be sold at the desired value) when the Client needs to sell it in the future.
- 3.19. **Market Risk** means the risk of the mark-to-market impact on the value of a portfolio, instrument or investment increasing or decreasing as a result of volatility, correlations and unpredicted movements in market valuations. The unpredicted movements are due to changes in equity prices, interest rates, credit spread, foreign exchange rates, commodity prices, and other indicators whose values are set in a public market.
- 3.20. **Model Risk** means the potential loss the PIC may incur, as a consequence of decisions that are principally based on the output of models, due to errors in the development, implementation or use of such models.
- 3.21. **P&L** means profit and loss.
- 3.22. **Policy or Framework** means a policy or framework to be developed to regulate any identified subject matter and/or matter of strategy and/or legislative imperatives within the PIC.
- 3.23. **Policy Owner** means, in respect of a specific policy or framework, the accountable owner is the CRO, and the responsible owner for implementation, monitoring and development is the respective C-Suite or Head of the respective department to which the specific policy or framework applies.
- 3.24. **Reputational Risk** means the risk of loss of credibility due to internal or external factors and is often related to, or results from, other categories of risk.
- 3.25. **Residual risk** means the net risk that remains after managing it through treatment and/or control measures and is what remains after management has taken mitigation actions.
- 3.26. **Risk assessment** means the process of risk identification, risk analysis and risk evaluation (measurement).
- 3.27. **Risk event** is the occurrence of unforeseen or unexpected events that may have a material impact on the PIC's operations and/or the PIC's AUM.

- 3.28. **SOP** means standard operating procedure or manual which may be developed independently of a policy or framework that describes the activities necessary to complete operations in accordance with a specified policy, framework or standard.
- 3.29. **Strategic risk** means the risk that we make inappropriate strategic choices or be unable to successfully execute selected strategies or adapt to changes in the external business, political or socio-economic environment.
- 3.30. **Risk appetite** means the amount and type of risk that PIC is willing to seek, accept or tolerate in pursuit of its long-term strategic objectives.
- 3.31. **Risk oversight** means the supervision of the ERMF and the risk management process.
- 3.32. **Risk tolerance** means the boundaries of risk taking outside of which PIC is not prepared to venture in the pursuit of its long-term strategic objectives.
- 3.33. **Risk response** means the process of controlling identified risks, by taking an appropriate course of action or treatment of the risk.
- 3.34. **Risk universe** means the full range of risks which could impact, either positively or negatively, on the ability of the organisation to achieve its long-term objectives.
- 3.35. **Risk culture** means the system of values and behaviours present in an organisation that shapes risk decisions of management and employees.

4. APPLICABLE LEGISLATION

The applicable legislation is the following Acts of Parliament, policies and regulations that governs the PIC operations:

- Public Investment Corporation Act (Act No. 23 of 2004);
- Public Investment Corporation Amendment Act, 2019 (Act No. 14 of 2019);
- Public Finance Management Act (Act No. 1 of 1999) (PFMA);
- Companies Act (Act No 71 of 2008);
- Financial Advisory and Intermediary Services Act (Act No. 37 of 2002) (FAIS);
- Financial Intelligence Centre Act (Act No 38 of 2001) (FICA); and
- Financial Markets Act (Act No. 19 of 2012) (FMA).

5. APPLICABLE GOVERNANCE DOCUMENTS

- PIC's various Delegations of Authority;
- Client Mandates;
- Investment Risk Framework;
- Market Risk Policy and Guideline(s);
- Credit Risk Policy;
- Operational Risk Management Framework;
- Risk Appetite Framework;
- Model Risk Policy;
- Anti-fraud and Corruption Policy;
- Stress Testing Framework;
- Single Issuer and Counterparty Limits Guideline;
- Conflict of Interest Policy;
- Integrity Walls Policy; and
- Politically Exposed Persons Policy.

6. ENTERPRISE-WIDE RISK MANAGEMENT PRINCIPLES

The objective of the ERMF is to embed risk management as a part of the culture of the organisation, where a shared understanding of risk and risk management leads to informed decision-making. Below are enterprise-wide risk management principles:

1. Risk management enables management to make intelligent decisions when setting strategy, making decisions, and in the daily management of the organisation. It provides reasonable assurance that performance is optimised, objectives achieved, and desired levels of value delivered to stakeholders;
2. Risk management provides the Board and all decision-makers with reliable, current, timely, and actionable information about the uncertainty that might affect the achievement of PIC's objectives;
3. Risk management at the PIC is systematic and structured;
4. The ERM programme has been tailored for PIC needs. This takes into account the internal processes and culture; and
5. PIC's ERM programme is dynamic, iterative and responsive to change.

7. PIC PRINCIPAL RISKS

As an investment manager, PIC has identified the following principal risks that it faces in its drive to realise its mission and vision, and which needs to be actively managed to enable success:

PRINCIPAL RISK TYPE	DESCRIPTION OF RISK
Strategic Risk	The risk that we make inappropriate strategic choices or are unable to successfully execute selected strategies or adapt to changes in the external business, political or socio-economic environment.
Credit Risk	Credit risk includes risk due to the probability of failure of the borrower and/or counterparty(ies) to meet their financial obligations. Credit risk further includes risks stemming from impaired or distressed assets. Credit risk includes the following sub risks: collateral risk, credit concentration risk, counterparty risk, country risk, issuer risk, industry or sector risk, settlement risk, sovereign risk.
Market Risk	The risk of the mark-to-market impact on the value of a portfolio, instrument or investment increasing or decreasing as a result of volatility, correlations and unpredicted movements in market valuations. The unpredicted movements are due to changes in equity prices, interest rates, credit spreads, foreign exchange rates, commodity prices, and other indicators whose values are set in a public market.
ESG Risk	Inability of the PIC to identify, measure and monitor ESG and climate risks in line with global practices.
Operational Risk	The risk of loss resulting from inadequate or failed processes, people and systems or from external events. Operational risk includes the following categories: <ul style="list-style-type: none"> • Execution, Delivery and Process Management (EDPM) • Employee Practices and Workplace Safety (EPWS) • Business Disruption and System Failures (BDSF) • Internal fraud (IF) • External fraud (EF) • Clients, Products and Business Practices (CPBP) • Damage to Physical Assets (DPA)
Information Technology and Cyber Risk	Risk of financial loss, disruption or damage to PIC's reputation from failure of information technology systems. This risk could materialise in the following ways: <ul style="list-style-type: none"> • Deliberate and unauthorised breaches of security to gain access to information systems for the purposes of espionage, extortion, or embarrassment. • Unintentional or accidental breaches of security, which may constitute an exposure that needs to be addressed. • Operational IT risks due to poor systems integrity.
Legal and Regulatory Risk	The risk of loss due to actual or proposed changes to and/or non-compliance with applicable laws, regulations, rules, mandatory industry practices and internal policies and procedures.
Reputational Risk	The risk of loss of credibility due to internal or external factors and is often related to, or results from, other categories of risk.
Liquidity Risk	Liquidity risk is the risk that a listed asset becomes illiquid (unable to be sold at the desired value) when the Client needs to sell it in the future.
Model Risk	The potential loss PIC may incur, as a consequence of decisions that are principally based on the output of models, due to errors in the development, implementation or use of such models.

The above categories serve as the principal risk categories for the organisation. Within each of these principal risks are related sub-risks. These principal risk categories are continuously monitored to assess the extent to which they impact on the objectives.

8. EMERGING RISKS

Emerging risk can be described as a risk that is evolving in areas and ways where the body of available knowledge is weak. Emerging risks have characteristics that differentiate them from 'business as usual' risks. The various characteristics are articulated below:

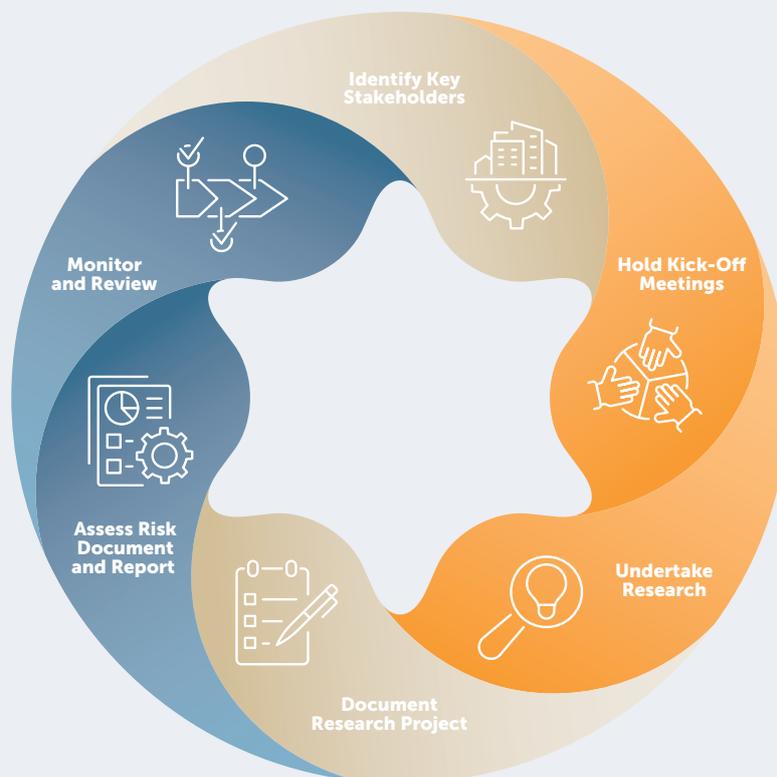
CHARACTERISTIC	NOTES AND EXAMPLES
Ambiguous	The risk itself is difficult to define. For example, in the initial stages of the Covid-19 pandemic, experts recognised that a pandemic was likely but could not describe how, and when the event could happen.
Chaotic	Emerging risks are constantly changing.
Complex	They can affect a large number of factors simultaneously.
Time-horizon can change	Emerging risks sometimes seem a long way off, but the time horizon can change very quickly.
Uncertain	The lack of knowledge about what an emerging risk will become and how it will materialise makes them difficult to consider with certainty.
Uncontrollable	Emerging risks are often external to the PIC, and outside direct control, so the need is to adapt and respond, rather than to control.
Volatile	Significant changes in the risk within a short period.

Source: Institute of Risk Management

The management of emerging risks enables the PIC to build and maintain resilience to ensure that the organisation can survive and thrive during uncertain times. The process of managing emerging risks, led by the Risk Department, enables the PIC to anticipate possible adverse scenarios or events, prepare for them, withstand, or absorb their impacts, recover from the effects and adapt to the changing conditions. The management of emerging risks also enables the PIC to respond and adapt to opportunities and take prompt and informed decisions with confidence.

The Risk Department follows the following process to identify and assess emerging risks:

Figure 1: Process for Identifying and Assessing Emerging Risks



An emerging risk register is used for the identification, analysis and tracking of the impact of each emerging risk identified. Identified emerging risks are monitored on a quarterly basis and implementation of response plans developed in collaboration with risk owners and reported to Exco, the Risk Committee and Board sub-committees.

9. RISK MANAGEMENT PROCESS

Risk management is the process of identification, analysis (evaluation and measurement) and acceptance or mitigation of uncertainty in either of the PIC's investment decisions and/or its corporate operations. Risk management also serves to enable continuous improvement in decision-making and facilitates improved performance. The risk management process is developed by adopting the ISO 31000 risk management standard and is depicted in figure 2 below.

Figure 2: Risk Management Process



9.1. Risk Identification

Risk identification establishes the exposure of the organisation to risk and uncertainty. The process of identifying risk begins with a shared understanding of the PIC strategic objectives, and the risks posed to these stated objectives. PIC follows a structured approach of grouping identified risks according to the Corporation's common risk language or risk categories.

The following techniques are employed for risk identification:

- Continuous monitoring and understanding of changes in the internal environment.
- Continuous monitoring and understanding of changes in the external environment.
- Conducting risk workshops with business units to identify risks impacting the organisation.
- Conducting risk workshops with the Board and EXCO to identify strategic risks.
- Conducting risk workshops with Project Management Teams to identify project risks.

9.1.1 Credit Risk Identification

Credit risk is identified at origination of a potential credit exposure, through initial screening and assessment of a transaction to test alignment with the risk appetite and mandate fit of the respective fund.

Robust due diligence of credit exposures must be performed by both the first and second line of defense in the identification of credit risk. The first line of defense must undertake this assessment for all prospective credit exposures, in accordance with the internal delegation of authority. The second line of defense must perform an independent assessment of the extent of the credit risk to be taken to inform decision-making.

9.1.2 Market Risk Identification

Given that every financial instrument has exposure to a substantial number of market risk factors, it is important to identify all the key market risk factors so that when the factors move, they explain a significant proportion of the financial instruments' change in market value.

Through this key market risk factor identification process, the PIC can identify the appropriate risk metrics for each of the key market risk factors.

9.1.3 Liquidity Risk Identification

As an asset manager, the PIC is faced with liquidity risk on its own balance sheet, as well as risk in the portfolios that it manages on behalf of its clients. Therefore, the PIC must ensure that sufficient liquidity is available to meet financial obligations and cash withdrawals for the client portfolios that it manages. Liquidity risk identification is conducted through scenario analysis as and when there are major events that might impact on the PIC portfolios.

9.1.4 Non-Financial Risk Identification

The risk identification process is conducted both on a bottom-up and top-down basis. In a bottom-up risk identification process, PIC staff must identify risks. Those risks are categorised into major categories and eventually fit into a hierarchy of risks that should be used by the Board and Exco in strategic decision making. In a top-down process, Exco identifies the major risk categories that are best suited for management and board attention. The major risk categories are subdivided as risk management responsibilities are delegated to different levels within the company. PIC must ensure that all staff have a common understanding of the various categories so that risks can be reported consistently.

9.2. Risk Assessment

Once risks have been identified, an assessment of the identified risks is undertaken. This is done via an assessment of the likelihood of the risk occurring and the impact thereof. This assessment is performed in addition to the risk measurement, which is more focused on statistical methods. The risk assessment involves an assessment of both the inherent and the residual risk.

A risk assessment includes the following:

- A description of the risk in sufficient detail.
- The consequence of the risk, considering both financial and non-financial impacts.
- An appropriate categorisation of the risk
- An inherent risk assessment that considers the likelihood and impact of the risk, often expressed in qualitative terms.
- An assessment of the effectiveness of the controls or risk mitigation strategies.
- A residual risk assessment after the application of controls or risk mitigation.

9.3. Actions Required to Reduce Risks Falling Outside the Risk Appetite

Risk Assessment

Risk measurement is used to support PIC's decision making by providing important quantitative information related to the risks PIC faces. The nature, scale and complexity of the risks dictate the techniques used to measure risks with materiality. Some of the tools that can be used to measure risk are:

- Models
- Forward Looking Assessments
- Stress and Scenario Testing

9.3.1 Credit Risk Measurement

The Credit Risk team uses a number of quantitative and qualitative tools to measure credit risk. Some of the metrics that are used in credit risk include, but are not limited to:

- Probability of Default (PD)
- Expected Loss (EL)
- Loss Given Default (LGD)
- Exposure at Default (EAD)

9.3.2 Market Risk Measurement

Each portfolio has in place a set of risk exposure measurements that conform to the client investment mandate. These measurements include but are not limited to:

- Tracking error, and
- Modified duration.

Where applicable, these measures have limits that are measured relative to the portfolio benchmark. Furthermore, these measurements must also be supplemented by other risk and sensitivity measures as deemed appropriate by the Market Risk Department (MRD).

The key sources of market risk factors and their main risk measurements are highlighted below:

Interest Rate Risk: The sensitivity of fixed-income securities and portfolios to changes in interest rates and yield curve changes (twists, shifts and butterfly movements) are measured and reported to various Committees.

Equity Risk: Sensitivity analysis on client equity mandates is performed to determine sources of systematic risk and reports on this analysis to various Committees.

Foreign Exchange/Currency Risk: The exposure of client mandates to foreign exchange risk is analysed and reported to various Committees.

Stress Testing: The stress testing framework provides parameters within which stress testing is performed and implemented within the PIC. The stress testing framework has an important role in facilitating the development of contingency measures across a range of risk events and where possible, mitigating the impact of such events. Stress tests provide invaluable information in the decision-making process for, amongst other things, setting the PIC risk appetite, setting exposure limits, developing appropriate risk control responses on a pre-emptive basis, evaluating strategic choices in relation to client portfolios and long-term business planning.

9.3.3 Liquidity Risk Measurement

The Market Risk Department is responsible for the identification, measurement, monitoring and reporting of portfolio and asset/market liquidity risk. The Corporate Finance Department is responsible for the monitoring and reporting on the PIC's corporate liquidity.

The ERM Department monitors liquidity risk appetite on a quarterly basis in accordance with the limits and thresholds set out in the Risk Appetite Statements.

9.4. Inherent Risk

Inherent risks are those risks that exist by virtue of the organisation's activities and environment, and seeks to address the following question:

"What is the magnitude (i.e., likelihood and impact) of the identified risk before any policies or controls are put into place?"

Inherent risk is calculated by: Likelihood x Impact

The measurement criteria for Likelihood and Impact are outlined in Table 1 and Table 2 below.

Table 1: Likelihood Scale

SCALE	DESCRIPTOR	DESCRIPTION
1	Remote	May only occur in exceptional circumstances
2	Unlikely	Is unlikely to occur, but could occur at some point in time
3	Possible	Fairly likely to occur at some time, or in some circumstances
4	Probable	Will probably occur at some time, or in most circumstances
5	Almost Certain	Is expected to occur almost always

Table 2: Impact Scale

SCALE	DESCRIPTOR	FINANCIAL IMPACT	DESCRIPTION
1	Negligible	<R1m	Insignificant disruptions to internal business
2	Minor	R1m - R3m	Some disruption to internal business only
3	Moderate	R3m - R15m	Noticeable disruption to the operations of the organisation
4	Major	R15m - R55m	Major business disruption
5	Critical	>R55m	Catastrophic disruption that is beyond tolerable levels

9.5. Controls

Controls are applied to the identified inherent risks, with the purpose of mitigating risks:

- Where future actions are planned (i.e., planned controls) these should have a date for implementation that is committed to by the risk owner (i.e., risk mitigation plan).
- The risk owner is responsible for ensuring that the planned controls are implemented.

The control design and effectiveness are assessed as per below ratings:

Table 3: Control Effectiveness

SCORE	CONTROL RATING	CONTROL EFFECTIVENESS QUANTIFICATION
4	Optimal	80%
3	Adequate & Effective	60%
2	Adequate but Ineffective	40%
1	Inadequate Controls	20%
0	No Controls	0%

The control rating must be assessed based on the type of control, i.e., preventative, detective and/or corrective. A detailed description of each control rating is contained in Appendix C.

9.6. Residual Risk

The residual risk is measured once a control has been established and evaluated based on its strength. The residual risk is calculated by: Inherent Risk * (1 - Control Effectiveness).

The outcome of the risk identification, assessment and measurement process produces the risk profile of the Corporation or Business Unit, which is recorded in a risk register.

9.7. Risk Heat Map

The matrix further indicates the extent to which an organisation must be concerned about certain risks, i.e., risk responses must be prioritised for those that are plotted ranging from 15 up to 25. The below matrix can be used to plot PIC's organisational risks. It can also be used to plot transactional risk as part of investment risk management.

Table 4: Risk Heat Map

LIKELIHOOD	Almost Certain	5	10	15	20	25
	Highly Probable	4	8	12	16	20
	Possible	3	6	9	12	15
	Unlikely	2	4	6	8	10
	Remote	1	2	3	4	5
		Negligible	Minor	Moderate	Major	Critical
		<R1m	R1m-R3m	R3m-R15m	R15m-R55m	>R55m
		IMPACT				

Table 5: Risk Rating Legend (Risk Buckets)

RISK GRADE	SCORE RANGE
Low	1 ~ 8
Moderate	9 ~ 14
High	15 ~ 25

9.8. Risk Treatment

The PIC's risk treatment methodology is in alignment with the ISO 31000 standard. These risk treatment actions are more broadly defined as:

- Reduce/Treat - reduce the risk to acceptable levels
- Transfer - transfer the risk to a third party
- Share - share the risk across the organisation
- Acceptance - risk retention in line with risk appetite
- Avoid - completely avoid the risk

Risk treatment actions must be aligned to the materiality of the risk. Detail on the risk treatment process is contained in Appendix B.

9.9. Risk Migration

Changes in the risk trends of the risk profiles must form part of the risk monitoring and review process. To maintain consistency in the approach to establishing the movement in the risk trends, the following must be applied:

Reduction in Risk	↓	Where the risk position moves from a higher risk rating number to a lower risk rating number, i.e., an improvement in the risk position.
No Change in Risk	↔	Where there is no change in the risk position, i.e., risk position remained stable.
Increase in Risk	↑	Where the risk position moves from a lower risk rating number to a higher risk rating number, i.e., a deterioration in the risk position.

10. IMPLEMENTATION OF ENTERPRISE RISK MANAGEMENT

Effective implementation of ERM requires an organisational context that includes:

- The tone at the top.
- Risk management philosophy and risk appetite.
- Integrity and ethical values.
- Reporting to and by Business Units, Executives, and the Board (top down and bottom up).
- Adoption or development of a common risk language.
- Techniques for identifying risk.
- Tools for assessing risks.
- Tools for reporting and monitoring risk.
- Incorporating risk management into appropriate employees' job descriptions and responsibilities.
- Incorporating risk into the budgeting function.
- Integrating risk identification and assessment into the strategy of the organisation.

11. RISK APPETITE AND TOLERANCE

Risk appetite is defined as the amount of risk, on a broad level, that the organisation is willing to accept in pursuit of value. It reflects the Corporation's risk management philosophy, and in turn influences the culture and operating style. Risk appetite should be considered qualitatively, as well as quantitatively, to reflect and balance the goals for growth, return and risk. Risk appetite is strategic, as it is the guidepost in strategy setting and sets boundaries around opportunity-seeking behaviour, which impacts the entity's objectives and strategies. It provides the overall direction for risk management and is grounded during the objective-setting process.

