

STATEMENT BY VUYANI HAKO



TO

**JUDICIAL COMMISSION OF INQUIRY
INTO ALLEGATIONS OF
IMPROPRIETY REGARDING
THE PUBLIC INVESTMENT CORPORATION (PIC)**

16 January 2019

INFORMATION ON PERSON MAKING STATEMENT

1. I am Vuyani Hako, a male-aged 53, Identity Num [REDACTED] residing at [REDACTED]
[REDACTED]
2. I was employed by the Public Investment Corporation ("PIC") on 01 October 2014 and have been in its employ since then. Currently I hold the position of Executive Head: Unlisted Properties and I report to the Chief Financial Officer (CFO).
3. My qualifications include a Bachelor of Science in Town & Regional Planning and a Masters in Business Administration (MBA).

BACKGROUND INFORMATION

4. I have been requested by the Evidence Leader of the Judicial Commission of Enquiry into Allegations of Impropriety regarding the Public Investment Corporation (PIC) to submit a Statement on the investment process adopted and implemented by PIC as it relates to transactions in its unlisted investment portfolio, including Properties.
5. Specifically, the request was to confirm the process as outlined by the Executive Head: Impact Investing.
6. In this statement, it is confirmed that the investment process for the Unlisted Investments is standard except for the aspect about post investment management which in the Properties Division includes Asset Management and Property Management in addition to the ESG (Environmental, Social and Governance) and PMV (Portfolio Monitoring and Valuations) teams. This difference is further highlighted under the heading Monitoring and Valuation below.
7. For ease of reference, the Investment Process is highlighted below.

CONTEXT TO THE UNLISTED INVESTMENTS DIVISIONS

8. The unlisted investment portfolio is comprised of Private Equity, Impact Investing and Unlisted Properties.
9. The investment process of these Divisions is broadly similar and the only significant differences are in the post investment management.

10. PIC invests funds on behalf of its clients.
11. The Unlisted Investments have their mandates from the Government Employees Pension Fund ("GEPF"), Unemployment Insurance Fund ("UIF") and Compensation Commissioner ("CC").
12. Transactions by the Unlisted Investments Divisions are dealt with through the following committees:
 - a. Portfolio Management Committee (Unlisted Investments);
 - b. Fund Investment Panel: Social and Economic Infrastructure and Environmental Sustainability;
 - c. Fund Investment Panel: Private Equity, Priority Sector and Small and Medium Enterprises;
 - d. Fund Investment Panel: Properties; and
 - e. Investment Committee.
13. There may be circumstances where proposals will be referred to the Social & Ethics/PIC Board and/or the client.
14. There are various governance instruments in place, which provide a framework for undertaking unlisted investments. These include the client mandate, policies, processes and guidelines, delegations of authority and governance structures.

INVESTMENT PROCESS

15. Below is a description of a typical investment process as it relates to the Unlisted Investment Divisions of PIC. It is suggested that the investment process be read in conjunction with the Terms of Reference applicable to the relevant committees of PIC as well as the Delegation of Authority as far as it relates to Unlisted Investments.

FUNDING APPLICATION

16. PIC receives applications for funding through various means for example:
 - a. Unsolicited applications from clients or their advisors;
 - b. Deal origination by PIC investment professionals;
 - c. Referrals by other funding Institutions;
 - d. From strategic partners of the PIC.

17. Once the respective team has received an application, an acknowledgment letter is prepared and sent to the potential sponsor.

18. The Investment Team does a desktop review of the application to test primarily for compliance with PIC investment mandate particularly in relation to meeting financial return requirements, the level of developmental impact (e.g. job creation, housing provision, education etc.) and nature of the project;

19. If the application fails to meet the mandate, it is declined and applicant is informed accordingly.

20. If the application, based on the desktop evaluation, meets the mandate, the investment team will prepare a deal screening report for submission to the Executive Head ("EH") for review and approval to submit to Deal Screening Committee ("DSC"). Once approved by the EH the deal screening report will be submitted to the DSC via the Company Secretariat.

DEAL SCREENING

21. The investment team will make a presentation to the DSC requesting approval to submit a scoping report to the Portfolio Management Committee (Unlisted Investments) ("PMC-UI"). The purpose of this scoping report is to obtain approval to proceed to due diligence and, where necessary, incur costs in appointing consultants to assist in certain areas of the due diligence.

22. The DSC will consider the submission and either approve, decline or refer back the submission to the investment team for further work. If declined, a decline letter with reasons will be prepared by the investment team and signed in line with the Delegation of Authority ("DoA") as it applies to Assets under Management (AuM) and send to the

potential client. If approved, the investment team, in consultation with other relevant PIC divisions, prepares the scoping report for the submission to PMC-UI.

23. Staff assigned to work on the transaction will be required to indicate whether any of them has a conflict of interest by completing a document entitled "Declaration of Conflict of Interest".

DEAL SCOPING

24. The investment team will prepare (with input from other PIC divisions, namely Portfolio Management and Valuation ("PMV"), Environmental, Social and Governance ("ESG"), Legal and Risk a Scoping Report requesting approval to go to due diligence and submit to the EH for review and approval to submit to the Portfolio Management Committee of Unlisted Investment ("PMC-UI")¹ via PIC's Company Secretariat.
25. PMC-UI will consider the submission and either approve, decline the request to go to due diligence or refer back the submission for rework. If declined the investment team will prepare a decline letter to be signed in line with the DoA. If referred back for rework, the investment team will rework and resubmit to PMC-UI. If approved, the application will proceed to due diligence stage.
26. Upon receiving approval from PMC-UI, the investment team will request from the various Executive Heads namely Risk, Legal and ESG divisions for resources to assist on the due diligence of the proposed transaction.
27. The Investment team will prepare the Engagement Letter and Indicative Term Sheet, which is reviewed by Legal team before forwarding it to the potential client for review and sign-off in line with the DoA.
28. The Engagement Letter will include, inter alia, states the terms on which the parties will engage, what type of due diligence will be conducted, who pays for what.