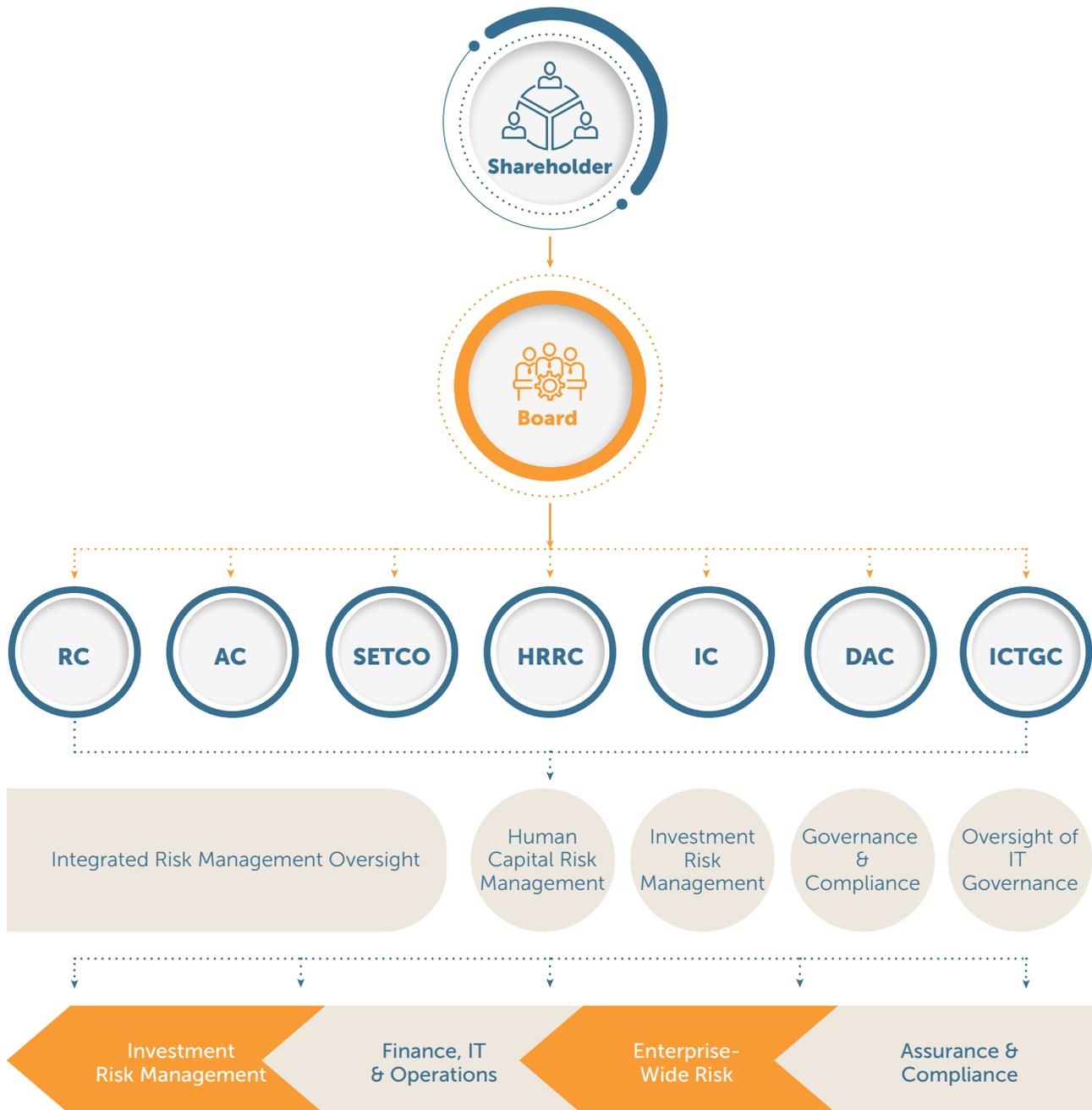
Risk tolerance is a term often used interchangeably with risk threshold or risk limit and is defined as the acceptable level of variation relative to achievement of a specific objective, and often is best measured in the same units as those used to measure the related objective. Risk tolerance is tactical and sets the boundaries of performance variability. The risk tolerance metrics are used to ensure that performance variability is reduced to an acceptable level.

The assets under management are managed in accordance with the client mandates. Consideration of the risk parameters and various risk limits are stipulated in the client mandates. There is generally low tolerance for breaching client mandates unless explicit approval has been granted by the client.

12. RISK GOVERNANCE

The Board is responsible for oversight of PIC's efforts to achieve a maximum rate of return commensurate with the level of risk exposure it takes, in alignment with PIC's mandate. As a result, the Board is responsible for the governance of risk as well as approving the ERMF. The PIC's governance structure is depicted in Figure 4 below.

Figure 4: Governance Structure



The Board is charged with the responsibility for implementing and maintaining a risk management strategy governing our investment function and related processes. In this regard, the Board takes responsibility for determining the PIC's risk appetite which it derives from Shareholder and Clients' mandates.

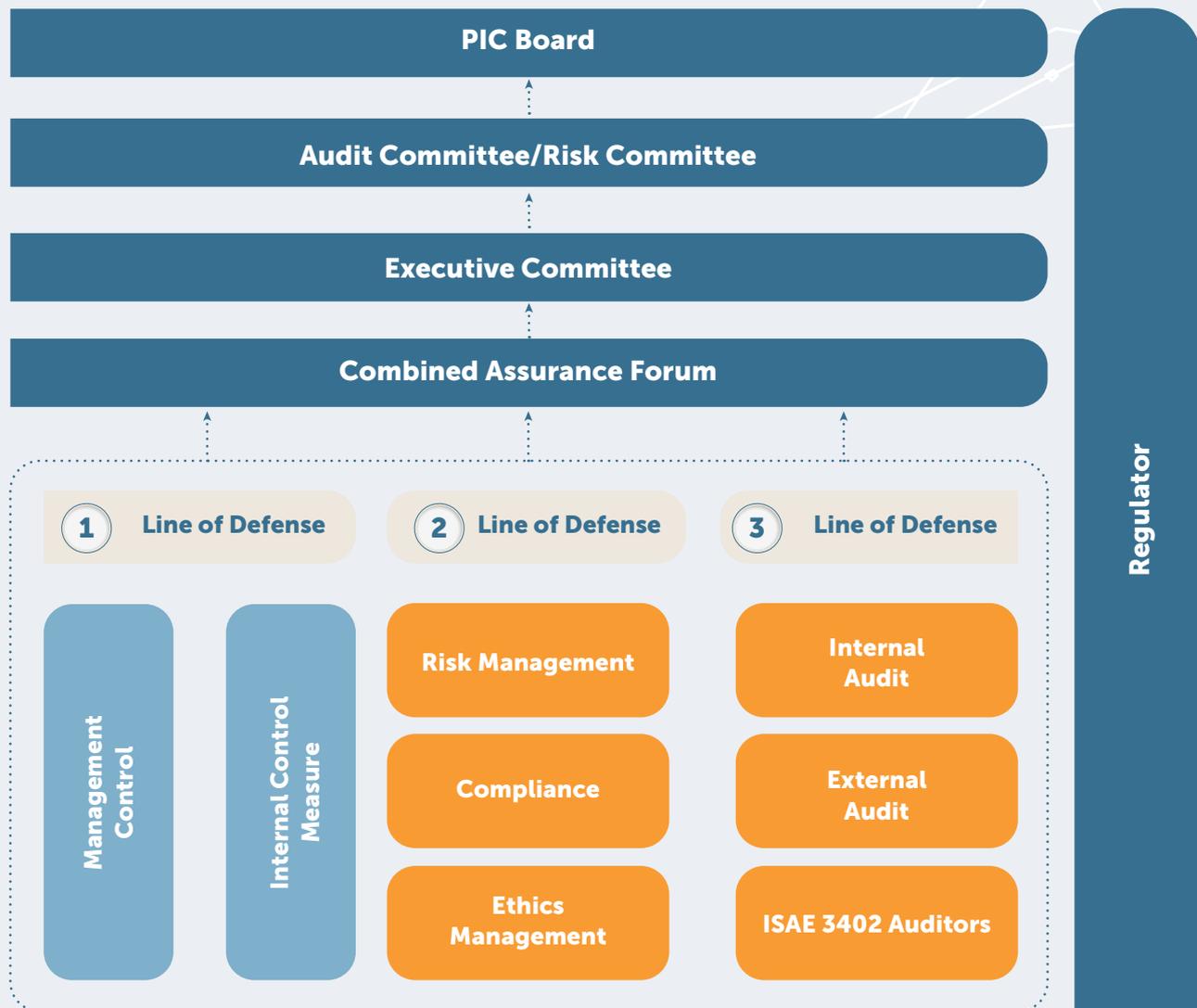
COMBINED ASSURANCE

The King IV™ Report, principle 15, recommends that the Board should ensure that assurance services and functions enable an effective control environment. The PIC's Three Lines of Defence mode provides for a simple and effective way to help ensure that the required level of assurance services and functions are embedded within the organisation and that these support the integrity of information for internal decision making and of the organisation's external reports.

King IV™ further recommends that the Board should also satisfy itself that a combined assurance framework is applied which incorporates and optimises the various assurance services and functions so that, taken as a whole, these support the objectives for assurance.

The diagram below depicts the various oversight structures and role players in relation to combined assurance.

Figure 5: Oversight Structures and Role Players for Combined Assurance



The Combined Assurance Forum is governed by the Terms of Reference and guidance provided in this Framework.

The PIC Board provides leadership in the best interests of PIC and its stakeholders and is responsible for the strategic direction and control of the Company.

The Board has delegated the Audit Committee the responsibility for overseeing the Combined Assurance process to achieve the following objectives:

- Enabling an effective internal control environment.
- Integrity of internal control information used for internal decision-making by management, the PIC Board, and its committee; and
- Supporting the integrity of external reports.

The Audit Committee should oversee that a Combined Assurance Framework is designed and implemented to effectively cover PIC's significant risks and material matters through a combination of the three lines of defence.

The Board and its committee should assess the output of the Combined Assurance Process and form an opinion on the integrity of information and reports and the degree to which an effective control environment has been achieved.

The Audit Committees should assume responsibility for the integrity of external reports by utilising the Combined Assurance Process considering legal requirements in relation to assurance and considering:

- Whether assurance should be applied to the underlying data used to prepare the report, or to the process of preparing and presenting the report, or both.
- Whether the nature, scope and extent of assurance is suited to the intended audience and purpose of the report; and
- The specification of applicable criteria for the measurement or evaluation of the underlying subject matter of the report.

External reports should disclose information about the type of assurance process, nature, scope, and extent of assurance applied to each report in addition to the independent external audit opinions provided in terms of legal requirements. The Audit Committee should, furthermore, provide a statement on the integrity of the report and the basis for this statement, with reference to the assurance applied.

Management is responsible and accountable for management of risks and opportunities in their areas of control with delegated responsibility as per the Delegation of Authority (DoA).

13. ROLES AND RESPONSIBILITIES

All PIC employees are responsible for the management of risk in accordance with this framework. This responsibility includes ensuring that the necessary controls are adequate and effective. Control assurance focusses on improving our ability to manage risk effectively, so that we can proactively, timeously, and confidently act on opportunities to gain competitive advantage, create further value and achieve sustained growth.

13.1. Board of Directors (Board)

The Board is responsible for oversight of PIC's risk management processes. Including to:

- Formally approve the ERM Framework.
- Consider material risks as part of all decisions.
- Review the risk management strategy on an annual basis.
- Discuss with management the state of ERM.
- Ensure they are apprised of risks and management's actions to address them.
- Consider input from internal auditors, external auditors, and other assurance providers.

13.2. Audit Committee

The Audit Committee is mandated to perform the following duties:

- Promote and report on the overall effectiveness of the company's internal controls.
- Receive reports on the overall effectiveness of PIC's internal controls.
- Oversee the mandates of, and ensure coordination between the activities of, internal and external audit.
- Satisfy the Board that material financial and other 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 areas of perceived control weaknesses.
- Review legal and regulatory matters that have a significant impact on the company's financial statements.

13.3. Risk Committee

The responsibilities and duties of the Risk Committee are to:

- Help set the tone and develop a risk aware culture at the PIC.
- Provide input to management and advise the Board regarding the PIC's overall risk appetite, tolerance, and risk strategy.
- Oversee and advise the Board on the current risk exposures of the PIC and emerging risks.
- Monitor the PIC's risk profile – its on-going and potential exposure to risks of various risk types.
- Consider and recommend approval of the Enterprise-Wide Risk Management Framework to the Board.
- 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.
- Annually review and evaluate PIC's policies and practices with respect to risk assessment and risk management.

13.4. Executive Committee

The Executive Committee is responsible for:

- Maintaining an organisation-wide system of internal control to manage all organisational risks.
- Manage the risk profile of the organisation.
- Support the Board in discharging its responsibility for ensuring that the wide range of risks associated with the PIC's operations are effectively managed.
- Monitor all issues pertaining to the risk profile of the organisation.
- Review the risk management process, the significant risks facing the PIC and the effectiveness of PIC's internal control environment.
- Regularly report to the Risk Committee and the Board all significant risks.

13.5. Risk Management Division

The risk management oversight structure in the second line of defence as per the three lines of defence model facilitates continuous improvement of the organisation's capabilities around managing key risks that have an impact on the organisation. The goal of continuously improving risk management capabilities and achieving balance is to protect, as well as enhance, enterprise value. Risk management provides an oversight role within the organisation in the day-to-day management of risks. The risk management division:

- Provides direction on the allocation of resources to risk management activities.
- Facilitates the development of the Corporation's risk appetite and reaffirms the risk appetite as approved by the Board and executive management, in conjunction with its oversight activities.
- Establishes the appropriate ERM infrastructure for the organisation, including risk policies, metrics, reporting and monitoring.
- Ensures that appropriate risk owners are designated on a timely basis.
- Determines that resources and staffing are sufficient, that incentives for desired behaviors are in place and that hiring, retention and training practices work as intended.
- Delineates the specific roles and responsibilities pertaining to risk taking versus risk monitoring.

13.6. Market Risk Management Department (MRD)

As the second line of defence in the management of risk, MRD is responsible for the oversight of market risk within the PIC, which encompasses the following:

- Ensuring that risk measures are standardised such that portfolio exposures can be aggregated.
- Maintaining PIC's market risk stress testing methodology and the definition of related scenarios.
- Conducting ongoing validation of asset valuations in local listed bonds and listed equity portfolios.
- Providing input to any new products from a market risk perspective.
- Preparing reports to ensure that risk limits/budgets are being used effectively and appropriately by the Investment Teams.
- Monitoring the levels, trends, and sources of market risk.

13.7. Credit Risk Management Department (CRD)

As the second line of defence in the management of risk, CRD is responsible for the oversight of credit risk within the PIC, which encompasses the following:

- Performing a second line of defense, oversight role in respect of credit risk.
- Independent credit risk assessments to enable investment decision-making.
- Identification, evaluation, measurement, reporting of credit risks.
- Evaluation of, amongst others, the credit quality of a counterparty and/or underlying asset.
- Recommending optimal credit risk mitigation strategies.
- Monitoring credit risk migration in existing investment portfolios.
- Opining on impairment of non-performing loans.

13.8. Enterprise Risk and Operational Risk Management Department

As the second line of defence in the management of risk, ORM is responsible for the design and implementation of the Operational Risk Management Framework encompassing the following:

- Top risks (strategic risks) assessment and reporting.
- Emerging risks identification, assessment, and reporting.
- Risk and Controls Self-Assessments (RCSA) at Business Unit level.
- Provision of a platform for communicating on risk matters.
- Key Risk Indicators (KRI).
- Risk Appetite Statements.
- Risk Incident Reporting Framework.
- Issues and Actions Plans (IAAP).
- Design and implement a framework for the measurement and quantification of operational risk exposure in the PIC.
- Actively participate in implementing a combined assurance model.

13.9. Compliance

The PIC has a compliance function which is primarily responsible for monitoring PIC's compliance with all relevant regulatory obligations.

- The PIC has a zero-tolerance for non-compliance with applicable regulatory requirements.
- In line with our expanding global strategy, we also frequently employ the services of international compliance consultants and law firms to ensure we remain abreast of all material regulatory developments. The PIC also uses technologies to keep abreast of material regulatory developments.
- The compliance framework outlines the roles, responsibilities, policies, and procedures to ensure compliance.

The PIC reports to the following regulators on an ongoing basis:

- Financial Sector Conduct Authority (FSCA)
- South African Reserve Bank (SARB)
- Financial Intelligence Centre (FIC)
- Johannesburg Stock Exchange (JSE)
- Financial Conduct Authority (United Kingdom)
- Securities and Exchange Commission (United States)
- Australian Stock Exchange (Australia)

The PIC, as an investment manager, is required to comply with the following key legislations, amongst others:

- Financial Advisory and Intermediary Services Act, No 37 of 2002
- Financial Markets Act, No 19 of 2012
- Financial Intelligence Centre Act, No 38 of 2001
- Public Finance Management Act, No 1 of 1999
- Companies Act, No 71 of 2008

The Compliance Department performs the following duties:

- Conducts regular reviews regarding compliance with the enterprise risk management framework and policy.
- Independently assesses the effectiveness of the compliance risk controls within the corporation through combined planning with ORM, IAD and any other assurance provider to ensure maximum possible coverage of risks and minimal duplication of control testing.
- Provides input on the effectiveness of identified compliance controls on the results of their reviews.
- Actively participates in implementing a combined assurance model.
- Monitors mandate compliance via the Charles River system.
- Conducts pre-trade compliance functionality to block new trades that lead to the breach of a client's mandate for listed investments (i.e. bonds, equities) and to forewarn portfolio managers if the minimum or maximum allowable exposure limits are being approached.
- Conducts daily post-trade monitoring.

The Compliance Department is responsible for the following reports:

- Daily Monitoring Report generated by the Charles River System and including all asset classes whose values are imported from HiPortfolio.
- Daily report on pre-trade compliance, with warnings of when the maximum and minimum limits allowed by the client mandate are about to be breached. Should the breach be longer than 7 days, notification of the breach must be sent to the client by Stakeholder Relations, along with an action plan, as per mandate requirements. Such breaches are also reported to all relevant committees monthly.

13.10. Internal Audit Department (IAD)

As the third and last line of defence in risk management, IAD:

- Provides independent assurance that PIC's risk management, governance and internal control processes are operating effectively.
- Performs regular reviews regarding adherence to the enterprise risk management framework and policy.
- Independently assesses the effectiveness of the risk controls within the Corporation through combined planning with ORM, Compliance and any other assurance provider to ensure maximum possible coverage of risks and minimal duplication of control testing.
- Actively participate in implementing a combined assurance model.

14. RISK ACCEPTANCE

Risk acceptance implies that no action is taken to affect the severity of the risk. Should this risk response be adopted, consideration of the risk appetite needs to be considered as this response is appropriate when the risk is already within the risk appetite. A risk that falls outside the PIC's risk appetite and that management seeks to accept should be formally presented to the Risk Committee in line with the Risk Committee's Terms of Reference.

15. RISK ESCALATION

The following section describes the methodology when escalating risks to different committees. The section further seeks to outline the escalation process and periodic assessment of escalated risks.

To determine whether a risk is to be escalated, the following factors are considered:

- Risks that are likely to cause PIC reputational harm,
- Risks that have a significant impact on the strategic objectives of the PIC,
- Risks that are rated high on the ERM risk matrix need to be reported to Exco and monitored until satisfactorily mitigated,
- Risks that are rated critical on the ERM risk matrix need to be escalated to the Board and monitored at various Board sub-committees until satisfactorily mitigated.

All risk escalations need to take into consideration the existing DOA.

MONITORING OF ESCALATED RISKS

All risks escalated need to be actively monitored, reviewed and re-assessed at applicable review periods, i.e., monthly, quarterly and/or annually, or as and when an event leading to a specific risk has occurred.

Risks escalated require ongoing treatment which must result in the risk ratings being revised to an acceptable level. The relevant committee must determine whether the reduced risk should remain within the escalation process or further monitored in the original risk register.

Quarterly escalated risks should be reported at the relevant committee to ensure risks are managed at the correct levels until satisfactorily mitigated.

16. RISK OWNER

The Risk Owner is the Framework owner, being the Chief Risk Officer.

17. REVIEW OF THE FRAMEWORK

The Framework must be reviewed and approved on an annual basis.

APPENDICES

Appendix A – PIC Risk Taxonomy

RISK CATEGORY LEVEL 1	RISK CATEGORY LEVEL 2	RISK DESCRIPTION	STRATEGIC OBJECTIVE	TYPICAL CONTROLS
Strategic Risk	<ul style="list-style-type: none"> - Strategic implementation and execution risk - Business Risk, e.g., operating model - Macro-economic risks - Strategic relationships 	<ul style="list-style-type: none"> - The risk that we make inappropriate strategic choices or be unable to successfully execute selected strategies or adapt to changes in the external business, political or socio-economic environment. 	<ul style="list-style-type: none"> - To be a leader in developmental investments. - ESG principles for sustainable returns. - Alpha generation whilst maintaining average fees below market related fees. - Sustainable financial performance. - Drive transformation through allocation to B-BBEE service providers. 	<ul style="list-style-type: none"> - Board-approved strategic plan. - Board-approved investment strategy. - Shareholder's compact and corporate plan aligned to national priorities. - Strong governance to monitor implementation and reporting. - Delegation of authority to ensure decisions are carried out responsibly. - Quarterly reporting to the Board (CEOs report) and National Treasury. - Client diversification. - Mandate, policies, frameworks, human resources and systems in place to support strategy execution. - Compliance with client mandates tested by assurance providers. - Financial sustainability ratios are monitored and reported to the Board and Board sub-committees.
Credit Risk	<ul style="list-style-type: none"> - Default Risk - Collateral Risk - Concentration Risk - Country Risk - Counterparty Risk - Issuer Risk - Industry or Sector Risk - Settlement Risk - Sovereign Risk 	<ul style="list-style-type: none"> - Credit risk includes risk due to the probability of failure of the borrower and/or counterparty(ies) to meet their financial obligations. Credit risk further includes risks stemming from impaired or distressed assets. 	<ul style="list-style-type: none"> - Generate excess returns over benchmarks within client risk parameters. - Enhanced understanding of clients and clients' requirements. - Strategic partnerships. - Optimise portfolio allocation. 	<ul style="list-style-type: none"> - PIC governance, mandate, and regulatory compliance framework. - Independent risk assessments by Credit, Legal and ESG. - Robust investment process. - In-depth research capacity. - Post-investment management process. - Measures stipulated at both the client and PIC internal level to prevent undue risk-taking and excessive concentration. - Credit risk policies and frameworks. - Credit Committee established and responsible to provide oversight and pricing of debt transactions. - The ERM Department monitors credit risk appetite on a quarterly basis in accordance with the limits and thresholds set out in the Risk Appetite Statements.

RISK CATEGORY LEVEL 1	RISK CATEGORY LEVEL 2	RISK DESCRIPTION	STRATEGIC OBJECTIVE	TYPICAL CONTROLS
Market Risk	<ul style="list-style-type: none"> - Interest Rate Risk - Equity Price Risk - Foreign Exchange Rate Risk - Commodity Risk - Asset Liquidity Risk - Currency Risk 	<p>The risk of the market-to-market impact on the value of a portfolio, instrument or investment increasing or decreasing as a result of volatility, correlations and unpredicted movements in market valuations. The unpredicted movements are due to changes in equity prices, interest rates, credit spreads, foreign exchange rates, commodity prices, and other indicators whose values are set in a public market.</p>		<ul style="list-style-type: none"> - Market Risk Policy - Measures stipulated at both the client and PIC internal level to prevent undue risk-taking and excessive concentration. - Delegation of Authority - Sets out the approval authority for decision-making of investments. - Limits and metrics - Measures stipulated at both the client and PIC internal level to prevent undue risk-taking and excessive concentration. - Sensitivity and stress-testing analysis.
Liquidity Risk	<ul style="list-style-type: none"> - Asset/Market Liquidity Risk - Corporate Liquidity Risk - Portfolio Liquidity Risk 	<p>Liquidity risk is the risk that a listed asset becomes illiquid (unable to be sold at the desired value) when the Client needs to sell it in the future.</p>		<ul style="list-style-type: none"> - Liquidity Risk Framework - Sets out the principles, parameters and roles and responsibilities for effective liquidity risk management. - Limits and metrics - Sets out the principles, parameters and roles and responsibilities for effective liquidity risk management. - Client mandates - Sets out the risk appetite, tolerances, and thresholds to control the amount of risk that can be assumed in portfolios.
Regulatory and Legal Risk	<ul style="list-style-type: none"> - Compliance, Regulatory and Legislative Risk - Mandate Risk - Litigation Risk - Contractual Risk 	<p>The risk of loss due to actual or proposed changes to and/or non-compliance with applicable laws, regulations, rules, mandatory industry practices and internal policies and procedures.</p>	<ul style="list-style-type: none"> - To be a responsible corporate citizen that complies with all relevant legal and regulatory requirements. - Implementation and maintenance of robust enterprise risk management practices. 	<ul style="list-style-type: none"> - On-going tracking of changes to existing legislation and introduction of new legislation. - Automated Regulatory Hub (Sentinel Service) in place, which generates automated daily alerts pertaining to changes to existing legislation and introduction of any new applicable legislation. - Regulatory universe in place and reviewed annually. - Staff trained in legislation and policies. - Regular compliance audits of business units to assess compliance levels. - Policies developed and maintained in line with legislative or operational requirements. - Client mandates in place. - The Mandate Compliance Department monitors compliance with all client mandates. - Standard templates for contracts. - Implemented an integrated Contracts Management System and process (Greenfields) for alerts.

RISK CATEGORY LEVEL 1	RISK CATEGORY LEVEL 2	RISK DESCRIPTION	STRATEGIC OBJECTIVE	TYPICAL CONTROLS
Operational Risk	Operational Risk Classes: - Execution, Delivery & Process Management (EDPM) - Employment Practices and Workplace Safety (EPWS) - Business Disruption and System Failures (BDSF)	The risk of loss resulting from inadequate or failed processes, people and systems or from external events.	- Implement robust investment and research processes to enable alpha generation. - Implementation and maintenance of robust enterprise risk management practices.	- Robust Enterprise Risk Management Framework (ERMF) to guide the risk management process throughout PIC. - Robust Operational Risk Management Framework (ORMF) in place. - Periodic (monthly and quarterly) monitoring and reporting of operational risks to PIC's governance committees.
	- Internal Fraud (IF) - External Fraud (EF) - Clients, Products & Business Practices (CPBP) - Damage to Physical Assets (DPA)		- Enhanced employee value proposition.	- Business continuity management (BCM) planning and policy. - Disaster Recovery planning and testing. - Data management reviews and enhancements. - Fraud and corruption plan and policy. - Ethics management. - Codes of ethics and ethics policies. - Market-related employee value proposition offered to attract and retain high-calibre staff. - Continuous engagement between management and staff. - Regular communication with all staff on key human resources developments.
Model Risk	- Flaws in model design and/or implementation. - Incorrect use of the models. - Flaws in model assumptions/ input data.	The potential loss for PIC may incur, as a consequence of decisions that are principally based on the output of models, due to errors in the development, implementation or use of such models.	- Models should be based on a sound theoretical foundation, independently validated and duly approved. - Robust models are to be used in PIC investments and decision making.	- Data quality, extraction and transformation. - Model definition, development and documentation. - Adequate model implementation, change control and usage. - Frequent and timely reporting and monitoring. - Independent model validation and approval.
Reputational Risk	- Negative perception of PIC	The risk of loss of credibility due to internal or external factors and is often related to, or results from, other categories of risk.	- To maintain a strong brand and image of the PIC.	- Frequent improvement of the business environment and internal controls factors. - Timeous and high-quality information is provided to stakeholders to improve transparency. - A Stakeholder Management Framework has been approved and is implemented. - Reputational risk and adverse media reports monitored by a third-party service provider and reported on. - Reputational risks posed by investee companies assessed as part of the investee company due diligence. - Oversight of reputational risk by the PMC, IC and the Social, Ethics and Transformation Committee (SETCO).

RISK CATEGORY LEVEL 1	RISK CATEGORY LEVEL 2	RISK DESCRIPTION	STRATEGIC OBJECTIVE	TYPICAL CONTROLS
Governance Risk	<ul style="list-style-type: none"> - Inappropriate leadership - Unclear roles and responsibilities at a leadership level - Conflict of interest - Lack of transparency 	<p>The risk of inadequate governance in the PIC.</p>	<ul style="list-style-type: none"> - Maintaining a sound governance structure within PIC. 	<ul style="list-style-type: none"> - Shareholder compact and corporate plan. - PIC Board (executive & non-executive directors) in place. - Board-approved governance structures and tracking of committee effectiveness via annual work plan. - Terms of Reference (ToR) are in place to prescribe the purpose, structure and reporting responsibilities of all committees. - Organisational policies, frameworks and standard operating procedures to ensure adherence to governance processes, roles and responsibilities. - Delegation of authority to ensure decisions are carried out responsibly. - Strong governance to monitor implementation and reporting. - Quarterly reporting to the Board (CEOs report) and National Treasury. - Training and awareness on new/updated policies and procedures.
Information Technology and Cyber Risk	<ul style="list-style-type: none"> - Information/ Cyber Security Risk - IT/Business Applications Risk - IT Infrastructure Risk - Information Systems Acquisitions, Development and Maintenance Risk - ICT Service Continuity Management Risk 	<p>Risk of financial loss, disruption or damage to PIC's reputation from failure of technology systems. This risk could materialise in the following ways:</p> <ul style="list-style-type: none"> • Deliberate and unauthorised breaches of security to gain access to information systems for the purpose of espionage, extortion, or embarrassment. • Unintentional or accidental breaches of security, which may constitute an exposure that needs to be addressed. • Operational IT risks due to poor systems integrity. 	<ul style="list-style-type: none"> - Implement robust information technology (IT) platforms and enable optimal business processes. 	<ul style="list-style-type: none"> - Systems upgrades to ensure alignment with the latest versions and systems. - Information security policies that govern the secure use of PIC technology. - Security awareness training programme. - Periodic reporting to the Information and Communications Technologies and Governance Committee. - Business applications migrated to Microsoft Azure to protect the organisation. - Periodic external and internal penetration tests on the PIC network and hosted server. - Live dashboard in place to monitor information security posture. - Regular disaster recovery planning and testing performed.

RISK CATEGORY LEVEL 1	RISK CATEGORY LEVEL 2	RISK DESCRIPTION	STRATEGIC OBJECTIVE	TYPICAL CONTROLS
ESG Risk	<ul style="list-style-type: none"> - Environmental Risk - Social Risk - Governance Risk - Climate Risk - Biodiversity Risk 	Inability of the PIC to identify, measure and monitor ESG and climate risks in line with global practices.	<ul style="list-style-type: none"> - Drive, monitor, measure, and report on ESG achievements and transformation for clients and PIC corporate. - Leading by example in embedding ESG principles. - PIC aspires to be amongst the leaders in managing climate change risks and funding creative climate change solutions in ways that are sensitive and flexible to the various stakeholders. - Ensures that our investments are aligned with practices that promote the protection of the environment to sustain the creation of wealth as well as help reduce the impacts of climate change. 	<ul style="list-style-type: none"> - ESG is embedded in Listed and Unlisted Investment processes. - Politically exposed persons reporting incorporated into ESG reports. - Monitoring politically exposed persons-approved transactions.

Appendix B – Risk Treatment Process

Response/Action	Description of Response Action
Tolerate/Accept	<p>Nothing can be done at a reasonable cost to mitigate the risk, or the likelihood and impact are at a reasonable level to accept the risk. This risk must be tolerated when:</p> <ul style="list-style-type: none"> the risk is effectively mitigated by internal controls, even if it is high risk the risk cannot be mitigated cost-effectively the risk presents opportunities that are worthwhile <p>These risks must be monitored, with contingency plans put in place should the risk crystallise.</p>
Treat/Reduce	<p>Take action to control the risk either by reducing the likelihood of the risk developing or limiting the impact it will have on the project/take cost-effective actions to reduce the risk.</p> <p>The risk must be treated in order to continue with the risk, but treatment is necessary to bring the risk within an acceptable level by taking appropriate action, either through:</p> <ul style="list-style-type: none"> Containment actions, which lessen the likelihood of the risk occurring Pre-planned contingency actions, which are put into place after the risk occurs to reduce its impact
Transfer/Share	<p>Some of the financial risk must be transferrable through insurance or contractual arrangements or accepted by third parties/let someone else take the risk (e.g., insurance or passing responsibility for the risk to a contractor). This response is useful to mitigate and control financial risks or risks to assets.</p>
Terminate/Avoid	<p>Do things differently and thus remove the risk/agree that the risk is too high and do not proceed with the project or activity.</p>

Appendix C – Control Effectiveness Scale

SCORE	CONTROL RATING	CONTROL EFFECTIVENESS QUANTIFICATION	CONTROL DESCRIPTION
4	Optimal	80%	<ul style="list-style-type: none"> a. Key controls have been identified and documented, which if operated as designed by a person who possesses the necessary competence and authority, sufficiently mitigate the applicable risks. b. There is evidence of compliance with all the identified key controls and associated management practices. No evidence of exceptions. c. IT systems provide required functionality on a consistent basis, and embedded controls operate as intended. No incidences reported.
3	Adequate & Effective	60%	<ul style="list-style-type: none"> a. Key controls have been identified and documented, which if operated as designed by a person who possesses the necessary competence and authority, sufficiently mitigate the applicable risks. b. Staff members responsible for implementing policies and procedures have received appropriate training. c. There is evidence of compliance with most of the key controls that have been identified and documented. However, a few exceptions of an isolated nature exist. d. The IT systems in place provide most of the required functionality on a consistent basis, and embedded controls operate as intended. Few incidences/exceptions reported. e. Process workflows/descriptions applicable to the area have been documented and communicated to relevant employees. Few exceptions identified.
2	Adequate but Ineffective	40%	<ul style="list-style-type: none"> a. Key controls have been identified and documented, which if operated as designed by a person who possesses the necessary competence and authority, sufficiently mitigate the applicable risks. b. There is evidence of non-compliance with most of the key controls that have been identified and documented in the policies and procedures. c. The IT systems in place provide most of the required functionality, and sufficient automated controls are in place. However, they do not consistently operate as intended. d. Process workflows/descriptions applicable to the area have been documented but not communicated to relevant employees.
1	Inadequate Controls	20%	<ul style="list-style-type: none"> a. Some policies and procedures exist, but do not sufficiently address all the risks applicable to the area, or the policies and procedures have not been approved by relevant governance structures. b. Key controls have been identified but they have not been formally documented to ensure consistent application. c. Policies and procedures have not been communicated to staff members responsible for their implementation. d. Staff members responsible for implementing policies and procedures do not possess the relevant skills and have not received appropriate training. e. There are no IT systems in place to provide the required functionality, or the IT systems in place do not have sufficient automated controls to mitigate the risks applicable to the area.
0	No Controls	0	<ul style="list-style-type: none"> a. No evidence of existence of policies, procedures, or appropriate control activities to mitigate the risks applicable to the area.

Annexure E1

Risk Management Plan Summary

INTRODUCTION



Effective enterprise risk management is essential in order to maximize the prospects of attainment of vision, mission and strategic objectives.



Through understanding of and managing our risk, we provide greater reliability and credibility for our shareholder, employees, clients and all other stakeholders



To be most effective, the management of risk must be embedded within the PIC culture. It must be embedded in our philosophy, practices and business processes, rather than be viewed or practiced as a separate activity

PRINCIPAL RISKS

STRATEGIC RISK

- The risk that we make inappropriate strategic choices or be unable to successfully execute selected strategies or adapt to changes in the external business, political or socio-economic environment.

CREDIT RISK

- Credit risk includes risk due to the probability of failure of the borrower and/or counterparty(ies) to meet their financial obligations

MARKET RISK

- The risk of the mark-to-market impact on the value of a portfolio, instrument or investment increasing or decreasing as a result of volatility, correlations and unpredicted movements in market valuations.

ESG RISK

- ESG risk measures the impact environmental, social, and governance-related factors could have on the financial materiality of the PIC and the performance of an investment.

OPERATIONAL RISK

- The risk of loss resulting from inadequate or failed processes, people and systems or from external events.

IT & CYBER RISK	<ul style="list-style-type: none"> • Risk of financial loss, disruption or damage to PIC’s reputation from the failure of information technology systems
LEGAL & REGULATORY RISK	<ul style="list-style-type: none"> • The risk of loss due to actual or proposed changes to and/or non-compliance with applicable laws, regulations, rules, mandatory industry practices and internal policies and procedures
REPUTATIONAL RISK	<ul style="list-style-type: none"> • The risk of loss of credibility due to internal or external factors and is often related to, or results from, other categories of risk
LIQUIDITY RISK	<ul style="list-style-type: none"> • Liquidity risk is the risk that a listed asset becomes illiquid (unable to be sold at the desired value) when the Client needs to sell it in the future.
MODEL RISK	<ul style="list-style-type: none"> • The potential loss PIC may incur, as a consequence of decisions that are principally based on the output of models, due to errors in the development, implementation or use of such models

RISK MANAGEMENT PROCESS



LIKELIHOOD RATING SCALES

SCALE	DESCRIPTOR	DESCRIPTION
1	Remote	May only occur in exceptional circumstances
2	Unlikely	Is unlikely to occur, but could occur at some point in time
3	Possible	Fairly likely to occur at some time, or in some circumstances
4	Probable	Will probably occur at some time, or in most circumstances
5	Almost Certain	Is expected to occur almost always

IMPACT RATING SCALES

SCALE	DESCRIPTOR	FINANCIAL IMPACT	DESCRIPTION
1	Negligible	<R1m	Insignificant disruptions to internal business
2	Minor	R1m - R3m	Some disruption to internal business only
3	Moderate	R3m - R15m	Noticeable disruption on the operations of the organisation,
4	Major	R15m - R55m	Major business disruption
5	Critical	>R55m	Catastrophic disruption that is beyond tolerable levels.

LIKELIHOOD RATING SCALES

SCORE	CONTROL RATING	CONTROL EFFECTIVENESS QUANTIFICATION
4	Optimal	80%
3	Adequate & Effective	60%
2	Adequate but Ineffective	40%
1	Inadequate Controls	20%
0	No Controls	0

RISK HEAT MAP

LIKELIHOOD	Almost Certain	5	10	15	20	25
	Highly Probable	4	8	12	16	20
	Possible	3	6	9	12	15
	Unlikely	2	4	6	8	10
	Remote	1	2	3	4	5
		Negligible	Minor	Moderate	Major	Critical
		<R1m	R1m-R3m	R3m-R15m	R15m-R55m	>R55m
		IMPACT				

Risk Rating Legend (Risk Buckets)

RISK GRADE	SCORE RANGE
Low	1 ~ 8
Moderate	9 ~ 14
High	15 ~ 25

RISK TREATMENT ACTIONS

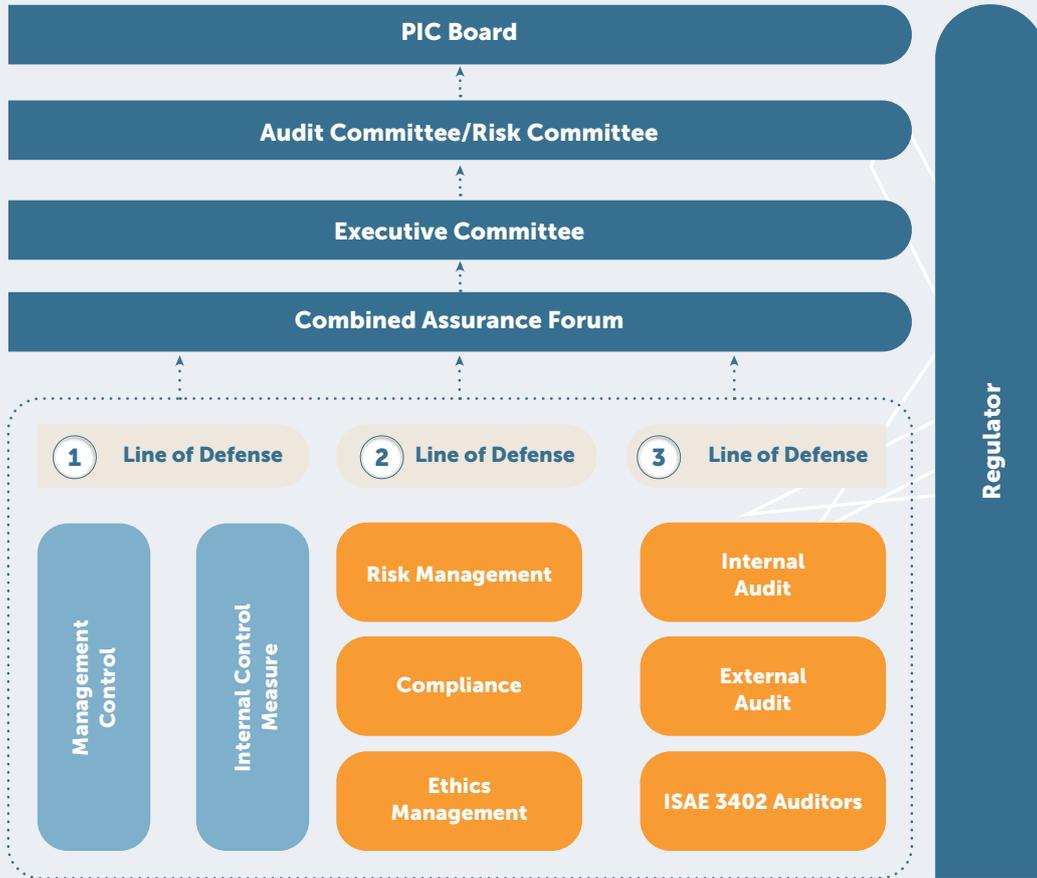
- **Reduce / Treat** - reduce the risk to acceptable levels
- **Transfer** - transfer the risk to a third party
- **Share** - share the risk across the organisation
- **Acceptance** - risk retention in line with risk appetite
- **Avoid** - completely avoid the risk

IMPLEMENTATION OF ENTERPRISE RISK MANAGEMENT

- The tone at the top.
- Risk management philosophy and risk appetite.
- Integrity and ethical values.
- Reporting to and by Business Units, Executives, and the Board (top down and bottom up).
- Adoption or development of a common risk language.
- Techniques for identifying risk.
- Tools for assessing risks.
- Tools for reporting and monitoring risk.
- Incorporating risk management into appropriate employees' job descriptions and responsibilities.
- Incorporating risk into the budgeting function.
- Integrating risk identification and assessment into the strategy of the organization.

**Roles and responsibilities for the Board, Exco, Board Committees, all three lines of defence*

COMBINED ASSURANCE



Annexure E2

Top Risks as at 31 December 2023
(Q3 2023/2024 FY)

EXECUTIVE SUMMARY - RISK MIGRATION BETWEEN QUARTERS

Risk Title	Key Developments During the Quarter	Risk Trend
1. Investment Performance Risk	<ul style="list-style-type: none"> • GEPP and UIF funds underperformed the benchmark for both the 3-month and 12-month periods. • CP, CC, AIPF, and PICOFF funds underperformed the benchmark for the 3-month period and outperformed the benchmark for the 12-month period. • Continued underperformance on the Unlisted (Properties) portfolio based on agreed targets with the clients. • Unlisted (Isibaya) performance improved by 0.37% (Dec 2023 IRR 4.50% compared to Dec 2022 IRR 4.13%) compared to the previous FY. • Overall assets under management grew by 6.82% over the past 12 months to R2,709 billion. The growth in assets was influenced by cash flows, including contributions and withdrawals, from various clients. • There is a focus on maintaining the current high-quality assets and continuing to look for good-quality deals. • The investment process, control environment, and governance are being improved. • There are still capacity constraints in some of the investment teams although this is improving. • There are some of the PIC buildings that do not have relevant occupational certificates, which poses reputational, compliance and financial risk to the organisation. • There are four (4) active acting positions for CIO's direct reports, namely: <ul style="list-style-type: none"> - Head: Properties - Head: Legal Counsel Governance and Compliance - Head: Research and Innovation - Head: Investment Management • A recruitment project plan is in place for completion by 31 March 2024 in line with the CIO's BSC. 	
2. Financial Sustainability Risk	<ul style="list-style-type: none"> • Financial sustainability is stable as all sustainability ratios are positive as of 31 December 2023. • The outlook for long-term financial sustainability is positive although we need to be continuously mindful of costs. • The Cost Containment Plan is on track and has yielded positive results as more costs were saved than budgeted, mitigation plans have been introduced to have all the new positions in the new structure going through a formal approval process before being advertised. • A proposal letter, requesting the negotiation of management fees for the Listed Investments portfolio, has been sent to the GEPP. • PICOFF grew by over 4% in real terms, however, there are concerns of underperformance due to the transition to the new mandate. • The Combined Assurance Forum has indicated that the PIC's budgeting process ineffective and inadequate. It will need to be overhauled to be more efficient, place accountability at the correct levels, and be timely and transparent. 	
3. Compliance Risk (Regulatory and Mandate Compliance)	<ul style="list-style-type: none"> • Capacity constraints in the department has been largely addressed, recruitment is currently underway to fill the Senior Compliance Officer vacant replacement role. • The FSCA regulatory inspection report on PIC's compliance with FAIS has been issued with no compliance findings raised. • PIC has undergone regulatory inspection from FICA and awaits inspection report. • The Politically Exposed Persons (PEP) process deficiencies raised by the Auditor General are being addressed by the PEP guidelines that has been developed and recommended by PMC and Exco for further recommendation to the Investment Committee that will be held in February 2024. • Progress is made by the Isibaya, Properties, and Research and Innovation departments in closing some of the open compliance findings. Outstanding audit findings are followed up regularly. • There were no new mandate breaches in Q3 2023/24 FY. 	

Risk Title	Key Developments During the Quarter	Risk Trend
4. Brand/Image/ Perception	<ul style="list-style-type: none"> The review of the media coverage for the period ending 31 December 2023, indicated that 49% of the overall media coverage received for the PIC generated a neutral sentiment, followed by negative (34%), mixed (16%), and positive media traction that counted for 2%. Negative news reporting was measured at 34% due to media articles mentioning the Investigation into PIC's Chief Operating Officer (COO), Vuyani Hako, found that he made "questionable" and irregular payments after R4.5 million was transferred into his home loan account. Concerns around leaking of confidential PIC information to the media, e.g. the leaking of the report into the suspension of the COO. There are notable improvements with regard to the PIC Reputation in the media. There are signs of an improving relationship with the clients. Fraudulent scheme utilizing the PIC name to attract investments: <ul style="list-style-type: none"> * There was a media release issued by the Corporate Affairs Department warning the public about an illegal pyramid scheme that uses PIC's name and logo to attract investments from the public. * The pyramid scheme asked the public to deposit R2,500 as part of an initial investment process (First Investment Process). * Thereafter, the public was encouraged to recruit new members. Those who successfully recruit new members would be paid a reward of R2,500. 	
5. Technology Risk	<ul style="list-style-type: none"> The organisation is still lagging on digitalization which might render the PIC irrelevant as compared to other industry players in future. Business does not seem to embrace change in terms of digitalization and automation, for example, the slow progress regarding the eFront system that is not being adopted by the users, despite significant investment made to acquire the system. Business applications have been migrated to Microsoft Azure and this presents significant protection for the organization. Capacity constraints in IT persist, resulting in the inability to execute the IT strategy. Inability to attract and retain highly skilled IT professionals due to inflexible HR policies and processes, remains a great concern. A successful IT Disaster Recovery test was conducted on the 9th of December 2023. Whilshire Compass not upgraded impacting client reporting. The system is listed as one of the systems that will be upgraded in Q4 2023/24 FY. 	
6. Information & Cyber Security Risk	<ul style="list-style-type: none"> There were no successful phishing incidents for the reporting period. Controls continue being improved while leveraging Azure. The PIC has never suffered any successful cyber security attacks. A cyber security phishing campaign continues to be conducted. A Risk Acceptance on the inability to re-platform the PIC website due to capacity constraints has been submitted to Exco and ICTGC for noting and for ongoing submission to the Risk Committee for approval. People risk due to capacity constraints which results in the inability to execute the IT security strategy. 	

Risk Title	Key Developments During the Quarter	Risk Trend
7. Human Capital Risk	<ul style="list-style-type: none"> Staff turnover rate for the period 01 October to 31 December 2023 is tracking at 4% (8% annualised). There are fourteen (14) terminations recorded for the quarter and twenty-two (22) resignations recorded YTD. A total number of eleven (11) new employees were recruited in Q3 2023/24, five (5) fixed-term contracts and six (6) permanent employees. A total number of nine (9) internal staff movements were recorded during the quarter with three (3) graduates being absorbed from the PICeeds programme into permanent roles. From the exit interviews conducted it was noted that the majority of the employees who resigned are looking for growth, development and better career prospects. Total number of new labour relations cases is measured at 0.51% as of 31 December 2023. There was a total of six (6) historical labour relations cases as of 31 December 2023. There were two (2) new cases (CCMA referrals) recorded in Q3 2023/24 FY. There are currently twenty-three (23) active acting positions at various levels. Going forward, the Risk department will be tracking whether this trend improves or deteriorates. Integrated Talent Management Guidelines was approved by the Board in Q3 2023/24 FY. The performance contracting process (BSC) for the 2023/24 FY, which is supposed to be finalised at the beginning of the financial year has not formally commenced and finalised. PIC is already in Q4 of the financial year. This is considered by the Risk Department as a huge risk for the organisation. Errors in the calculation of the December salaries due to the Long-term Incentive (LTI) and salary tax calculation. Investigation is currently ongoing. 	
8. ESG Risk	<ul style="list-style-type: none"> PIC complies with the UN Principles for Responsible Investing and the UN Global Compact. ESG principles are embedded in the Listed and Unlisted investment processes. The Principles for Responsible Investing are monitored in the ESG risk registers. 	
9. Anti-Bribery, Corruption and Ethics Risk	<ul style="list-style-type: none"> The 2023/24 FY Declaration of Interest (DOI) completion rate is tracking at 100%. Ethics training for the 2023/24 FY completion rate is tracking at 80%, which is still considered low as it is below the 100% risk appetite threshold. Follow-ups are being made with the remaining employees to complete the Ethics training. There were no new cases reported for the quarter relating to fraud and bribery. Plans to launch the new PIC Values in January 2024. Seven (7) gifts were received and approved. 	
10. Strategy Execution Risk	<ul style="list-style-type: none"> Approved transactions as of 31 December 2023 amounted to R5.4 billion for South African PPMs and R4.5 billion equivalent to USD258 million for the ROA PPM. For the quarter ending 31 December 2023, R1.64 billion was approved. For the quarter ending 31 December 2023, the following disbursements were made: <ul style="list-style-type: none"> - Developmental Infrastructure Investments SA: R823,861,894.56 excl DSI - Developmental Investments RoA: \$5,222,362.00 - Properties: R2,725,428,825.32 The overall rating for the PIC's control environment as of 31 December 2023 is Green (Satisfactory) with a deteriorating trend. The risk of inability to execute the client mandates due to insufficient capacity in key areas. Concerns that the progress made on the eFront project is slow and the system is not being adopted by the users, despite significant investment made to acquire the system. 	

Risk Title	Key Developments During the Quarter	Risk Trend
11. Culture Risk	<p>Various initiatives have been completed or are being finalised to improve organisational culture. These include:</p> <ul style="list-style-type: none"> • Launch of the new PIC values – In progress. • Culture survey – Completed. • Review and alignment of performance management policy, processes, and templates – Completed. • Review and alignment of Employee Value Proposition – Completed. • Team leadership training and TeamConnect implementation – Completed. • Team workshops to enhance engagement and inclusiveness – Completed. • Recommendation made to inculcate the culture of regular informal and formal performance feedback and coaching – In progress. • The development of the succession plan based on business needs – In progress. • Regular staff engagements are encouraged – Ongoing. 	

EMERGING RISKS - Heat Map Profile

LIKELIHOOD	RESIDUAL RISK RATING				
	5	10	15	20	25
5 ALMOST CERTAIN > 90 %			Socio political instability in SA & globally	Cost of living crisis Infrastructure Risk Climate change	Higher Interest Rates for longer Eskom Risk
4 HIGHLY PROBABLE 51 - 70 %			PIC likely impacted by elections in 2024 and "electioneering"		
3 POSSIBLE 31 - 50 %					
2 LIKELY 11 - 30 %					
1 RARE					
IMPACT	1 NEGLIGIBLE	2 MINOR	3 MODERATE	4 MAJOR	5 CRITICAL

SCORE RANGE	1 - 3	4 - 8	9 -12	13 -19	20 -25
RISK GRADE	Low	Balanced	Moderate	High	Critical

EMERGING RISKS - Risks Currently Materializing

DESCRIPTION	RISK OWNER	INHERENT RISK RATING	CONTROLS	OUTLOOK	COMMENTS
<p>1. Higher interest rates for longer.</p>	CIO		The impact of the PIC is monitored by Research and investment teams. This is incorporated into discussions at the quarterly Strategic Asset Allocation Committee.		<ul style="list-style-type: none"> Expectation that growth prospects going forward to remain bleak with our current growth forecasts for 2023 and 2024 of 0.4% and 1.6% YoY, respectively. Consumer inflation slowed to 5.5% in November after a temporary spike in the previous month. Risks to the inflation outlook are still to the upside. As global headline inflation eases, core inflation remains stubborn, and the oil market tightens. Electricity prices, driven by load-shedding and logistics constraints, continue to pose clear upside inflation risks. Stagnation risk fears lingers due to persistent high inflation and high unemployment rate. The persistence of sticky inflation in major economies indicates that average interest rates in those economies will remain elevated. Consequently, global financial conditions are expected to remain tight, increasing the risk profile of economies that need foreign capital. Higher cost of funding globally. High inflation erodes affordability and creditworthiness. Higher risk of capital outflows from emerging markets. Global technical recession fears linger.
<p>2. Eskom risk exacerbated by:</p> <ul style="list-style-type: none"> Continued loadshedding and a likelihood that SA will experience protracted loadshedding stages beyond Stage 6. 	CIO/ CFO		The impact on the PIC portfolio is monitored by Research and investment teams, and the impact on unlisted investment valuations is monitored by the Valuations Committee and the Audit Committee.		<ul style="list-style-type: none"> Cost of doing business affects viability of FIs and their customers. Lower municipal and government revenue causing higher borrowings as expenses will not decrease. Low investor confidence. Unavailability of critical infrastructure. Unlikely but possible risk of electricity grid failure. Loadshedding remains a hindrance to economic growth. Reduced loadshedding intensity. Electricity prices, driven by load-shedding and logistics constraints, continue to pose clear upside inflation risks. Loadshedding and bottlenecks in the logistics sector present risks to higher consumer inflation and elevated costs of doing business.

DESCRIPTION	RISK OWNER	INHERENT RISK RATING	CONTROLS	OUTLOOK	COMMENTS
<p>3. Infrastructure risk exacerbated by:</p> <ul style="list-style-type: none"> Eroding rail and road infrastructure. Poor service delivery by municipalities (inconsistencies in water supply, sanitation, housing, the poor state of roads). 	CIO/ CFO		The impact on the PIC portfolio is monitored by Research and investment teams, and the impact on unlisted investment valuations is monitored by the Valuations Committee and the Audit Committee.		<ul style="list-style-type: none"> Increase in service delivery protests are expected as the 2024 general elections approaches. Transnet dealing with shipment delays due to bottlenecks caused by the supply value chain shutdown. Rising and problematic logistical constraints resulting in SA being unable to export foreign exchange and foreign exchange losses. SA unable to import products that are crucial for various production processes. Issues at SA local ports have led to weaker manufacturing activities. Probability of goods price increases due to SA ports logistical challenges
<p>4. Cost-of-living crisis as a result of high food and fuel prices, coupled with increases in interest rates forcing households to make difficult financial decisions.</p>	COO/ CIO		<p>The cost-of-living crisis adds additional pressure on the RSA consumer thus leading to weaker consumer demand that could negatively affect investee companies in the PIC portfolio. The Research and Investment teams are constantly monitoring this risk.</p> <p>HR continues to monitor the impact of these developments including the mental health of staff. ICAS services are made available to all staff.</p>		<ul style="list-style-type: none"> Continued inflation due to food and fuel prices-repo rate steady at 8.25%. Domestic food price inflation remains volatile with the October print at 8.7% YOY. Cost-of-living pressures continue to bite, amidst persistently elevated inflation and interest rates and continued economic uncertainty in much of the world. Rising brent crude oil prices and a volatile Rand, fuel and food price inflation. Persistent energy and logistical constraints continue to limit economic activity and drive costs higher, and weakening household disposable income will put pressure on household consumption. Higher cost of credit. Higher consumer debt with low consumer spending. Ever-increasing crime rate in SA.
<p>5. Climate change and severe weather events are increasing and likely impacting lives and food security.</p>	CRO		<p>Climate risk is monitored by the ESG department which ensures that the organisation complies with the UN Principles of responsible investing.</p> <p>Climate Change Position Statement developed and approved by Board.</p>		<ul style="list-style-type: none"> Drier weather conditions have worsened and remain a risk to further upside in local food price inflation. Drier weather conditions in some parts of the country due to expectations of El Niño remain a risk, this might put significant pressure on SA Agri-sector. Climate change and severe weather events are increasing in occurrence. Climate change combined with the emergence of El Niño pushes global temperatures ever higher, 2023 on track to become the hottest year on record.

DESCRIPTION	RISK OWNER	INHERENT RISK RATING	CONTROLS	OUTLOOK	COMMENTS
<p>6. Socio-economic & political instability in SA and globally. SA is potentially impacted by elections in 2024 and “electioneering”.</p>	CIO		<p>PIC continue monitoring this risk and if needed, security services to protect staff and directors are made available. Kidnapping incidents and risks across SA are increasing.</p> <p>ESG team continues to monitor the risks of the PIC investments from a social perspective.</p>		<ul style="list-style-type: none"> • Unemployment remains high which could potentially lead to social unrest. • Unemployment rate decreased slightly to 31.9% in 3Q23 from 32.6% in 2Q23 (decrease by 0.7%) • Increased government expenditure. • The persistence of sticky inflation in major economies indicates that average interest rates in those economies will remain elevated. Consequently, global financial conditions are expected to remain tight, increasing the risk profile of economies that need foreign capital. • High capital outflows in SA from a fixed income perspective – there is less coming in and more outflows. • SA private companies and SOEs struggling to attract and retain skills and talent. • Strike unrest for allied workers in the USA which could potentially result in higher US inflation and spillover to emerging countries. • SA's outlook from a credit rating perspective is stable. • SA government structural issues hampering economic growth. • Rand remains depreciated for a longer period of time. • Concerns around government spending globally which could push inflation higher. • SA is heading into highly contested elections this year. • Instability foreseen in the SA if the ruling party (ANC) does not get a majority. • Escalation and spillover of the ongoing Israel-Palestine war. • Shipping disruption in some countries due to the Israel-Palestine war (particularly Suez Canal and Gulf of Eden). • Ongoing supply chain disruptions. • The Israel-Palestine conflict is likely to have significant economic and social impact on the parties involved including their various trading partners. • 54% of the global population going into national elections in 2024. • Concerns around global slowdown and potential recession from a macroeconomic perspective. • Many countries, especially developing countries, including Africa, are facing unsustainable debt. • Russia - Ukraine impacted global supply chain , global food chain and food security resulting in elevated food prices and social unrest in vulnerable areas particularly in emerging market economies. • Increase in cyber security threats impacting a lot of organisations globally due to increasing digitisation.

EMERGING RISKS

DESCRIPTION	RISK OWNER	INHERENT RISK RATING	CONTROLS	OUTLOOK	COMMENTS
7. Governance structures at the PIC are likely to be impacted post the 2024 elections.	CEO		Exco will continue monitoring the changes in governance structures and ensure that the strategic objectives of the organisation are achieved.		<p>The upcoming elections in 2024 might result in the following changes for the PIC:</p> <ul style="list-style-type: none"> • Appointment of a new Finance Minister • Appointment of a new Board Chairperson (Deputy Minister) • The term of the current Board is coming to an end in October 2024 (not linked to the election).

TOP RISKS - Heat Map profile of Residual Risks (After the Controls)

LIKELIHOOD	RESIDUAL RISK RATING				
	5	10	15	20	25
5 ALMOST CERTAIN > 90 %	#5 Technology Risk #8 ESG Risk #6 Information & Cyber Security Risk #9 Anti Bribery Corruption and Ethics Risk	#1 Investment Performance Risk			
4 HIGHLY PROBABLE 51 - 70 %		#2 Financial Sustainability Risk #10 Strategy Execution Risk #4 Reputational Risk #11 Culture Risk	#7 Human Capital Risk		
3 POSSIBLE 31 - 50 %	#3 Compliance Risk (Regulatory and Mandate Compliance)				
2 LIKELY 11 - 30 %					
1 RARE					
IMPACT	1 NEGLIGIBLE	2 MINOR	3 MODERATE	4 MAJOR	5 CRITICAL
SCORE RANGE	1 - 3	4 - 8	9 - 12	13 - 19	20 - 25
RISK GRADE	Low	Balanced	Moderate	High	Critical

Risk Trend			
	Stable		Deteriorating
			Improving

TOP RISK #1 - Investment Performance Risk

DESCRIPTION	RISK OWNER	CONTROLS	RESIDUAL RISK RATING	KEY SUMMARY UPDATES (KEY DRIVERS)	TREND	ACTION OWNER	DUE DATE
<p>1. Top risk #1</p> <p>Investment Performance Risk</p> <p>The risk of not outperforming client mandated investment benchmark (Risk of investment underperformance).</p>	CIO	<ol style="list-style-type: none"> Compliance with client mandates is tested by the assurance providers (Risk, Legal, and ESG) and further assessed by governance structures such as the Portfolio Management Committee (PMC), Investment Committee (IC) and Board. System-enforced limits are in place in Listed Investments. Screening of all deals by Unlisted Investment teams. Governance structures approve investments and oversee investment monitoring reports (PMC, IC and sometimes the Board). Adoption of a robust investment process and sound policies, underpinned by a strong investment philosophy. Implementation of the approved investment strategy is overseen by the Chief Investment Officer (CIO) and monitored by the IC and the Board. Development and implementation of asset selection and allocation are overseen by the CIO, the Strategic Asset Allocation Committee and the IC. Investments are underpinned by extensive research and intelligence, which are embedded in the investment process. Recruitment of highly qualified and experienced investment professionals. Risk management and other assurance processes (Risk, ESG and Legal) are embedded in the investment process to form an independent opinion on all transactions. <p>Mitigating Actions</p> <ol style="list-style-type: none"> Plans to bring a strategic partner on property developments to try and share the risks. Capacitate the properties Deals and Benchmarking teams. Properties Asset Management - Plans to introduce properties review section into PMC that will help the team expedite the solutions. Plans to reduce exposure to Mowana Properties. Promoting work life balance to curb employee burnout due to pressure from the client to deploy and to support employee mental wellness. Increase the frequency of PMC meetings for the robustness and proper interrogation of deals. 	10	<p>Listed Investments</p> <ul style="list-style-type: none"> GEPF and UIF funds underperformed the benchmark for both 3 months and 12 months period. CP, CC, AIPF and PICOF funds underperformed the benchmark for the 3 months period and outperformed the benchmark for the 12 months period. SOEs exposure risk mainly in Eskom and Transnet, with high risk of technical default with regards to Transnet. The limits placed by the regulator on the PIC in terms of the financial sector are limiting opportunities impacting investment performance. Listed Investments Delegation of Authority (DOA) was discussed at Investment Committee on the 7th of December 2023, it will be discussed in the listed investment workshop which is scheduled for the 15th January 2024 and re-submitted to IC for formal recommendation to Board for approval. Listed Investments Sub-Delegation of Authority (DOA) will be finalised once the main Delegation of Authority has been approved by Board. <p>Unlisted Investments</p> <ul style="list-style-type: none"> Unlisted (Isibaya) performance improved by 0.37% (Dec 2023 IRR 4.50% compared to Dec 2022 IRR 4.13%) compared to the previous FY. Expecting positive growth and performance for Unlisted Investments. Maintaining thoroughness, diligence and continue approving and contracting on good quality deals to ensure that the PIC's reputation and the clients' money is protected (focus on high quantum quality deals other than quantity). Process, control environment and governance are improving. People risk is high and a concern due to capacity issues which ultimately result in mental health issues. Expediting the filling of vacant (replacement positions), in a process of addressing capacity constraints within the investment teams. Prioritisation of filling acting positions, target completion by 31 March 2024. Prioritisation of filling new positions in the new approved structure. Struggling to attract investment professionals in the business. The staff turnover of investment professionals remains a concern. The Investment Committee requested that the Unlisted Investments (Isibaya) Delegation of Authority which was approved in January 2023 be submitted to the committee to assess effectiveness. <p>Active acting roles for CIO's direct reports</p> <ul style="list-style-type: none"> - Head: Properties - Head: Legal Counsel Governance & Compliance - Head: Research & Innovation - Head: Investment Management - A recruitment project plan is in place for completion by 31 March 2024 in line with the CIOs BSC 		<p>ACOO</p> <p>CIO/ ACOO</p> <p>CIO</p>	<p>30 Apr 24</p> <p>31 Mar 25</p> <p>31 Dec 24</p>

					Risk Trend																																																										
					→ Stable	↑ Deteriorating	↓ Improving																																																								
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<p>1. Top risk #1</p> <p>Investment Performance Risk</p> <p>The risk of not outperforming client mandated investment benchmark (Risk of investment underperformance).</p>	OO	<ol style="list-style-type: none"> Compliance with client mandates is tested by the assurance providers (Risk, Legal, and ESG) and further assessed by governance structures such as the Portfolio Management Committee (PMC), Investment Committee (IC) and Board. System-enforced limits are in place in Listed Investments. Screening of all deals by Unlisted Investment teams. Governance structures approve investments and oversee investment monitoring reports (PMC, IC and sometimes the Board). Adoption of a robust investment process and sound policies, underpinned by a strong investment philosophy. Implementation of the approved investment strategy is overseen by the Chief Investment Officer (CIO) and monitored by the IC and the Board. Development and implementation of asset selection and allocation are overseen by the CIO, the Strategic Asset Allocation Committee and the IC. Investments are underpinned by extensive research and intelligence, which are embedded in the investment process. Recruitment of highly qualified and experienced investment professionals. Risk management and other assurance processes (Risk, ESG and Legal) are embedded in the investment process to form an independent opinion on all transactions. <p>Mitigating Actions</p> <ol style="list-style-type: none"> Plans to bring a strategic partner on property developments to try and share the risks. Capacitate the properties Deals and Benchmarking teams. Direct investments : Properties Asset Management - Plans to introduce properties review section into PMC that will help the team expedite the solutions (close monitoring). Plans to reduce exposure to Mowana Properties. Promoting work life balance to curb employee burnout due pressure from the client to deploy and to support employee mental wellness. Increase the frequency of PMC meetings for the robustness and proper interrogation of deals. 	10	<p>Properties Investments</p> <ul style="list-style-type: none"> Continued underperformance on unlisted (Properties) based on agreed targets with the clients. Focusing on maintaining the current high-quality assets that we have in place while we also continue looking for good quality deals. Capacity issues within the Properties Deals and Benchmarking teams is a concern. The Investment Committee requested that the Properties Delegation of Authority which was approved in February 2023 be submitted to the committee to assess effectiveness. Slow pace of resolving distressed portfolios. Some of the PIC buildings do not have relevant occupational certificates from the municipality , this poses reputational, compliance and financial risk to the organisation. Head Properties position is still vacant. The plan is to close by 31 March 2024. <p>Investment performance for some portfolios is below the benchmark as per the table below as of 31 December 2023:</p> <table border="1"> <thead> <tr> <th>#</th> <th>CLIENT</th> <th>FUND</th> <th>BENCHMARK</th> <th>RETURN</th> </tr> </thead> <tbody> <tr> <td colspan="5">36 Months rolling period</td> </tr> <tr> <td>1</td> <td>GEPF Total Listed</td> <td>9.82</td> <td>9.30</td> <td>0.39</td> </tr> <tr> <td>2</td> <td>GEPF – Local Listed</td> <td>9.81</td> <td>9.55</td> <td>0.23</td> </tr> <tr> <td>3</td> <td>GEPF – Offshore</td> <td>11.07</td> <td>7.69</td> <td>3.14</td> </tr> <tr> <td>4</td> <td>GEPF - Africa</td> <td>-0.38</td> <td>-2.38</td> <td>2.06</td> </tr> <tr> <td>5</td> <td>UIF – Local Listed</td> <td>9.6</td> <td>9.44</td> <td>0.15</td> </tr> <tr> <td>6</td> <td>CC Fund – Listed</td> <td>8.55</td> <td>8.8</td> <td>-0.25</td> </tr> <tr> <td>7</td> <td>CP Fund – Incl Unlisted</td> <td>8.44</td> <td>8.39</td> <td>0.05</td> </tr> <tr> <td>8</td> <td>Associated Institution</td> <td>7.05</td> <td>7.06</td> <td>-0.01</td> </tr> <tr> <td>9</td> <td>PICOF</td> <td>8.73</td> <td>9.99</td> <td>-1.25</td> </tr> </tbody> </table> <p>PIC overall AUM growth –12 months as at 31 December 2023</p> <ul style="list-style-type: none"> Overall assets under management rose by 6.82% over the past 12 months to R2 709bn. The growth in assets was influenced by cash flows, including contributions and withdrawals, from various clients. 	#	CLIENT	FUND	BENCHMARK	RETURN	36 Months rolling period					1	GEPF Total Listed	9.82	9.30	0.39	2	GEPF – Local Listed	9.81	9.55	0.23	3	GEPF – Offshore	11.07	7.69	3.14	4	GEPF - Africa	-0.38	-2.38	2.06	5	UIF – Local Listed	9.6	9.44	0.15	6	CC Fund – Listed	8.55	8.8	-0.25	7	CP Fund – Incl Unlisted	8.44	8.39	0.05	8	Associated Institution	7.05	7.06	-0.01	9	PICOF	8.73	9.99	-1.25	→	CIO	30 Sept 24	
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TOP RISK #2 - Financial Sustainability Risk

DESCRIPTION	RISK OWNER	CONTROLS	RESIDUAL RISK RATING	KEY SUMMARY UPDATES (KEY DRIVERS)	TREND	ACTION OWNER	DUE DATE																												
<p>2. Top risk #2</p> <p>Financial Sustainability Risk</p> <p>The risk of business failure for the PIC corporate</p>	CFO	<ol style="list-style-type: none"> Finance ensures that organisational and business units' budgets are aligned with the organisation's strategic direction. Annual budgeting with input from all business units. The Board approves and oversees the organisation's budget. Financial sustainability ratios are monitored and reported to the Board and Board sub-committees. Monthly management accounts, including budgets, are tabled at all scheduled Exco and Audit Committee meetings. Monthly management accounts, including budgets, are included in quarterly submissions to National Treasury. <p>Mitigating Actions</p> <ol style="list-style-type: none"> The Cost Containment plan is in place. Building new revenue streams: <ul style="list-style-type: none"> Old mutual retail offering Voluntary investment scheme offering, proposal given proposal to GEPF. Negotiation of listed fees Properly managing the implementation of the new approved structure so that it does not have a material impact on the cost structure. Initiative on TeamConnect should be a control going forward to help assist with accountability and recruitment costs. Ensuring that we manage the budget projecting process well. Ensuring that we upskill and hire internal resources and provide them with the necessary support in their roles, this will benefit employee morale and also help save costs for the organisation. 	8	<ul style="list-style-type: none"> Financial sustainability is stable as all sustainability ratios are positive as of 31 December 2023. An amount of about R50mil will be received from Bayport mandate relating to previous financial years fees. The outlook for the long - term financial sustainability is positive. The Cost Containment Plan is on track and has yielded positive results as more costs were saved than budgeted, mitigation plans have been introduced to have all the new positions in the new structure to go through formal approval process prior to being advertised. A proposal letter has been sent to the GEPF for the listed investment portfolio requesting for negotiations of management fees increase for listed investments. Working on a solution to house unlisted investments in one vehicle for UIF and CF. This will assist in resolving issues previously raised by the Auditor General in terms of inconsistent financial years and accounting policies. On track with the GEPF mandate deployment. PICOF grew by over 4% in real terms, however there are concerns of underperformance due to the transition to the new PICOF mandate. As of 30 November 2023, the PICOF Fund performance of 8.92% is below the benchmark of 10.82% at -1.91% for the 36-month rolling period and 6.74% is below the benchmark of 6.81% at -0.07% for the 24-month rolling period. Corporate Delegation of Authority (DoA) was approved by Board on the 18th December 2023. The effective date for both the Corporate DoA and Sub-Delegation of Authority (Corporate Sub-DoA) is the 19 January 2024. <p>Areas of concern</p> <ul style="list-style-type: none"> Filing of positions in the new structure, more focus should be on key positions. Agreeing in terms of positions that need to be prioritised and also re-look at the Prioritisation of key positions in Corporate Support. Increasing costs with revenue remaining stable, this might negatively impact on the organisation's long term financial sustainability. The Combined Assurance Forum has indicated that the PIC's budgeting process is not effective and inadequate. It'll need to be overhauled to be more efficient, place accountability at the correct levels, be timely and transparent. <p>Financial sustainability ratios for September 2023:</p> <table border="1"> <thead> <tr> <th>#</th> <th>KRI</th> <th>MEASURE</th> <th>GREEN</th> <th>AMBER</th> <th>RED</th> <th>ACTUAL</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Financial sustainability ratios (Net Profit / Management Fees)</td> <td>% > 10%</td> <td></td> <td>%<x<10%</td> <td>0%<x<5%</td> <td style="background-color: #28A745;">287%</td> </tr> <tr> <td>2</td> <td>Financial sustainability ratios (CTC/Management Fees)</td> <td>% <80%</td> <td></td> <td>80<x<100</td> <td>>100%</td> <td style="background-color: #28A745;">42%</td> </tr> <tr> <td>3</td> <td>Financial sustainability ratios (Staff Costs/ Management Fees)</td> <td>% <80%</td> <td></td> <td>80<x<100</td> <td>>100%</td> <td style="background-color: #FFC000;">87%</td> </tr> </tbody> </table>	#	KRI	MEASURE	GREEN	AMBER	RED	ACTUAL	1	Financial sustainability ratios (Net Profit / Management Fees)	% > 10%		%<x<10%	0%<x<5%	287%	2	Financial sustainability ratios (CTC/Management Fees)	% <80%		80<x<100	>100%	42%	3	Financial sustainability ratios (Staff Costs/ Management Fees)	% <80%		80<x<100	>100%	87%		<p>CIO</p> <p>CIO</p> <p>CIO/ACFO</p> <p>ACFO</p>	<p>31 Mar 24</p> <p>31 Mar 24</p> <p>31 Mar 24</p> <p>31 Mar 24</p>
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TOP RISK #3 - Non-Compliance Risk

DESCRIPTION	RISK OWNER	CONTROLS	RESIDUAL RISK RATING	KEY SUMMARY UPDATES (KEY DRIVERS)	TREND	ACTION OWNER	DUE DATE																																														
<p>3. Top risk #3</p> <p>Non-Compliance Risk (Regulatory & Mandate Compliance)</p> <p>The risk of financial loss and reputational damage due to non-compliance with applicable local and international regulations.</p>	CEO	<ol style="list-style-type: none"> Regulatory universe and compliance risk management plans developed and maintained to effect legislative changes with inputs from service provider LexisNexis. Annual compliance plan reviewed and approved by Exco, Audit Committee and Board. Compliance with legislation/policies and remedying of findings assessed by risk-based compliance audits and trackers are reported to Exco, Audit Committee, Risk Committee and Board. Pre- and post-trade monitoring and reporting on listed equities and collective investment scheme funds conducted using CRIMS and Hiport systems. Financial Intelligence Centre Act-compliance certificates issued on completion of the 'know-your-client' process and sanctions screening done through the Dow Jones system for all unlisted deals/counterparties before business relationships are entered or funds disbursed. Policies developed and maintained in line with legislative or operational requirements. Staff trained in legislation and policies. <p>Mitigating Actions</p> <ol style="list-style-type: none"> Once fully implemented, the eFront system will be utilised for FICA monitoring purposes. Tracking of the findings until they are remedied in order to improve the control environment, and same is reported to Exco and Board. 	3	<ul style="list-style-type: none"> Capacity constraints in the department have been largely addressed, recruitment is currently underway to fill the Senior Compliance Officer vacant replacement role. The PEP deficiencies raised by the Auditor General are being addressed by the PEP guidelines that have been developed and recommended by PMC and Exco for further recommendation to Investment Committee that will be held on the in February 2024. Submission has been made to PMC and Exco for recommendations to Investment Committee, Audit Committee and the Board to approve the new PEP guideline and the decommissioning of the current PEP policy. Continue to maintain the master PEP register that will be updated with information from various assurance players (ESG, Credit Risk, Legal and Compliance). Weekly monitoring of PEP status on Dow Jones. The FSCA regulatory inspection report on PIC's compliance with FAIS has been issued with no compliance findings raised. PIC has undergone regulatory inspection from FICA and awaits inspection report. Training in respect to FICA, FAIS and FMA for 2023/24 FY will be rolled out to employees on the e-Learning Management System (LMS) in Q4. There are no new mandate breaches in Q3 2023/24 FY. Tracking of GEPF administrative mandate breaches - all the breaches have been closed except for the open vacancy for the Executive Head Properties. There have been control weaknesses identified in Isibaya with findings in respect of outstanding FICA KYC documents of some investee companies. There is progress made by Isibaya, Properties and Research & Innovation Departments in closing some of the open compliance audit findings. Outstanding audit findings are followed up regularly. <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="3">Division</th> <th colspan="5">Compliance Audit Findings</th> </tr> <tr> <th colspan="2">Total</th> <th colspan="3">Open Findings</th> </tr> <tr> <th>Findings</th> <th>Closed</th> <th>High</th> <th>Medium</th> <th>Low</th> </tr> </thead> <tbody> <tr> <td>1. Isibaya</td> <td>12</td> <td>9</td> <td>3</td> <td></td> <td></td> </tr> <tr> <td>2. Properties</td> <td>3</td> <td>2</td> <td></td> <td>1</td> <td></td> </tr> <tr> <td>3. Multi-Manager Private Markets</td> <td>4</td> <td>7</td> <td></td> <td>4</td> <td></td> </tr> <tr> <td>4. Human Capital</td> <td>2</td> <td>1</td> <td>1</td> <td></td> <td></td> </tr> <tr> <td>5. Research and Innovation</td> <td>4</td> <td>2</td> <td>1</td> <td></td> <td></td> </tr> </tbody> </table>	Division	Compliance Audit Findings					Total		Open Findings			Findings	Closed	High	Medium	Low	1. Isibaya	12	9	3			2. Properties	3	2		1		3. Multi-Manager Private Markets	4	7		4		4. Human Capital	2	1	1			5. Research and Innovation	4	2	1				<p>Head: Compliance</p> <p>All Exco Members</p>	<p>31 Mar 24</p> <p>31 Mar 24</p>
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TOP RISK #4 - Reputational Risk

DESCRIPTION	RISK OWNER	CONTROLS	RESIDUAL RISK RATING	KEY SUMMARY UPDATES (KEY DRIVERS)	TREND	ACTION OWNER	DUE DATE
<p>4. Top risk #4</p> <p>Reputational Risk (Brand/Image/ Perception)</p> <p>The risk of damage to the PIC brand/image (Negative perceptions of the PIC by stakeholders).</p>	CEO	<ol style="list-style-type: none"> Timeous and high-quality information is provided to stakeholders to improve transparency. Stakeholder Management Framework has been approved and is implemented. Reputational risk and adverse media reports monitored by a third-party service provider and reported on. Reputational risks posed by investee companies assessed as part of the investee company due diligence. Oversight of reputational risk by PMC, IC and the Social, Ethics and Transformation Committee (SETCO). <p>Mitigating Actions</p> <ol style="list-style-type: none"> Ongoing monitoring and reporting on reputational risk adverse media. 	8	<ul style="list-style-type: none"> The review of the media coverage for the period ending 31 December 2023, indicated that 49% of the overall media coverage received for the PIC generated a neutral sentiment, followed by negative (34%), mixed (16%) and positive media traction that counted for 2%. Online media sources generated the highest volume of coverage during the measurement period (58%), followed by print publications (30%), and broadcast stations which contributed to 13% of the overall media coverage received. Negative news reporting was measured at 34% due to media articles mentioning the Investigation into PIC's former chief operating officer (COO), Vuyani Hako, found that he made "questionable" and irregular payments after R4,5 million was transferred into his home loan account. Mention was made of the Mpati Commission of Inquiry into alleged Irregularities at the PIC. There are notable improvements with regards to the PIC Reputation in the media. There are signs of an improving relationship with the clients. <p>Areas of concern</p> <ul style="list-style-type: none"> Anomalies and challenges experienced with the appointment of the new Panel of Attorneys which became evident post approval of the panel, this can result to reputational and litigation risk for the PIC should the bidders challenge the process. The risk of not having the relevant occupational certificates for some of the PIC buildings poses reputational, compliance and financial risk to the organisation. Fraudulent scheme utilizing the PIC name to attract investments. * There was a media release issued by the Corporate Affairs Department warning the public about an illegal pyramid scheme that uses PIC name and logo to attract investments from the public. * The Pyramid scheme asked the public to deposit R2500 as part of an initial investment process (First Investment Process). * Thereafter, the public was encouraged to recruit new members. Those who successfully recruit new members would be paid a reward of R2500. Concerns around leaking of confidential PIC information to the media, e.g. the leaking of the report into the suspension of the COO. 		Senior Manager: Corporate Legal	31 Mar 24

TOP RISK #5: Technology Risk

DESCRIPTION	RISK OWNER	CONTROLS	RESIDUAL RISK RATING	KEY SUMMARY UPDATES (KEY DRIVERS)	TREND	ACTION OWNER	DUE DATE
<p>5. Top risk #5</p> <p>Technology Risk</p> <p>The risk of PIC systems not functioning properly to support the achievement of business objectives.</p>	CTO	<ol style="list-style-type: none"> 1) Service level agreement (SLA) contracts in place and by service providers/vendor adherence to contractual obligations monitored. 2) SLAs, penalty and breach clauses included in legal agreements for PIC recourse against non-performance by service providers. 3) Business applications migrated to Microsoft Azure to protect the organisation. 4) Systems are more stable since the migration to the cloud. 5) Information Technology Department capacitation for business continuity. 6) Upgrades to ensure alignment with the latest versions and systems. 7) Periodic reporting to the Information and Communications Technologies and Governance Committee. <p>Mitigating Actions</p> <ol style="list-style-type: none"> 1) Panel of service providers for IT services. 2) The Team is currently making use of Microsoft engineers who were appointed on a contract basis to assist with capacity and also in resolving some of the long outstanding Internal Audit findings. The team was successful in resolving many findings. 3) Appointment of a digital native company which will assist the organisation in digitalising processes. 4) IT Department partnering with the business so that the team is able to come up with better ways to improve processes through digitisation. 	5	<p>Improving Controls</p> <ul style="list-style-type: none"> • Business applications have been migrated to Microsoft Azure and this presents great protection for the organisation. Systems are more stable since the move to the Cloud. • Insider risk management tool which is a standalone tool in Azure is in place to protect against the unapproved circulation of data. • Streamlining processes across the whole organisation. • Digitisation and ensuring that data is easily accessible to clients. Clients should be able to run reports and view their portfolios online. • There is progress in the resolution of Internal Audit findings and overall improvement of the IT control environment. • Improvements in refreshing and modernising systems across the organisation. • A successful IT Disaster Recovery test was conducted on 9 December 2023. • Efront system project – on track in terms of the data migration deliverables for the quarter. <p>Areas of concern</p> <ul style="list-style-type: none"> • The organisation is lagging on digitalisation which might render us irrelevant as compared to other industry players in future. • Business is stagnant and not embracing change in terms of digitalisation and automation. • There are concerns that the eFront system is not being adopted by the users, despite significant investment made to acquire the system. • No improvements in terms of IT project delivery, not delivering on IT projects the way we should. • No backup meeting platform when Microsoft Teams is down. • People and capacity risk which results in the inability to execute on the IT strategy. • Inability to attract and retain highly skilled IT professionals due to inflexible HR policies and processes, remains a great concern. • Whilshire Compass not upgraded impacting client reporting. The system is listed as one of the systems that will be upgraded in Q4 2023/2024 Financial Year. 		Exco	Ongoing

TOP RISK #6: Information & Cyber Security Risk

DESCRIPTION	RISK OWNER	CONTROLS	RESIDUAL RISK RATING	KEY SUMMARY UPDATES (KEY DRIVERS)	TREND	ACTION OWNER	DUE DATE
<p>6. Top risk #6</p> <p>Information & Cyber Security Risk</p> <p>The risk of a cyber attack which will render PIC systems and data unavailable.</p>	CTO	<ol style="list-style-type: none"> Board-approved Information Security Strategy implemented. Periodic external and internal penetration tests on the PIC network and hosted server. Information security operating procedures such as vulnerability and penetration testing are conducted periodically to test the robustness of current security systems, pseudo-phishing emails, encryption of endpoints, intrusion detection and prevention solutions, security operation centre and security incident event management. Security awareness training programme. Live dashboard in place to monitor information security posture. Acceptable-use policy guiding the use of PIC business systems and technologies. Information security policy that governs the secure use of PIC technology. <p>Mitigating Actions</p> <ol style="list-style-type: none"> The Team is currently making use of Microsoft Engineers who were appointed on a 2-year contract to assist with capacity constraints and resolving some of the long outstanding Internal Audit findings. Online training for employees who were unsuccessful in identifying simulated phishing emails to improve their cyber security knowledge. Implemented vulnerability management system to drive remediation of cyber threats discovered on IT systems prioritised by risk to IT information assets. Ensuring that PIC data is protected. Prioritisation of work based on criticality due to capacity constraints. Plans to ring fence PIC critical data. 	5	<p>Improving Controls</p> <ul style="list-style-type: none"> Controls continue being improved while leveraging Azure, which is good for operations productivity. IT is considering Amazon Web Services (AWS) to help with business engagement. Phishing awareness training is conducted and provided to all PIC staff to test their understanding of Cyber Security threats and it is also part of promoting and embedding a security-conscious culture in the organisation. The PIC has never suffered any successful cyber security attacks. A cyber security phishing campaign continues to be conducted. Microsoft Defender is in place to mitigate cyber risk with next-generation defense capability to automatically detect and initiate response using extended detection and response (EDR) technology to stop threats in the shortest time. There is an ongoing assessment and review of the Security Operation Centre (SOC) partner to monitor performance. IT has revised the Security information and events management (SIEM) and plan to change it for better value and automation. <p>Areas of concern</p> <ul style="list-style-type: none"> Lagging behind with patching due to capacity constraints. A Risk Acceptance memo on the inability to replatform the PIC website due to capacity constraints has been submitted to Exco And ICTGC for noting and to the Risk Committee for approval. People risk which results in the inability to execute on the IT security strategy. Capacity constraints in the Department has worsened. Plans to mitigate capacity constraints risk by leveraging on Azure capabilities. Cyber Security Head position is still vacant. Inability to attract and retain highly skilled IT professionals due to inflexible HR policies and processes, remains a great concern. 	→	CTO	31 Mar 24

TOP RISK #7: Human Capital Risk

DESCRIPTION	RISK OWNER	CONTROLS	RESIDUAL RISK RATING	KEY SUMMARY UPDATES (KEY DRIVERS)	TREND	ACTION OWNER	DUE DATE
<p>7. Top risk #7</p> <p>Human Capital Risk</p> <p>The inability to attract, retain and motivate skilled and experienced personnel.</p>	COO	<ol style="list-style-type: none"> 1) Market-related employee value proposition offered to attract and retain high-calibre staff. 2) Regular communication to all staff on key Human Capital developments. 3) Junior to senior management development Programmes in place. 4) Oversight of human resources matters by the Human Resources and Remuneration Committee. <p>Recommended actions for the Revitalisation process are as follows:</p> <ol style="list-style-type: none"> 1) Develop a Talent Management and Succession process and policy. 2) Determine talent pool/ inventory and develop succession plan. 3) Develop an Employee Value Proposition to improve employee experience and curb staff turnover. 4) Continuous engagement between management and staff. 5) Review of BSC contracting process to ensure that BSC contracts are SMART. 6) Align scorecards across the organisation. 7) Develop a competency framework to drive new culture. Align PDP's. 8) Align Remuneration Policy 9) Determine talent pool/ inventory and develop succession plan. 10) Clearly communicate the strategic intent of the organisation. 11) Capacitate leaders towards a more collaborative, coaching approach. 12) Empower teams to enhance engagement and inclusivity. 13) Team dialogue based on values and performance scorecards. 	12	<ul style="list-style-type: none"> • Staff turnover rate for the period 01 October to 31 December 2023 is tracking at 4% (8% annualised). • There are fourteen (14) terminations recorded for the quarter and twenty-two (22) resignations recorded YTD. • A total number of eleven (11) new employees were recruited in Q3 2023/24, five (5) fixed-term contracts and six (6) permanent employees. • A total number of nine (9) internal staff movements were recorded during the quarter with three (3) graduates being absorbed from the PICeeds programme to permanent roles. • From the exit interviews conducted it was noted that a majority of the employees that resigned are looking for growth, development and better career prospects. • Total number of new labour relations cases is measured at 0.51% as of 31 December 2023 • There were a total of six (6) historical labour relations cases as at 31 December 2023. • There were two (2) new cases (CCMA referrals) recorded for quarter 3. • C-suite is established. The only matter remaining is to resolve the issue around the CFO position. • COO is still on suspension – the matter is still pending. • There are currently twenty-three (23) active acting positions at various levels. Going forward, the Risk Department will be tracking whether this trend improves or deteriorates. 		Head: Human Capital/ CEO	31 Mar 24

TOP RISK #7: Human Capital Risk

DESCRIPTION	RISK OWNER	CONTROLS	RESIDUAL RISK RATING	KEY SUMMARY UPDATES (KEY DRIVERS)	TREND	ACTION OWNER	DUE DATE																				
<p>7. Top risk #7</p> <p>Human Capital Risk</p> <p>The inability to attract, retain and motivate skilled and experienced personnel.</p>	COO	<ol style="list-style-type: none"> Market-related employee value proposition offered to attract and retain high-calibre staff. Regular communication to all staff on key Human Capital developments. Junior to senior management development Programmes in place. Oversight of human resources matters by the Human Resources and Remuneration Committee. <p>Recommended actions for the Revitalisation process are as follows:</p> <ol style="list-style-type: none"> Develop a Talent Management and Succession process and policy. Determine talent pool/inventory and develop succession plan. Develop an Employee Value Proposition to improve employee experience and curb staff turnover. Continuous engagement between management and staff. Review of BSC contracting process to ensure that BSC contacts are SMART. Align scorecards across the organisation. Develop a competency framework to drive new culture Align PDP's. Align Remuneration Policy Determine talent pool/inventory and develop succession plan. Clearly communicate the strategic intent of the organisation. Capacitate leaders towards a more collaborative, coaching approach. Empower teams to enhance engagement and inclusivity. Team dialogue based on values and performance scorecards. 	12	<ul style="list-style-type: none"> Organisational Revitalisation deliverables and progress led by Human Capital: <table border="1"> <thead> <tr> <th>Completed</th> <th>In-progress</th> </tr> </thead> <tbody> <tr> <td>1. Board approved Integrated Talent Management Guidelines. Completed in Q3</td> <td>1. TeamConnect implementation through TeamConnect Coaches.</td> </tr> <tr> <td>2. New format Scorecard cascaded respective Chiefs designed. Completed in Q3</td> <td>2. Scorecard cascading and performance contracting.</td> </tr> <tr> <td>3. Strategy Map finalised, objectives aligned to Corporate plan. Completed in Q3</td> <td>3. Socialise all Board approved policies.</td> </tr> <tr> <td>4. Culture Survey – baseline. Completed in Q1</td> <td>4. New format Scorecard cascaded for respective Chiefs sign off.</td> </tr> <tr> <td>5. Performance Management training. Completed in Q1</td> <td>5. Finalise Remuneration policy, philosophy and practices.</td> </tr> <tr> <td>6. Exco orientation on the implementation journey. Completed in Q1</td> <td>6. Team Connect coaches trained, implementation reserved for Q4.</td> </tr> <tr> <td>7. Exco strategy session: Develop Strategy Map. Completed in Q1</td> <td>7. Competency framework and EVP designed for socialisation in Q4.</td> </tr> <tr> <td>8. Communicating outcomes of the survey. Completed in Q2</td> <td></td> </tr> <tr> <td>9. Performance Management Training Module 3. Completed in Q2</td> <td></td> </tr> </tbody> </table> <p>Areas of concern</p> <ul style="list-style-type: none"> The performance contracting process (BSC), which was supposed to be finalised in early 2023, is not yet complete, which represents a huge risk for the organisation. Errors in calculating December salaries due to the Long-term Incentive (LTI) and salary tax calculation. Investigation is currently ongoing. The staff turnover has increased by 3% in Q3 as compared to Q2 2023/2024 financial year. 	Completed	In-progress	1. Board approved Integrated Talent Management Guidelines. Completed in Q3	1. TeamConnect implementation through TeamConnect Coaches.	2. New format Scorecard cascaded respective Chiefs designed. Completed in Q3	2. Scorecard cascading and performance contracting.	3. Strategy Map finalised, objectives aligned to Corporate plan. Completed in Q3	3. Socialise all Board approved policies.	4. Culture Survey – baseline. Completed in Q1	4. New format Scorecard cascaded for respective Chiefs sign off.	5. Performance Management training. Completed in Q1	5. Finalise Remuneration policy, philosophy and practices.	6. Exco orientation on the implementation journey. Completed in Q1	6. Team Connect coaches trained, implementation reserved for Q4.	7. Exco strategy session: Develop Strategy Map. Completed in Q1	7. Competency framework and EVP designed for socialisation in Q4.	8. Communicating outcomes of the survey. Completed in Q2		9. Performance Management Training Module 3. Completed in Q2			Head: Human Capital/ Exco	31 Mar 24
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TOP RISK #8: ESG Risk

DESCRIPTION	RISK OWNER	CONTROLS	RESIDUAL RISK RATING	KEY SUMMARY UPDATES (KEY DRIVERS)	TREND	ACTION OWNER	DUE DATE
<p>8. Top risk #8</p> <p>ESG Risk</p> <p>Inability of the PIC to identify, measure and monitor ESG and climate risks in line with global practices.</p>	CEO	<p>1) ESG is embedded in Listed and Unlisted Investment processes.</p> <p>2) Politically exposed persons reporting incorporated into ESG reports.</p> <p>Mitigating Actions</p> <p>1) Ongoing monitoring of PEP-approved transactions.</p>	5	<ul style="list-style-type: none"> ESG to be further focused on investments and or pipeline to ensure that biodiversity risks are addressed. ESG principles are embedded in the Listed and Unlisted investment process. ESG Department is part of the "Deep Dive" sessions initiated by the Investments Team. PEP reporting incorporated into ESG Reports. The Principles for Responsible Investing are monitored in the ESG risk registers. 	→		

TOP RISK 9: Anti-Bribery, Corruption and Ethics Risk

DESCRIPTION	RISK OWNER	CONTROLS	RESIDUAL RISK RATING	KEY SUMMARY UPDATES (KEY DRIVERS)	TREND	ACTION OWNER	DUE DATE
<p>9. Top risk #9</p> <p>Anti-Bribery, Corruption and Ethics Risk</p> <p>PIC employees, Board, third parties and investee companies may engage in unethical behaviour or conduct by accepting/paying bribes for or on behalf of PIC.</p>	CEO	<ol style="list-style-type: none"> Development and implementation of anti-fraud and anti-corruption, whistleblower, gift disclosure and conflicts of interest policies. Monitoring of the PIC external and internal whistleblower hotline. Employee vetting. Employee and director declarations of gifts and entertainment, conflicts of interest and outside interests. Investigation of reported cases. Due diligence of investee companies. Segregation of duties promoted through declaration of interest, policies and frameworks. Conduct a formal ethics risk and opportunity assessment. Development and implementation of codes of ethics and ethics policies. Employee vetting by the Human Resources Department. Training and ongoing communication on ethics. Investee company due diligence. Monitoring of PIC external and internal whistleblower hotline. Investigation of reported cases and consequence management. Oversight of ethics matters by Exco, SETCO and Board. <p>Mitigating Actions</p> <ol style="list-style-type: none"> Training on conflict of interest to include declaration of interest completion. Tightening of legal agreements with investee companies to make it compulsory for the investee companies to abide by PIC's code of conduct. <p>Areas of concern</p> <ol style="list-style-type: none"> People and capacity risk which results in the inability to execute on the Ethics strategy. Ethics Office views and recommendations on unethical behaviour not adopted by the business. Ethics Office not provided with Investigation Reports due to the confidentiality of the reports. The team is only provided with a list of investigation themes by Internal Audit, which makes it difficult to assess the root cause analysis for the fraud causes reported. Gaps in relation to exit interviews in relation to people leaving due to ethical issues. 	5	<ul style="list-style-type: none"> Conflict-of-interest guidelines have been enhanced and served at SETCO in November and Board in December 2023, the Board proposed that the declaration for financial interest thresholds be lowered. The guidelines will be resubmitted at the next SETCO for noting and ongoing submission to Board for approval. The third-party due diligence was presented at SETCO, the next step will be to get Board approval on the Supplier Code of Ethics policy. The policy will be presented at the next board meeting for approval. 2023/2024 FY Declaration of Interest (DOI) completion rate is tracking at 100%. Ethics training for the 2023/2024 financial year completion rate is tracking at 80%, this is an improvement as compared to the previous quarter however still considered low as the completion rate is below the 100% risk appetite limits. Follow-ups are being made with the remaining employees to complete the same. New employees joining the organisation not automatically enrolled on My -Learning system for compulsory trainings such as Ethics and Compliance, resulting in non-completion of compulsory trainings. Resigned employees not automatically removed from My-learning system resulting in inaccurate training stats being reported. The Ethics Institute was appointed to roll out the Ethics Risk Assessment. The new PIC Ethical Values will serve at the next Board meeting for approval. Plans to launch the new PIC Ethical Values in January 2024. There were no new fraud and bribery cases reported for the quarter. Ongoing communication on anti-bribery and corruption has improved across the organisation. The PIC ethics culture has improved since the establishment of the Ethics Office, although it is still at a developing stage. Employees have a better understanding of ethics management and what is required from them to improve the ethical culture of the organisation. The Ethics Office is now involved in the scoping of investigations for reported cases. This will assist the team to assess the root cause of cases with ethical elements. Seven (7) gifts were received and approved. 	→	Head: Ethics	31 Mar 24

TOP RISK #10 - Strategy Execution Risk

DESCRIPTION	RISK OWNER	CONTROLS	RESIDUAL RISK RATING	KEY SUMMARY UPDATES (KEY DRIVERS)	TREND	ACTION OWNER	DUE DATE																												
<p>10. Top risk #10</p> <p>Strategy Execution Risk</p> <p>Inability to implement the approved organisational strategy.</p>	CEO	<p>1) Ongoing review and monitoring of strategy execution progress.</p> <p>2) Mandate, policies, frameworks, human resources and systems in place to support strategy execution.</p>	8	<ul style="list-style-type: none"> Continued underperformance on Properties asset class based on agreed targets with the clients. Unlisted (Isibaya) performance improved by 0.37% (Dec 2023 IRR 4.50% compared to Dec 2022 IRR 4.13%) compared to the previous FY. There is a risk of over-committing to the sponsor. There is a risk of funds running out for the Rest of Africa PPM when analysing the deal pipeline, this could potentially result in the PIC approving transactions when there are no funds available. Investing in quality transactions that are within our risk appetite limits. Execution risk which is driven by our own inflexible conditions precedent. Concerns around the slow time it takes from transaction approval to disbursements. This is an area that needs to be looked at to make the process shorter. Concerns that the eFront system is not being adopted by the users, despite significant investment made to acquire the system. The overall rating for the PIC's control environment as of 31 December 2023 is Green (Satisfactory) with a deteriorating trend. The risk of inability to execute the client mandates due to insufficient capacity in key areas. Staff turnover of investment professionals remains a concern. On track on the deployment of the GEPP R25 billion. <p>Overview of Commitments vs Disbursements as of December 2023:</p> <table border="1"> <caption>GEPP, UIF and CC Portfolios</caption> <thead> <tr> <th>Portfolio</th> <th>Total Allocation</th> <th>Approved</th> <th>Disbursements</th> </tr> </thead> <tbody> <tr> <td>GP 22 DI SA</td> <td>4.00</td> <td>0.68</td> <td>0.24</td> </tr> <tr> <td>GP 22 DI SA Infrastructure</td> <td>6.00</td> <td>1.09</td> <td>0.40</td> </tr> <tr> <td>GP 22 DI SA Intermediaries</td> <td>7.00</td> <td>3.63</td> <td>1.37</td> </tr> <tr> <td>GP 22 DI ROA</td> <td>8.00</td> <td>4.47</td> <td>2.01</td> </tr> <tr> <td>UIF</td> <td>25.00</td> <td>14.57</td> <td>-</td> </tr> <tr> <td>CC</td> <td>4.51</td> <td>1.15</td> <td>2.03</td> </tr> </tbody> </table> <p>Commentary</p> <ul style="list-style-type: none"> Included in the orange rectangle are the 2022 PPMs to the total of R25 billion approved by the GEPP in April 2022 of which the approved transactions as of December 2023 amounted to R5.4 billion for South African PPM's and R4.5 billion equivalent to USD258 million for the ROA PPM as follows: <ul style="list-style-type: none"> DI SA R676 million approved and R243 million disbursed. DI Intermediaries R3.63 billion approved and R1.37 billion disbursed. DI Infrastructure R1.08 billion approved and R401 million disbursed. For ROA, USD258 million approved and USD115 million disbursed. For the quarter ending September 2023, R2.33 billion was approved and R91 million was disbursed. For the quarter ending 31 December 2023 R1.64 billion was approved. For the quarter ending 31 December 2023 the following disbursements were made: <ul style="list-style-type: none"> Developmental Infrastructure Investments SA: R 823,861,894.56 excl DSI Developmental Investments RoA: \$5 222 362.00 Properties: R 2,725,428,825.32 For UIF the maximum allocation was R25.04 billion representing 17% of the total portfolio and the current value of the invested capital is R14.57 billion representing 10% of the total portfolio. For CC the maximum allocation was R5 billion, and the current value of the disbursed capital is R2 billion representing 3% of the total portfolio and there is no allocation for SRI on the new mandate for CP. 	Portfolio	Total Allocation	Approved	Disbursements	GP 22 DI SA	4.00	0.68	0.24	GP 22 DI SA Infrastructure	6.00	1.09	0.40	GP 22 DI SA Intermediaries	7.00	3.63	1.37	GP 22 DI ROA	8.00	4.47	2.01	UIF	25.00	14.57	-	CC	4.51	1.15	2.03	↓	Exco	31 Mar 24
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TOP RISK #11 - Culture Risk

DESCRIPTION	RISK OWNER	CONTROLS	RESIDUAL RISK RATING	KEY SUMMARY UPDATES (KEY DRIVERS)	TREND	ACTION OWNER	DUE DATE
<p>11. Top risk #11</p> <p>Culture Risk</p> <p>The risk of misalignment between the organisation's values, leaders' actions, employees behaviours and organisational systems.</p>	CEO	<p>1) Tone at the top – Board and C-suite setting the tone for the entire organisation.</p> <p>2) Governance structures in place.</p> <p>Mitigating Actions</p> <p>1) Defining PIC culture and Senior management leading by example by living PIC values.</p> <p>2) Exco creating an environment of accountability.</p> <p>3) Involvement of staff in the creation of a culture that PIC desires, e.g. Staff Revitalisation Workshop, Team Connect, review of Values, etc.</p> <p>4) Proper and timely communication.</p> <p>5) Various initiatives have been completed or are being finalised to improve organisational culture. These include:</p> <ul style="list-style-type: none"> • Relaunch of the values - in progress • Culture survey - Completed • Review and alignment of performance management policy, processes and templates - Completed • Review and alignment of Employee Value Proposition - Completed • Team leadership training and TeamConnect implementation – Completed • Team workshops to enhance engagement and inclusiveness – Completed • Regular informal and formal performance feedback and coaching – Ongoing • Develop succession plan based on business needs – In progress • Regular Staff engagements – Ongoing 	8	<ul style="list-style-type: none"> • PIC culture assessment currently is in progress. • Culture of not holding employees accountable. • Lack of communication and or proper communication between employees and line managers. • Consequence management not always well understood and in some cases driving wrong behaviour. • Tolerance for late submission and mediocrity. • Culture of resisting change. 		Exco	31 Mar 24

CONCLUSION

- Overall assets under management rose by 6.82% over the past 12 months to R2 709bn.
- Unlisted (Isibaya) performance improved by 0.37% (Dec 2023 IRR 4.50% compared to Dec 2022 IRR 4.13%) compared to the previous FY.
- PIC is on track on the deployment of R25 billion. approved transactions as of December 2023 amounted to R5.4 billion for South African PPM's and R4.5 billion equivalent to USD258 million for the ROA PPM.
- Financial sustainability is stable as all sustainability ratios are positive as of 31 December 2023.
- The Cost Containment Plan is on track and has yielded positive results as more costs were saved than budgeted, mitigation plans have been introduced to have all the new positions in the new structure go through a formal approval process before being advertised.
- There were no successful phishing incidents for the reporting period.
- A successful IT Disaster Recovery test was conducted on the 9th of December 2023.
- The overall rating for the PIC's control environment as of 31 December 2023 is Green (Satisfactory) with a deteriorating trend.
- The human capital risk has deteriorated compared to the previous reporting quarter.

The risk profile of the organisation has not deteriorated and there have been improvements noted on:

- Financial sustainability risk
- Compliance risk (Regulatory and Mandate Compliance)
- Brand/Image/Perception
- Strategy execution risk and
- Culture risk

The following concerns were raised:

- Continued underperformance on unlisted (Properties) based on agreed targets with the clients.
- The risk of not having the relevant occupational certificates for some of the PIC buildings which poses reputational, compliance and financial risks to the organisation.
- The Combined Assurance Forum has indicated that the PIC's budgeting process is not effective and inadequate. It'll need to be overhauled to be more efficient, place accountability at the correct levels, be timely and transparent.
- The implementation of the new structure will have a material impact on the cost structure.
- The organisation is lagging on digitalisation which might render us irrelevant as compared to other industry players in future.
- There are concerns with the slow rollout of eFront and that the system is not being adopted by the users, despite significant investment made to acquire the system.
- Significant increase of staff turnover rate.
- The performance contracting process (BSC), which is supposed to be finalised at the beginning of the financial year has not formally commenced and finalised. BSC not being finalised in Q4 is a huge risk for the organisation by the Risk Department.
- Errors in the calculation of the December salaries due to the Long-term Incentive (LTI) and salary tax calculation. Investigation currently ongoing
- Anomalies and challenges experienced with the appointment of the new Panel of Attorneys which became evident post approval of the panel, this can result in reputational and litigation risk for the PIC should the bidders challenge the process.
- Concerns around leaking of confidential PIC information to the media, e.g. the leaking of the report into the suspension of the COO.

Annexure F

Fraud Prevention Plan

POLICY MAINTENANCE DATA

Policy/Risk Owner	Head: Ethics
Approval Authority	Audit Committee
First Approval Date	9 March 2020 (Board)
Review Frequency	The Policy shall be reviewed every three years, save where a need necessitates the review of the Policy over a period of less than 3 (three) years.
Last Review Date	October 2022
Next Review Date	November 2025

DOCUMENT REVIEW AND APPROVAL

Revision history:

Version	Author	Date	Inception/Revision
1	P Phala	December 2020	

This document has been reviewed by:

Reviewer	Date	Reviewed
Nkosinathi Buthelezi	Jan 2020	
Lufuno Nemagovhani	Jan 2020	
Themban Ndleve	Feb 2020	
Edmore Taruvinga	Jun 2021	
Themban Ndleve	Aug 2021	
Ethics Office	Aug 2021	

This document has been recommended for approval/approved by:

Committee Name		
Version	Date Recommended for Approval	Recommend for Approval/Noting
1	09 March 2020	Board (Approval)
2	03 September 2021	Executive Committee (Recommended for Approval)
2	18 October 2021	Social, Ethics and Transformation Committee (SETCO) (Recommended for Approval)
2	09 February 2022	Audit Committee (Recommended for Approval)
2	18 March 2022	Board Committee (Approval)
3	3 October 2022	Executive Committee (Recommended for Approval)
3	14 October 2022	ETCO (Approval)
3	8 November 2022	Audit Committee (Noting)

Contact details of persons to be contacted if there are any questions and/or queries regarding the policy:

Division	Contact Details of Key Person
Ethics Office	Email address: masego.haile-solomon@pic.gov.za Telephone number: (012) 742 3632

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1. INTRODUCTION

- 1.1. The PIC was established in terms of the Public Investment Corporation Act 23, 2004 (Act No. 23 of 2004) (PIC Act) to serve as a financial services provider in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002) (FAIS Act). It is wholly owned by the Government of the Republic of South Africa. It manages funds on behalf of public sector funds and institutions and is the largest asset manager on the African continent. As an asset manager, the PIC is licenced by the Financial Sector Conduct Authority (FSCA). PIC subscribes to high corporate governance standards as enshrined in applicable legislation, King IV Report of Corporate Governance for South Africa 2016 and other applicable governance standards. It maintains a well-established governance framework with a set of policies to guide implementation.

2. PURPOSE

- 2.1. What is the purpose of this policy?
- 2.1.1. This policy explains the Public Investment Corporation Limited (the "PIC") policy position on bribery and corruption and sets out the procedures that must be followed to mitigate our risk in this regard.
- 2.1.2. The policy, guidelines and procedures set out in this policy will help us to ensure that we:
- conduct our business professionally, ethically and with integrity;
 - mitigate our risks with regard to bribery and corruption;
 - comply with national and international anti-bribery and corruption legislation;
 - provide guidance on the processes that must be followed when investigating bribery and corruption;
 - provide guidance to all our stakeholders on how to prevent and report bribery and corruption;
 - timeously report bribery and corruption to the authorities as required by law; and
 - adequately protect those who report bribery and corruption.

3. DEFINITIONS AND ABBREVIATIONS

Unless otherwise indicated, terms and abbreviations used in this Policy shall have the meanings assigned to them in **Annexure A** and **Annexure B** hereto respectively.

4. SCOPE OF APPLICATION

- 4.1. This policy applies to members of the Board of Directors of the PIC ("Board") and all PIC employees as well as shareholders, consultants, agents, vendors, contractors, members of the public, outside agencies conducting business with the PIC employees and/or any other parties with a business relationship with the PIC or any other interested party.
- 4.2. This Policy shall come into effect immediately upon approval by the Board.

5. APPLICABLE LEGISLATION AND GOVERNANCE DOCUMENTS

- 5.1. Applicable Legislation
- 5.1.1. The PIC Policies and Procedures, directives issued by the Minister and relevant statutes listed below form equally important parts of the PIC's overall anti-bribery and corruption strategy including, but not limited to –
- Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997)
 - CIPC Guideline issued in terms of Regulation 4 of the Companies Regulations 2011
 - Companies Act, 2008 (Act No. 71 of 2008) ("Companies' Act")
 - Electronic Communications and Transmissions Act, 2002 (Act No. 25 of 2002)
 - Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002) ("FAIS")
 - Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001) ("FICA")
 - Foreign Corrupt Practices Act, 1977 (FCPA)
 - Labour Relations Act, 1995 (Act No. 66 of 1995)
 - Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004) ("PRECCA")

- Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act No. 4 of 2000)
- Protected Disclosures Act, 2000 (Act No. 26 of 2000) ("PDA")
- Public Finance Management Act, 1999 (Act No. 1 of 1999) ("PFMA")
- Public Finance Management Act, 1999 (Act No. 1 of 1999)
- Public Investment Corporation Act, 2004 (Act No. 23 of 2004)
- The ISO 37001 - Anti-Bribery Management System Standard
- The UK Bribery Act, 2010
- The OECD recommendations for multinational enterprises on reducing corruption (as conveyed above, these requirements are incorporated in regulation 43 of the Companies Act)
- UN Global Compact ("UNGC")
- United Nations Principles for Responsible Investment ("UNPRI")

5.2. Related Governance Documents

- Code of Ethics and Conduct
- Policy Against Unfair Discrimination, Harassment and Sexual Harassment
- Grievance Procedure
- Whistleblowing Policy and Procedures ("Whistleblowing Policy")
- PIC Procurement Policies and Procedures
- Conflict of Interest Policy and Procedures
- Debarment Policy and Procedures
- Disciplinary Policy and Procedures
- Anti-Money Laundering Policy and Procedures
- Gifts Policy and Procedures

6. OUR POLICY

- 6.1. The Public Investment Corporation Limited recognises the importance of protecting the organisation, its employees, its revenue, expenditure and assets, and the public funds with which it has been entrusted, from any attempt by any person to gain financial or other benefit in an unlawful, dishonest or unethical manner.
- 6.2. In carrying out its functions, the PIC ascribes to a culture of integrity, openness and fairness. As a steward of public funds and a signatory of the United Nations Global Compact ("UNGC") and the United Nations Principles for Responsible Investment ("UNPRI"), the PIC expects its Board of Directors (the "Board") and employees at all levels to adopt the highest standards of honesty, propriety, personal integrity and accountability and to be attentive regarding any irregular transactions and/or behaviour.
- 6.3. To ensure that we always conduct our business honestly and transparently, we are committed to the following:
- We have a zero-tolerance approach to bribery and corruption.
 - We do not accept/pay facilitation fees or "kick-backs".
 - We keep proper records of dealings with third parties.
 - We conduct due diligence on third party service providers.
 - We ensure awareness of our stance on bribery and corruption.
 - We protect those who disclose or report bribery and corruption.
 - We take action against those who engage in bribery and corruption.
 - We encourage any employee, stakeholder or member of the public to report actual or suspected bribery and corruption in any of the PIC's business dealings using various anonymous channels that the PIC has put in place.

7. UNDERSTANDING OUR POLICY: GUIDELINES

7.1. Policy: We have a zero-tolerance approach to anti-bribery and corruption

(a) What do we mean by "zero-tolerance"?	Zero-tolerance means that we do not tolerate bribery and corruption by anyone in the organisation, irrespective of their position and that we are committed to dealing with bribery and corruption and the perpetrators thereof, both internally and externally.
(b) What is "corruption"?	Broadly speaking, corruption is considered to be any abuse of entrusted power in public or private office by a person for the benefit of himself or herself or for the benefit of another person. It typically involves dishonest conduct or collusive dealings by those in position of power.

(c) Note!	<p>This policy highlights the following particular forms of corruption, i.e.</p> <ul style="list-style-type: none"> • bribery; • extortion; • favouritism; and • nepotism. <p>However, the PIC condemns any conduct which can be considered to be an abuse of office for personal gain.</p>
(d) What is "bribery"?	<p>Bribery takes place when a gratification is directly or indirectly offered, promised or provided in order to gain an improper advantage.</p> <p>Bribery includes offering a gratification to a public official or any representative of a private enterprise (whether for profit or otherwise) to act in a manner that amounts to:</p> <ul style="list-style-type: none"> • illegal, dishonest, unauthorised, incomplete, or biased conduct; • misuse or selling of information or material acquired in the course of the exercise, carrying out or performance of any powers, duties or functions arising out of a constitutional, statutory, contractual or any other legal obligation; • the abuse of a position of authority; • a breach of trust; • the violation of a legal duty or a set of rules; • the achievement of an unjustified result; • any other unauthorised or improper inducement to do or not to do anything. <p>Note that both the giver and the receiver of the bribe is committing an offence.</p>
(e) What is a "gratification"?	<p>Gratification includes anything of value – tangible or intangible – and includes:</p> <ul style="list-style-type: none"> • cash and cash equivalents, e.g. gift cards • any donation, gift, loan, fee, reward, valuable security, property or interest in property of any description, whether movable or immovable, or any other similar advantage; • the avoidance of a loss, liability, penalty, forfeiture, punishment or other disadvantage; • any office, status, honour, employment, contract of employment or services, any agreement to give employment or render services in any capacity; • residential or holiday accommodation and other form of hospitality; • any payment, release, discharge or liquidation of any loan, obligation or other liability, whether in whole or in part; • any forbearance to demand any money or monies worth or valuable things; • any other service or favour or advantage of any description, including protection from any penalty or disability incurred or apprehended or from any action or proceedings of a disciplinary, civil or criminal nature, whether or not already instituted, and includes the exercise of the forbearance from the exercise of any right or any official power or duties; • rights, privileges, preferential treatment, benefits and favours; • any valuable consideration or benefit of any kind, including <ul style="list-style-type: none"> ○ discounts and rebates; ○ a bonus or deduction; ○ commissions; and ○ offers of shares. • any real or pretended aid, vote, consent, influence or abstention from voting; • political donations.

(f) Note!	<p>You may also not use a third party as a conduit to conceal or deceive the payment or receipt of a bribe.</p> <p>Third parties include:</p> <ul style="list-style-type: none"> • family members • actual and potential customers • suppliers • business contacts • advisers and consultants • independent contractors • other government and public bodies, including their advisers, representatives and officials • politicians and political parties • other associates
(g) Does this mean you may never accept a gift from a third party?	<p>No. This policy does not prohibit normal and appropriate gifts and hospitality (given and received) to or from third parties that are given and received in accordance with the PIC Gift Policy.</p> <p>In particular, the gift may NOT:</p> <ul style="list-style-type: none"> • be given/received in order to obtain a business favour for/from you, PIC or a third party; • be accompanied by any direct or indirect suggestion, hint, "understanding" or implication that some expected or desirable outcome is required in return; or • be intended to act as an improper incentive or to exert an improper influence on you, for example, to influence the decision to do business with the giver. <p>Please refer to the PIC Gift Policy for more details on the procedures that must be followed when you receive or give a gift.</p>
(h) What about donations and sponsorships¹?	<p>We never provide donations or sponsorships in order to gain a commercial, contractual, regulatory or personal advantage through "improper performance", i.e. as a bribe.</p> <p>As part of its Corporate Social Responsibility, PIC provides charitable donations on an ad hoc basis, particularly to support local communities and to serve a legitimate public purpose. Any charitable donations made by or on behalf of PIC must be approved in terms of the PIC Delegation of Authority (DOA).</p> <p>While PIC recognises and accepts that every individual has the right to their own political activities and opinions, political contributions, donations, gifts or sponsorships made to a politician, political party or political campaign are not permitted to be made by or on behalf of PIC.</p> <p>You may never make any donation or sponsorship:</p> <ul style="list-style-type: none"> • To individuals or profit organisations in return for a specific favour; • Into private bank accounts of individuals; • Where an organisation's reputation and goals conflict with those of PIC. <p>Quasi-donations, where the compensation for a service is unrelated to the value of services to be rendered, are also prohibited.</p>

¹ Sponsorship is a form of marketing in which a company pays for all or some of the costs associated with a project or program in exchange for a benefit. Corporations may have their logos and brand names displayed alongside the organisation undertaking the project or program. Corporate sponsorships are commonly associated with non-profit groups, who generally would not be able to fund operations and activities without outside financial assistance. It is not the same as philanthropy.

(i) What is “extortion”?	<p>Extortion occurs when a person who takes from another some advantage by intentionally and unlawfully subjecting such other person to pressure which induces him or her to submit to that taking.</p> <p>In short, extortion is obtaining benefit through coercion. Anyone who uses his/her position of power to extort a gratification from someone, will be committing a corrupt act.</p> <p>Extortion is also sometimes referred to a “blackmailing”.</p>
(j) What is “favouritism”?	<p>Favouritism occurs when an employee is appointed, promoted, transferred, or given generous treatment based on subjective considerations such as returning a favour, etc.</p> <p>Essentially it means that someone is receiving preferential treatment not because he or she is doing a great job, but for reasons outside of the job performance.</p>
(k) What is “nepotism”?	<p>Nepotism is a form of favouritism that occurs where an employee is appointed, promoted, transferred, or given some or other advantage because he or she has family or other ties with the person in a position to authorise such actions.</p>

8. POLICY: We do not accept/pay facilitation fees or bribes (“kick-backs”)

(a) What is a facilitation fee or “kick-backs”?	<p>Facilitation payments are typically small, unofficial payments made to secure or expedite a routine government action by a government official.</p> <p>These payments are also known as “grease payments” or “kick-backs”.</p> <p>Demanding a facilitation fee or “kick-back” is a form of extortion.</p>
(b) What is bribe or kick-back?	<p>Payments made in return for a business favour or advantage.</p>
(c) Who is a public official?	<p>The term ‘public official’ is interpreted very broadly and includes any official, employee or member of:</p> <ul style="list-style-type: none"> • the PIC; • a municipality or government or state-owned enterprises (“SOE’s); • a government agency or regulatory authority, e.g. police officers or customs and tax officials; • a political party; • parliament or municipal council; • an international public organisation such as the United Nations; World Bank; International Monetary Fund; and • the judiciary or magistracy. <p>It also includes:</p> <ul style="list-style-type: none"> • an individual who holds or performs the duties of an appointment, office or position created by custom or convention, including some members of royal families and some tribal leaders; • a person who is, or holds themselves out to be, an authorised intermediary of a public official; and • a child, relative or associate of such a public official.
(d) Why may we not pay or receive facilitation fees or “kick-backs”?	<p>It is illegal and could result in severe financial and reputational loss to the PIC and its relevant stakeholders.</p>
(e) Note!	<p>The only exception to making a facilitation payment is when your life, health or safety or a PIC asset is in danger (also known as an emergency payment or a duress payment).</p> <p>These circumstances are highly unlikely and exceptional.</p> <p>If this happens, you must follow the procedure below.</p>

(f) What payments to public officials are permissible?	<p>PIC recognises that the laws applicable in certain jurisdictions may provide for legitimate payments to public officials under specific circumstances, such as the payment of per diems (which cover daily living expenses such as travel, accommodation and food).</p> <p>The following guidelines apply in respect of the payment of per diems or daily living expenses:</p> <ul style="list-style-type: none"> • Per diem or daily living expenses must be required to be paid by government (NOT by the public official), and clearly addressed in applicable laws; • The rates must be the official rates provided for in the applicable law (and cannot be arbitrarily arrived at through negotiation), e.g. SARS prescribed rates on travel and daily meals allowances; • An official invoice must be received, and if this is not practicable, the official must sign for receipt of payment; • Payment in cash should, as far as reasonably practicable, be avoided. Where possible, payment should be made to the service provider directly or alternatively into the official account of the government department (NOT the account of the public official); and • Approval from the CEO is required for all per diem payments or daily living expenses.
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9. POLICY: We conduct due diligence on third party service providers

(a) Who are considered to be third-party service providers?	<p>This refers to any third party with which PIC does business and includes, but may not be limited to, any of the following:</p> <ul style="list-style-type: none"> • Suppliers/Vendors • Clients • Consultants • Independent contractors
(b) Why must due diligence be conducted on third parties?	<p>There is a risk that a third party may violate applicable bribery and corruption laws in connection with services it is providing for or on behalf of PIC,</p>
(c) When must a due diligence be done on a third-party service provider?	<p>PIC requires a due diligence to be done in the following circumstances:</p> <ul style="list-style-type: none"> • Employee engaging the third party is required to ensure that a risk assessment is conducted to determine the appropriate bribery and corruption risk rating; • The following third-party relations will attract a higher bribery and corruption risk rating: <ul style="list-style-type: none"> • When engaging with a third party in respect of which there are clear reasons to believe that such third party presents a higher-than-normal risk or likelihood of a bribery and corruption incident occurring within the course and scope of business activities; • When commencing a business relationship with any business partner that is a Politically Influential Person ("PIP") or Politically Exposed Person ("PEP"), and in the case of a juristic person, is owned or controlled by a PIP/PEP; and in accordance with the PIC PEP Policy; • When entering into any contract with any government or organ of state (including, but not limited to, any SOE), due diligence should be done on 'middlemen' and/or consultants and/or agents acting on behalf of the government or organ of state; • Where the third-party has adverse media related to unethical practices, bribery or corruption. • The third party uses sub-contractors; and • Request that payments be made through an alternative party or to an undisclosed beneficiary. <p>PIC requires business partners and stakeholders engaging with third parties on its behalf to take similar precautions and to conduct due diligence on these parties, where appropriate.</p>
(d) Who is a "PIP"/"PEP"?	<p>A PIP/PEP includes any current or former public official, as well as any relative or close associate of such a person.</p>

(e) What should the due diligence entail?	<p>The nature and extent of the due diligence conducted should be based on the nature and degree of the risk involved.</p> <p>The due diligence may entail one, or a combination of, the following steps –</p> <ul style="list-style-type: none"> • Indirect investigations or general research on the third party; • Direct request for details on the background, expertise, business experience and beneficial ownership of the third party; • Enquiries with other customers and/or vendors who have previously worked with the third party to check the references of such party; • Direct interrogative enquiries specifically relating to the conduct and policies of the third party; and • Adverse media checks in relation to unethical practices, bribery and corruption.
(f) Who should do the due diligence?	The due diligence may be done internally or by external parties where specific expertise is required.
(g) Note!	We never deal with parties who are listed on international sanction lists. Where third parties have adverse media in relation to unethical practices, bribery or corruption those relationships should be referred to SETCO for recommendation.

10. POLICY: We keep proper records of dealings with third parties

(a) What records must be kept?	<p>Accurate and updated written record must be kept of:</p> <ul style="list-style-type: none"> • expense claims relating to hospitality, gifts or expenses incurred to third parties; • accounts, invoices, memoranda and other documents and records relating to dealings with third parties; • all gifts above certain thresholds received from, and offered to, third parties. Refer to the PIC Gift Policy for detail; • third Party due diligence records. <p>No accounts must be kept "off-book" to facilitate or conceal improper payments.</p>
(b) Why is it important to keep records?	These records will assist us to provide evidence of the business reason for making payments to third parties.

11. POLICY: We ensure awareness of our stance on anti-bribery and corruption

(a) Who do we require to be familiar with our stance on bribery and corruption?	<p>It is, incumbent upon the Board and management to institute and clearly communicate the contents of this policy to the following parties:</p> <ul style="list-style-type: none"> • all employees • shareholders • vendors, clients and outside agencies • any other parties with a business relationship with the PIC • members of the public
(b) How do we ensure that employees are aware of our policy and procedures on bribery and corruption?	<p>Employees participate in in-house training programmes, including e-learning covering bribery and corruption, and the detection and prevention thereof.</p> <p>Relevant policies and procedures are issued to the employee on commencement of employment with the PIC or is provided by the relevant manager.</p> <p>We keep a register/record of attendance of training by all employees and Board members, and by the end of each financial year, the record must indicate that all employees and Board members have participated in the awareness trainings</p>
(c) Who develops the training content for employees?	Courses and/or seminars on the subject of bribery and corruption and the detection and prevention thereof are developed and hosted by the HR Division with assistance from Head: Internal Audit and the Head: Legal as and when necessary.
(d) How often does training take place?	<p>New employees receive training as part of their orientation at the commencement of their employment.</p> <p>Bribery and corruption protection issues are included in other relevant staff development and induction activities.</p>

(e) How do we ensure that other parties are aware of our policy and procedures on bribery and corruption?	<p>Vendors, clients, external parties conducting business with the PIC and contractors agree in writing as part of the contract process to abide by the PIC's policies and procedures. The minimum and most critical policies that must be complied with are listed as Annexures in contractual agreements with vendors, clients, & outside agencies.</p> <p>All contractual agreements with the PIC provide for the prohibition of bribery and/or corrupt activities and include information regarding the procedure to be adopted when reporting any bribery and/or corruption. They also provide for early termination in the event of bribery and/or corruption related activities.</p> <p>Copies of the PIC's policies and procedures are available from the HR Division at a nominal fee.</p>
(f) Where can employees and other parties access this policy	PIC Intranet.

12. POLICY: We protect those who disclose bribery and corruption

(a) Who do we protect?	We protect anyone who reports bribery and corruption by following the procedures in the PIC Whistleblowing Policy .
(b) How do we protect those who disclose bribery and corruption?	<p>We are committed to ensuring no one suffers any detrimental treatment as a result of refusing to take part in bribery or corruption, or because of reporting in good faith their suspicion that an actual or potential bribery or corrupt act has taken place or may take place in the future.</p> <p>Please refer to the PIC Whistleblowing Policy for detail on the protection offered to those who report bribery and corruption.</p>
(c) Do we protect those who are accused of bribery and/or corruption?	<p>The PIC shall encourage that suspected individuals are identified in order to validate the accusations and to allow further investigations to be effectively conducted.</p> <p>However, great care is required to be taken when investigation of suspected bribery and/or corrupt act, so as to avoid unsubstantiated accusations or alerting individuals against whom an allegation has been made that the matter has been raised and an investigation is underway.</p>

13. POLICY: We take action against those who engage in bribery and corruption

(a) Why is it important to take action against those who commit bribery and corruption?	<p>We are bound by the laws of South Africa, as well as accepted international standards, to act on bribery and corruption in the jurisdictions in which we operate.</p> <p>We therefore take this responsibility seriously and we expect those in our employ and those with whom we transact, in whatever manner, to do the same.</p>
(b) What actions do we take?	<p>We do not tolerate bribery and corruption by anyone in the organisation, irrespective of their title/position, length of service or relationship with the PIC. That is why we take the following actions:</p> <ul style="list-style-type: none"> • We properly investigate all suspicions and claims of bribery and corruption. • We ensure that any person who breaches this policy may face disciplinary action, which could result in dismissal for gross misconduct. • We take criminal action where appropriate for the individuals involved. • We take actions to ensure redress for any losses incurred by the PIC as a result of the breach. • We reserve our right to terminate our contractual relationship with any party with whom we transact, if they breach this policy.

<p>(c) Who makes the final decision with regard to the sanction that will be instituted in each case?</p>	<p>The CEO/Board depending on the perpetrator shall make the final determination concerning any employee or Board member who has made himself or herself guilty of bribery and/or corruption. The CEO/Board shall exercise this responsibility in a fair and consistent manner.</p> <p>The severity of disciplinary action instituted against the perpetrator shall depend on the circumstances of each case and mitigating and aggravating factors shall be taken into account.</p> <p>The sanction imposed may vary in circumstances where the PIC suffers any monetary losses.</p> <p>The PIC reserves the right to recover such losses by instituting civil and/or criminal proceedings against the perpetrator.</p>
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14. IMPLEMENTING OUR POLICY: Roles and responsibilities

<p>(a) Who are responsible for the prevention of bribery and corruption at the PIC?</p>	<p>All our stakeholders are responsible for the prevention of bribery and corruption at the PIC.</p> <p>Particular responsibilities are assigned to the following parties:</p> <ul style="list-style-type: none"> • Board • Executive Management • Chief Executive Officer ("CEO") • Executive Head: Risk and Compliance ("CRO") • Audit Committee • Risk Committee • Head: Internal Audit • Legal Department • Management and Supervisors • Human Resources Department ("HR") • Employees
<p>(b) What are the collective responsibilities of all parties?</p>	<p>The PIC requires that all parties do the following:</p> <ul style="list-style-type: none"> • Have a positive, appropriate attitude towards compliance with laws, rules and regulations. • Be aware of common indicators/symptoms of bribery and/or corrupt activities or any other wrongful acts. • Be aware of the risks and exposures inherent in their area of responsibility. • Act with propriety in the use of the PIC's resources and in the handling and use of public funds whether they are involved with cash or payment systems, receipts or dealing with clients, consultants, vendors, contractors, members of the public, outside agencies and/or any other parties with a business relationship with the PIC. • Report bribery and/or corrupt activities. • Act in accordance with the PIC's <ul style="list-style-type: none"> ○ standing orders and financial regulations ○ policies and procedures ○ Code of Conduct and Ethics

(c) Who approves whether or not an investigation may take place and who must be notified and reported to with regard to the investigation?	Allegations against:	Approval for Investigation	Notification	Report Distribution
	Non-Executive Directors	Board	Minister	Board/Minister
	Executive Directors	Board	Minister	Board/Minister
	C-Suites, Executive Head or Head (excluding Executive Directors)	Audit Committee	CEO/Board	CEO/Audit Committee
	Head: Internal Audit and staff	Audit Committee	CEO/Head	CEO/Audit Committee
	All other employees	Head: Internal Audit	CEO/EH of employee relations	CEO/Audit Committee
	Independent Contractors/ Investee companies	Head: Internal Audit	CEO/Chair of the Audit Committee	CEO/Audit Committee
(d) Who are responsible for investigating allegations of bribery and corruption?	<p>All investigations will be outsourced to an external service provider through the Head: Internal Audit.</p> <p>The investigation team must prepare a full written report on the outcome and action taken.</p>			
(e) Who are responsible for coordinating investigations into bribery and corruption?	<p>Coordination of investigations is to be done by the Head of Internal Audit but without any investigation being performed internally.</p> <p>Internal Audit may utilise existing resources to perform the coordination function.</p> <p>The Internal Audit Department will determine the investigation process which will be followed.</p>			
(f) Who must be involved?	<p>Internal Audit provides information obtained from bribery and corruption investigations to inform the Ethics Office of ethics risks and for reporting purposes.</p>			
(g) To whom must investigation outcomes be reported?	<p>Case reporting (regardless of source) must be reported to Head: Internal Audit and/or the Head of Ethics as a backup.</p> <p>Internal Audit will maintain a dual reporting line and will report functionally on the investigation activities to the Audit Committee and administratively, to the CEO.</p>			
(h) To whom will investigation reports be distributed?	<p>Investigation reports will be distributed in line with the established governance protocol set out in (d) above.</p> <p>In addition, Internal Audit provides information obtained from investigation activities to inform the Ethics Office of any ethics risks and breaches, and for reporting purposes.</p>			

<p>(i) What are the responsibilities of the Board?</p>	<p>In addition to the general responsibilities in (b) above, the members of the Board are responsible and ultimately accountable for anti-bribery and corruption governance and to oversee the following:</p> <ul style="list-style-type: none"> • an effective strategy for combating bribery and corruption; • an environment and culture that encourage and facilitate the reporting of bribery and corruption; • bribery and corruption prevention and control mechanisms that are reviewed and updated on an ongoing basis; • disclosure of bribery and corruption risk management information in the annual report; • providing stakeholders with the assurance that material risks are identified, assessed, mitigated and monitored; and • reporting any incidence of concern directly to the CRO. <p>The Risk Committee will have specific responsibilities that include, but are not limited to, oversight and approval of the enterprise anti-bribery and corruption framework commensurate with the complexity of the PIC including (note that these responsibilities are performed by the committee on behalf of the Board. Ultimately the Board remains responsible for the final approval of this Anti-Bribery and Corruption Policy and associated risk management):</p> <p>The Risk Committee is responsible for the following:</p> <ul style="list-style-type: none"> • oversight of risk appetite and risk tolerance appropriate to each business line of the PIC; • appropriate policies and procedures relating to anti-bribery and corruption governance, management practices, and bribery and corruption risk control infrastructure for the PIC as a whole; • processes and systems for identifying and reporting bribery and corruption risks and risk-management deficiencies, including emerging risks, on an enterprise-wide basis; • monitoring of compliance with the PIC's bribery and corruption risk limit structure and policies and procedures relating to bribery and corruption risk management governance, practices, and risk controls across the enterprise; • effective and timely implementation of corrective actions to address bribery and corruption risk management deficiencies; • specification of management and employees' authority and independence to carry out bribery and corruption risk management responsibilities; and • integration of bribery and corruption risk management and control objectives in management goals and the PIC's compensation structure.
<p>(j) What are the responsibilities of the Ethics Office?</p>	<ul style="list-style-type: none"> • Providing subject matter support to the Business as they establish maintain and monitor the procedures required to implement this policy. • Conduct training and awareness on this policy. • Communicating with all employees about the anti-bribery and corruption programme. • Monitoring current and emerging risks in relation to bribery and corruption. • Reports to Exco, SETCO and the Board on the implementation of this Anti-Bribery and Corruption Policy.

<p>(k) What are the additional responsibilities of the Head: Internal Audit?</p>	<p>The Head: Internal Audit must ensure that allegations of bribery and corruption are investigated, and reports results directly to the Board and is responsible for:</p> <ul style="list-style-type: none"> • the actions taken to investigate any incidents reported via the whistleblowing mechanisms, including; • approving the scope and process followed during an investigation in consultation with the CRO and Internal Audit; • ensuring access to various records and other information which may be deemed relevant to the investigation; • empowering Internal Audit to co-opt the services of other persons as are appropriate during an investigation and protection of those who report misconduct. <p>The Head: Internal Audit should use his/her expertise to analyse data sets to identify trends and patterns that might suggest bribery or corruption.</p> <p>Operationally, the Head: Internal Audit should have sufficient knowledge of bribery and corruption to:</p> <ul style="list-style-type: none"> • identify red flags indicating bribery and/or corruption may have been committed; • understand the characteristics of bribery and corruption and the techniques used to commit bribery and corruption, and the various bribery and corruption schemes and scenarios; • evaluate the indicators of bribery and corruption and decide whether further action is necessary or whether an investigation should be recommended; • monitor the Whistleblower hotline; • provide bribery and corruption awareness training; and • evaluate the effectiveness of controls to prevent or detect bribery and corruption. <p>Where bribery or corruption has occurred, Internal Audit should understand how the controls failed and identify opportunities for improvement. It should consider the probability of further errors, or noncompliance across the organisation and reassess the cost of assurance in relation to potential benefits.</p>
<p>(l) What are the additional responsibilities of management and supervisors?</p>	<p>In addition to the collective responsibilities in (b) above management and supervisors have the day-to-day responsibility for the prevention and detection of bribery and corruption. They are responsible for implementing the requirements of the PIC's overall strategy for combating bribery and corruption.</p> <p>This means that they must:</p> <ul style="list-style-type: none"> • identify the risks to which systems, operations and procedures are exposed; • establish and maintain adequate system control measures within their respective divisions; • incorporate these control measures, including control plans, awareness programmes and training plans, into their annual planning process; • ensure that their respective employees are aware of <ul style="list-style-type: none"> o their responsibilities and comply with the control measures in place; o the consequences of engaging in bribery and corruption • communicate relevant policies and procedures to all the PIC employees and insofar as is necessary, to such third parties as the Board or its delegates may direct; • consult with Internal Audit before proceeding with any enquiries; • respond to all allegations or indications of bribery and/or corrupt and/or nepotistic activities or any other wrongful acts.
<p>(m) What are the additional responsibilities of employees?</p>	<p>In addition to the collective responsibilities in (b) above employees must at all times:</p> <ul style="list-style-type: none"> • follow the instructions issued to them by management that relate to the prevention of bribery and corruption; • be aware of the possibility that bribery and corruption may exist in the workplace; • share any concerns they may have with management; • avoid situations where there is a potential for bribery or corruption to take place; • immediately notify their supervisor or a line manager if they suspect incidents of bribery or corruption and retain all evidence; and • report the matter directly to CEO in the event that it is suspected that the supervisor or line manager might be involved.

(n) What are the additional responsibilities of HR?	<p>In addition to the collective responsibilities in (b) above, HR must provide:</p> <ul style="list-style-type: none"> • advice to employees who wish to raise concerns relating to any bribery and/or corrupt activities; • courses and/or seminars on the subject of bribery and corruption; • suitable induction and awareness raising procedures; • advice to the CEO and Head of Ethics in making decisions with regard to suspension and disciplinary proceeding, as well as updates on the progress; • support for the leadership and achievement of its strategic objectives; and • strategic support on all matters covered in employment law and the PIC’s policies and procedures to senior and executive management to enable the embedding of good HR practices in the PIC. <p>HR is also required to follow a recruitment strategy aimed at the prevention of bribery and corrupt activities which include the following:</p> <ul style="list-style-type: none"> • criminal background checks on employees where the position warrants it; • contacting previous employees and referees; • verifying transcripts, qualifications, publications and other certification or documentation.
(o) What are the responsibilities of Legal Advisors?	<p>Legal advisors shall be consulted, where appropriate, to advise on relevant and applicable legal proceedings, including the recovery of assets.</p>

15. IMPLEMENTING OUR POLICY: Procedures

15.1. Procedure: Dealing with emergency facilitation fees or “kick-backs”

(a) What should you do in the unlikely event of having to pay a facilitation fee or “kick-backs”?	<p>In the unlikely event that the non-payment of a facilitation fee or “kick-backs” may result in harm to you or any PIC reputation, property or asset, do the following:</p> <p>Step 1: Pay the fee – never put yourself in any danger.</p> <p>Step 2: Report the incident, date and amount paid to your Line Manager as soon as possible.</p> <p>Step 3: The Line Manager must report the incident to PIC CEO as soon as possible.</p> <p>Step 4: Compliance must ensure that the payment is accurately recorded in PIC books and records.</p> <p>If you are unsure, you must seek clarification, guidance and authorisation from your Line Manager.</p>
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16. PROCEDURE: Preventing favouritism and nepotism

(a) Step 1: Disclose	<p>Employees and/or member of the Board have an ongoing obligation to consider whether they have a connection to an external stakeholder or potential hire which could give rise to the risk of nepotism and/or favouritism, which should be disclosed to their line manager (in the case of an employee) or the Board (in the case of a member of the Board) and/or the Ethics Office.</p>
(b) Step 2: Disclose	<p>Where an employee and/or member of the Board finds himself or herself in a position where they would be guilty of nepotism and/or favouritism then he or she should immediately disclose this to and seek guidance from the Head of Ethics.</p>

(c) Step 3: Evaluate	Internal Audit to follow the investigation protocol as set out below:			
	Allegations against:	Approval for investigation	Notification	Report Distribution
	Non- Executive Directors	Board	Minister	Board/Minister
	Executive Directors	Board	Minister	Board/Minister
	Executive Head or Head of Division (excluding Executive Directors)	Audit Committee	CEO/Board	CEO/Audit Committee
	Head: Internal Audit and staff	Audit Committee	CEO	CEO/Audit Committee
	All other employees	Head: Internal Audit	CEO/EH of employee	CEO/Audit Committee
	Independent Contractors/ Investee companies	Head: Internal Audit	CEO/Chair of the Audit Committee	CEO/Audit Committee
(d) Step 4: Investigation	All investigations will be outsourced to a third party.			
(e) Step 5: Act	If the investigation determines that the event/circumstances constitute nepotism and/or favouritism, the employee or member of the Board must recuse himself or herself from any official action or decision-making process which may result in conduct that constitutes nepotism and/or favouritism.			

17. PROCEDURE: Reporting bribery and corrupt activities

(a) How must bribery and corruption be reported?	Any suspicion or knowledge of bribery and corruption must be reported within 1 (one) working day of acquiring knowledge of the matter, or in cases where this is not practicable, as soon as possible by following the procedures set out in the PIC Whistleblowing Policy.
(b) How do we encourage reporting on bribery & corruption	Regular broadcasts are sent to all employees through PIC's Communications facility, at least once quarterly to remind employees that the PIC has subscribed to an external whistle blower hotline, and assure those who report that their identities are protected when they report cases of suspected or actual bribery and corruption.

18. PROCEDURE: Investigating bribery and corruption

(a) How is bribery and corruption investigated?	Matters involving bribery and corruption are investigated by following the procedures set out in the PIC Whistleblowing Policy.
--------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------

19. DEVIATIONS

19.1. Any deviation from this Policy must be approved by the Board of Directors of the PIC.

20. NON-COMPLIANCE

20.1. Any non-compliance with this policy may result in disciplinary measures being taken against the employee by the PIC.

20.2. A breach of this policy may further result in any of the following:

- criminal sanction and jail sentences where appropriate for the individuals involved in, or perpetrating bribery and corruption;
- actions to ensure redress for any losses incurred by PIC as a result of the breach; and
- severe reputation damage to the PIC.

20.3. The PIC shall take appropriate steps, including legal action if necessary, to recover any losses arising from bribery and/or corrupt activities or any other wrongful act. This may include legal action against third parties involved in bribery and/or corrupt activities or any other wrongful act or whose negligent actions contributed to such acts.

21. WHISTLE-BLOWER

- 21.1. Should any employee wish to report incidents of fraud and corruption, they may follow the process set out in the PIC's Anti-Fraud and Corruption and the Whistle Blower policies.

22. WHO MUST BE CONSULTED IF YOU HAVE QUESTIONS?

- 22.1. You should contact Head of Ethics if you have any questions about the implementation of this policy. Queries relating to the investigation of bribery and corruption matters should be addressed to the Head: Internal Audit.

1. DEFINITIONS

In this Policy, unless the context indicates otherwise –

- 1.1. **“Approval Authority”** means a governance structure within the PIC (e.g. EXCO, Board or Board Committee), that has delegated authority to approve a Policy in terms of the Delegation of Authority Policy;
- 1.2. **“Applicable Governance Documents”** means, inter alia, policies, directives and any other reference material referred to;
- 1.3. **“Applicable Legislation”** means applicable legislation or statutes, as amended from time to time, more fully set out herein below;
- 1.4. **“Approval Committee”** means the Committee with the delegated authority to approve the policy;
- 1.5. **“Approval Date”** means the date on which a Policy is approved by the relevant Approval Authority;
- 1.6. **“Board”** means the Board of Directors of the PIC;
- 1.7. **“Board Committee”** means a committee constituted by the Board and to which the Board has delegated authority to fulfil a particular mandate;
- 1.8. **“Effective Date”** means the Approval Date of a Policy;
- 1.9. **“Framework”** means an enterprise wide, organisational and behavioural structure, which is based on compliance with laws and regulations and well established governance principles, to monitor and mitigate risk in the organisation;
- 1.10. **“Governance Document”** collectively, means the Memorandum of Incorporation, framework, Policies, charter, terms of reference, code, procedure and other governance document that outlines how the PIC is governed and/or how it operates;
- 1.11. **“Guidelines”** means either of the following –
 - 1.11.1. where there is a policy or SOP in place then a guideline could be included to assist in the interpretation of the policy or SOP; or
 - 1.11.2. where there is no policy or SOP in place a guideline may be included as suggested behaviour as opposed to a policy or SOP which requires mandatory behaviour;
- 1.12. **“PIC”** or **“Company”** means the Public Investment Corporation SOC Limited, a state-owned company established in accordance with the Public Investment Corporation Act, 2004 (Act No. 23 of 2004) with company registration number 2005/009094/30, and its successors in title and assigns;
- 1.13. **“Policy”** means the set of written principles adopted by the PIC designed to guide decisions and achieve rational outcomes under a given set of circumstances;
- 1.14. **“Policy Owner”** means the risk owner of a particular Policy, being the relevant Division of business unit responsible for the development implementation, monitoring and maintenance of a Policy in order to achieve the intended outcomes;
- 1.15. **“Standard Operating Procedure”** or **“SOP”** means a set of step-by-step instructions compiled to help employees carry out routine operations. SOPs aim to achieve efficiency, quality output and uniformity of performance, while reducing miscommunication and failure to comply with applicable legal and regulatory requirements.

ABBREVIATION FULL FORM/EXPANSION

AM	Asset Manager
AuM	Assets under Management by the PIC
AC	Audit Committee
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Investment Officer
COO	Chief Operating Officer
CORP SEC	Corporate Secretary
CRO	Chief Risk Officer
DAC	Directors' Affairs Committee
DOA	Delegation of Authority
DM	Development Manager
EXCO	Executive Committee of the PIC
EH	Executive Head
EH: IM	Executive Head: Investment Management
EH: LCGC	Executive Head: Legal Counsel, Governance and Compliance
EH: LC	Executive Head: Legal Counsel
EH: LI	Executive Head: Listed Investments
ESG	Environmental, Social and Governance
FAIS	Financial Advisory and Intermediate Services
FM	Fund Manager
FP	Fund Principal
FP: T & VA	Fund Principal: Turnaround & Value Add
GM: EM	General Manager: Externally Managed Funds

ABBREVIATION FULL FORM/EXPANSION

GM: FI	General Manager: Fixed Income
GM: FIN	General Manager: Finance
GM: IR	General Manager: Investment Risk
GM: LE	General Manager: Listed Equities
H: CA	Head: Corporate Affairs
H: QUANTS	Head of Quantitative Analysis and Derivatives
IC	Investment Committee
Man ESG Listed	Manager ESG Listed Specialist
MOI	Memorandum of Incorporation
NDM	National Development Manager
PM: LI	Portfolio Managers: Listed Investments
PICOF	PIC Operational Fund
PMC Listed	Portfolio Management Committee (Listed Investments)
PMC: UI	Portfolio Management Committee (Unlisted Investments)
RC	Risk Committee
SETCO	Social, Ethics and Transformation Committee
SIPs	Structured Investment Products
SM: DI	Senior Manager: Direct Investments
SM: II	Senior Manager: Indirect Investments
SM: CL	Senior Manager: Corporate Legal
SM PMV	Senior Manager: Portfolio Management and Valuations - Properties
SM: PROC	Senior Manager: Procurement
VC	Valuations Committee, a Sub-Committee of Exco

ANTI-BRIBERY AND CORRUPTION (ABC) POLICY SUMMARY

IMPORTANCE OF THE ABC POLICY

- Conduct our business professionally, ethically and with integrity;
- Mitigate our risks with regard to fraud, bribery and corruption;
- Comply with national and international anti-fraud, bribery and corruption legislation;
- Provide guidance on the processes that must followed when investigating fraud, bribery and corruption;
- Provide guidance to all our stakeholders on how to prevent and report fraud, bribery and corruption;
- Timeously report fraud, bribery and corruption to the authorities as required by law; and
- Adequately protect those who report fraud, bribery and corruption.

WE ARE COMMITTED TO THE FOLLOWING

- We have a zero-tolerance approach to fraud, bribery and corruption.
- We do not accept/pay facilitation fees or "kick-backs".
- We keep proper records of dealings with third parties.
- We conduct due diligence on third party service providers.
- We ensure awareness of our stance on fraud, bribery and corruption.
- We protect those who disclose or report fraud, bribery and corruption.
- We take action against those who engage in fraud, bribery and corruption.
- We encourage any employee, stakeholder or member of the public to report actual or suspected fraud, bribery and corruption in any of the PIC's business dealings using various anonymous channels that the PIC has put in place.

UNDERSTANDING OUR POLICY: GUIDELINES

WHAT DO WE MEAN BY "ZERO-TOLERANCE"?	<ul style="list-style-type: none"> • Zero-tolerance means that we do not tolerate fraud, bribery and corruption by anyone in the organisation, irrespective of their position and that we are committed to dealing with fraud, bribery and corruption and the perpetrators thereof, both internally and externally.
WHAT IS "FRAUD"?	<ul style="list-style-type: none"> • Fraud is defined as the unlawful and intentional making of a misrepresentation to the actual or potential prejudice of another.
WHAT IS "CORRUPTION"?	<ul style="list-style-type: none"> • Broadly speaking, corruption is considered to be any abuse of entrusted power in public or private office by a person for the benefit of himself or herself or for the benefit of another person. It typically involves dishonest conduct or collusive dealings by those in position of power.
WHAT IS "BRIBERY"?	<ul style="list-style-type: none"> • Bribery occurs when a gratification is directly or indirectly offered, promised or provided to gain an improper advantage.
WHAT ABOUT DONATIONS AND SPONSORSHIPS?	<ul style="list-style-type: none"> • We never provide donations or sponsorships in order to gain a commercial, contractual, regulatory or personal advantage through "improper performance", i.e. as a bribe.
WHAT IS "EXTORTION"?	<ul style="list-style-type: none"> • Extortion occurs when a person who takes from another some advantage by intentionally and unlawfully subjecting such other person to pressure which induces him or her to submit to that taking.
WHAT IS "CORRUPTION"?	<ul style="list-style-type: none"> • Broadly speaking, corruption is considered to be any abuse of entrusted power in public or private office by a person for the benefit of himself or herself or for the benefit of another person. It typically involves dishonest conduct or collusive dealings by those in position of power.
WHAT IS "FAVOURITISM"?	<ul style="list-style-type: none"> • Favouritism occurs when an employee is appointed, promoted, transferred, or given generous treatment based on subjective considerations such as returning a favour, etc.

WHAT IS "NEPOTISM"?

- Nepotism is a form of favouritism that occurs where an employee is appointed, promoted, transferred, or given some or other advantage because he or she has family or other ties with the person in a position to authorise such actions.

WHAT IS A FACILITATION FEE OR "KICK-BACKS"?

- Facilitation payments are typically small, unofficial payments made to secure or expedite a routine government action by a government official.

WHAT IS A BRIBE OR KICK BACK?

- Payments made in return for a business favour or advantage.

WHO IS A "PIP"/"PEP"?

- A PIP/PEP includes any current or former public official, as well as any relative or close associate of such a person.

HOW DO WE ENSURE THAT OTHER PARTIES ARE AWARE OF OUR POLICY AND PROCEDURES ON FRAUD, BRIBERY AND CORRUPTION?

- Vendors, clients, external parties conducting business with the PIC and contractors agree in writing as part of the contract process to abide by the PIC's policies and procedures.
- All contractual agreements with the PIC provide for the prohibition of fraudulent, bribery and/or corrupt activities and include information regarding the procedure to be adopted when reporting any fraud, bribery and/or corruption.
- Copies of the PIC's policies and procedures are available from the HR Division at a nominal fee.

HOW DO WE ENSURE THAT EMPLOYEES ARE AWARE OF OUR POLICY AND PROCEDURES ON FRAUD, BRIBERY AND CORRUPTION?

- Employees participate in in-house training programmes, including e-learning covering fraud, bribery and corruption, and the detection and prevention thereof.
- Relevant policies and procedures are issued to the employee on commencement of employment with the PIC or are provided by the relevant manager.
- We keep a register/record of attendance of training by all employees and Board members, and by the end of each financial year, the record must indicate that all employees and board members have participated in the awareness trainings.

HOW OFTEN DOES TRAINING TAKE PLACE?

- New employees receive training as part of their orientation at the commencement of their employment.
- Fraud, bribery and corruption protection issues are included in other relevant staff development and induction activities.

WHO DO WE REQUIRE TO BE FAMILIAR WITH OUR STANCE ON FRAUD, BRIBERY AND CORRUPTION?

- It is, incumbent upon the Board and management to institute and clearly communicate the contents of this policy to the following parties:
 - all employees
 - shareholders
 - vendors, clients and outside agencies
 - any other parties with a business relationship with the PIC
 - members of the public

WHO DO WE PROTECT?

- We protect anyone who reports fraud, bribery and corruption by following the procedures in the PIC Whistleblowing Policy.

WHY IS IT IMPORTANT TO TAKE ACTION AGAINST THOSE WHO COMMIT FRAUD, BRIBERY AND CORRUPTION?

- We are bound by the laws of South Africa, as well as accepted international standards, to counter fraud, act on bribery and corruption in the jurisdictions in which we operate.
- We therefore take this responsibility seriously and we expect those in our employ and those with whom we transact, in whatever manner, to do the same.

WHO ARE RESPONSIBLE FOR THE PREVENTION OF FRAUD, BRIBERY AND CORRUPTION AT THE PIC?

- All our stakeholders are responsible for the prevention of fraud, bribery and corruption at the PIC.
- Particular responsibilities are assigned to the following parties:
- Board
- Executive Management
- Chief Executive Officer ("CEO")
- Chief Risk Officer
- Audit Committee
- Risk Committee
- Head: Internal Audit
- Legal Department
- Management and Supervisors
- Human Resources Department ("HR")
- Employees

WHO APPROVES WHETHER OR NOT AN INVESTIGATION MAY TAKE PLACE AND WHO MUST BE NOTIFIED AND REPORTED TO WITH REGARD TO THE INVESTIGATION?

ALLEGATIONS AGAINST:	APPROVAL FOR INVESTIGATION	NOTIFICATION	REPORT DISTRIBUTION
Non-Executive Directors	Board	Minister	Board/Minister
Executive Directors	Audit Committee	CEO/Board	CEO/Audit Committee
C-Suites, Executive Head or Head (excluding Executive Directors)	Audit Committee	CEO/Head	CEO/Audit Committee
Head: Internal Audit and staff	Head: Internal Audit	CEO/EH of employee relations	CEO/Audit Committee
All other employees	Head: Internal Audit	CEO/Chair of the Audit Committee	CEO/Audit Committee

Annexure G

Materiality and Significance Framework

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Document review and approval

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2	Nkosinathi Buthelezi	February 2022	2
3	Sibusiso Nsuntsha	October 2023	3

REVIEWERS

Reviewer	Date	Reviewed
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EXCO	January 2022	Yes
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APPROVAL RECORD

Name of Committee	Date approved	Approved
Board	February 2022	Yes

1. PREAMBLE

- 1.1. The Public Investment Corporation (PIC) is a South African state-owned asset management company that manages assets for clients, all of which are public sector entities. Established in 1911 as Public Debt Commissioner, the PIC became corporatised on 1 April 2005, following the promulgation of the Public Investment Corporation Act, 2004 (Act 23 of 2004) (PIC Act). As a financial services provider, registered with the Financial Sector Conduct Authority (FSCA), our investment activities are governed by, amongst others, 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, amongst others, by the PIC Act (as amended), the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA), the Companies Act, 2008 (Act 71 of 2008) and the Prevention of Organised Crime Act, 1998 (Act 121 of 1998) and also adheres to the provisions of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FICA).
- 1.2. The operations of the PIC are:
 - a) Asset Management function: Management and Investment of client funds
 - b) PIC Operations: Core and Investment support functions.
- 1.3. Regarding activities highlighted above, the PIC must comply with these regulations in terms of its operating licence.

2. INTRODUCTION AND BACKGROUND

- 2.1. The Materiality and Significance Framework plays a crucial role in determining the matters to be included in an Integrated Annual Report and contributes to the level of disclosure and conciseness of the report.
- 2.2. This includes matters that can affect the PIC's ability to create value over time depending on several factors; including - the corporate strategy, risk appetite, the resilience of its business model, its financial sustainability, the socio-economic and environmental ecosystem in which it operates, the various opportunities and risks to which it is exposed to as well as on the quality of its relationships with its stakeholders.
- 2.3. The Assets under Management (AuM) are invested or managed in accordance with investment management agreements (i.e. client investment mandates), concluded with each client as required, at a minimum, in terms of the FAIS Act.

3. DOCUMENT FRAMEWORK

- 3.1. In terms of National Treasury Regulation 28.3.1, the PFMA requires that:
 - a) The Accounting Authority must develop and agree on a framework of acceptable levels of materiality and significance with the relevant executive authority; and
 - b) The annual report of the PIC should detail the materiality and significance framework applied during the financial year.
- 3.2. The PFMA further requires that the annual report and financial statements must:
 - a) Fairly present the state of the affairs of the public entity, its business, its financial results, its performance against pre-determined objectives and its financial position as at the end of the financial year concerned.
 - b) Include particulars of –
 - (i) any material losses through criminal conduct, any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year;
 - (ii) any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure;
 - (iii) any losses recovered or written off;
 - (iv) any other matters that may be prescribed; and
 - c) Include the financial statements of any subsidiaries.

4. FRAMEWORK STATEMENT

- 4.1. The Board shall maintain an agreed framework of acceptable levels of Materiality and Significance. This includes:
 - a) National Treasury and PFMA Compliance, referred to by -
 - (i) Materiality as per s55(2) of the Act, and
 - (ii) Significance as per s54(2) of the Act,
 - b) Strategic Intent as agreed with the Shareholder.

- 4.2. This framework relates to the Corporate activities of the PIC, and does not apply to the AuM of the investment portfolios that it manages on behalf of its clients.

5. DEFINITIONS AND THRESHOLD GUIDANCE

5.1. Materiality

- 5.1.1. Materiality is an accounting concept (based on the International Accounting Standard of Presentation of Financial Statements) that classifies all such information as being material which can be reasonably expected to affect the economic decisions of users of financial statements. Thus, any omissions or misstatements of items are material if they could either individually or collectively influence the economic decisions that users make on the basis of the financial statements.
- 5.1.2. Materiality also depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. Therefore, the size or nature of the item or a combination of both could be the determining factor. Materiality also depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. Therefore, the size or nature of the item or a combination of both could be the determining factor.
- 5.1.3. To arrive at the materiality disclosures the following factors must be taken into account:
- Guidelines issued by National Treasury,
 - The nature of PIC business activity(ies),
 - Statutory requirements affecting the PIC,
 - The inherent risks and controls associated with PIC, and
 - Quantitative and qualitative issues.

5.2. Significance

- 5.2.1. Significance can be interpreted as any information pertaining to an activity/transaction, an event or act (i.e. accounting standards changes, regulatory amendments, loss of client mandates etc.) that is of relative importance to the PIC. Thus, the occurrence of such an activity/transaction, act or event will be significant if it will have a considerable and measurable degree of impact (where applicable) on the PIC's ability to operate effectively.
- 5.2.2. Significance Threshold
- The table below provides a guideline of the parameters for the Rand value determination of significance as per the Practice Note on the applications under Section 54 of the PFMA by public entities, as issued by National Treasury.
 - The Rand value significance parameters will be derived from the PIC's audited annual financial statement as follows:

Practice Note Application		PIC Application
Element	% Guideline Range to be applied against Rand Value ¹	% against Rand Value
Total Assets	1% - 2%	2%
Total Revenue	0.5% - 1%	1%
Profit after tax	2% - 5%	5%

- The practice note further sets out that:
 - The finalised Rand amount to be applied for purposes of determining the significance threshold for each public entity will require sound judgement:
 - The Rand value of the above elements will differ from one public entity to the next;
 - The most appropriate % chosen within the range is also entity-specific;
 - The Rand amounts calculated per element may require averaging in the interests of prudence;
 - Qualitative factors, for example, where the transaction is likely to result in large-scale retrenchments should also be taken into account.
 - The latest available audited financial statements should be used to calculate the above.
 - The elements as well as the % range selected should be consistent from one year to the next.
 - The finalised Rand amount should be reviewed at least annually.

¹ National Treasury Practice Note on Applications under Section 54 of the PFMA (2006/2007)

6. PIC FRAMEWORK FOR MATERIALITY AND SIGNIFICANCE

- 6.1. The guidelines below will also serve to guide the PIC in maintaining an agreed framework of acceptable levels of Materiality and Significance with the National Treasury, in accordance with its prescriptive rules and regulations.
- 6.2. As per PFMA Section 55 (1) (d), these disclosures must be made in the annual report and financial statements to be submitted to the relevant treasury, to the Executive Authority responsible for that public entity and, if the Auditor General did not perform the audit of the financial statements, to the Auditor General.
- 6.3. All of the qualitative indicators to be subjected to the materiality levels as indicated in the Quantitative measures. Materiality should be considered for:
 - a) Non-financial matters such as fraud and misrepresentation.
 - b) Financial; and
 - c) Materiality for preparation of financial statements and assessment of appropriate disclosure.
- 6.4. Materiality for the PIC is split into two, namely qualitative and non-qualitative materiality.

6.5. Non-Financial Materiality

- 6.5.1. The non-financial materiality is derived from legislation that requires the PIC to report certain incidents, or alternatively, legislation requires disclosure in the annual report. Section 54(2) of the PFMA states that the accounting authority for the public entity must inform the relevant treasury and submit relevant particulars to its executive authority for approval in respect of:
 - a) participation in a significant partnership, trust, unincorporated joint venture or
 - b) similar arrangement [section 54(2)(b)];
 - c) acquisition or disposal of a significant shareholding in a company [section 54(2)(c)];
 - d) acquisition or disposal of a significant asset [section 54(2)(d)];
 - e) commencement or cessation of a significant business activity [section 54(2)(e)]; and
 - f) a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement [section 54(2) (f)]. Section 55(2) (b) (i) of the PFMA states that the annual report and financial statements must include particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.
- 6.5.2. Based on this, the Board has assessed that the level of non-financial materiality would be:
 - a) All losses in respect of criminal conduct;
 - b) Any criminal or disciplinary steps taken as a consequence of such losses;
 - c) Any irregular expenditure and fruitless and wasteful expenditure involving gross negligence; and
 - d) Any other irregular, fruitless and wasteful expenditure.

6.6. Financial Materiality

6.6.1. In determining financial materiality, the PIC applies the National Treasury's Practice Note. In determining the materiality levels, the amount of total assets, total revenue and profit after tax have been considered. The calculation is as follows:

ELEMENT	% GUIDELINE RANGE TO BE APPLIED AGAINST RAND VALUE	AMOUNT (000)
Total Assets as at 31 March 2023 (Audited)		R4,530,826
	1%	R45,308
	2%	R90,617
Total Revenue for the year ended 31 March 2023 (Audited)		R1,220,432
	0.5%	R6,102
	1%	R12,204
Profit After Tax for the year ended 31 March 2023 (Audited)		R221,729
	2%	R4,435
	5%	R11,086
Proposed Materiality and Significance Framework for 2023/2024		
Total Assets		R90,617
Total Revenue		R12,204
Profit After Tax		R11,086

6.6.2. The quantitative and qualitative limits are as follows:

	PFMA Section	Qualitative	Quantitative
	S55 (2)(b)(i-iii)		
i)	Any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year	<p>All criminal losses are to be reported to the PIC Board of Directors as soon as they are identified, and the loss has been quantified or can be reasonably estimated</p> <p>Confirmed and reported irregular, fruitless and wasteful expenditure that meets the definition of such expenditure. This will include transactions and contractual arrangements not necessarily incurred but entered into</p> <p>All identified and quantified or reasonable estimated criminal losses.</p> <p>Confirmed and reported irregular, fruitless and wasteful expenditure that meets the definition of such expenditure. This will include transactions and contractual arrangements not necessarily incurred but entered into.</p>	<p>For all losses attributable to criminal conduct, the values will be: greater than R1. PIC has zero tolerance to fraud and any criminal activities as per the Risk Appetite Framework.</p> <p>The amount of irregular, fruitless and wasteful expenditure that exceeds R1.</p>
ii)	Any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure	Disciplinary steps taken and/or criminal charges laid as a result of material losses through criminal conduct	Disciplinary steps taken and/or criminal charges laid with regard to the above amount, being R1 or more

	PFMA Section		Qualitative		Quantitative
	S55 (2)(b)(i-iii)				
iii)	Any written off or recovered losses		Any losses written off or recovered that have not specifically been addressed as a result of criminal conduct, irregular expenditure, fruitless and wasteful expenditure. This will include events not falling within the ambit of the above e.g. natural disasters, vendor failure, disaster recovery expenditure		The amount of losses written off or recovered that exceeds R1 and above for irregular expenditure, fruitless and wasteful expenditure

	PFMA Section		Qualitative		Quantitative
	S54 (2)(a-f)				
	Before a public entity concludes any of the following transactions, the Accounting Authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its Executive Authority for approval of the transaction		Unless exempted in terms of Section 54(4) by the Executive Authority		
a)	Any establishment or participation in the establishment of a company	a)	This will qualify for approval by the Executive Authority	a)	Any activities or transactions that meet the requirements of Par (2) (a)-(b)
b)	Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement	b)	This will qualify for approval by Executive Authority	b)	Any activities or transactions that meet the requirements of Par (2) (a)-(b)
c)	Acquisition or disposal of a significant shareholding in a company	c)	Approval from Executive Authority will be sought for any material transaction where acquisition or disposal is executed	c)	Notwithstanding that the acquisition has a subscription or participation price greater than R90.6 million Where any of the instances in para 3.3.1.1 to 3.3.1.4 of the Practice Note under Section 54 of the PFMA occurs.
d)	Acquisition and or disposal of a significant asset	d)	Any acquisition or disposal contemplated in par (2) (d)	d)	Acquisition and disposal of immovable fixed assets with a cost of R90.6 million and above
e)	The commencement or cessation of a significant business activity	e)	A significant business activity contemplated in par (2) (e)	e)	A significant business activity, as defined in Par (2) (e) is more than 1% of the Total Revenue
f)	A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement	f)	Any significant change, the nature to be defined by the Accounting Authority to fall under Par (2) (f) This will qualify for approval by Executive Authority.	f)	A significant change will be if the change, as defined in Par (2)(f) is more than 1% of the Total Revenue A significant change will be if the change, as defined in Par (2)(f) is more than 1% of the Total Revenue. Where any of the instances in para 3.6.2 to 3.6.4 of the Practice Note under Section 54 of the PFMA occurs.



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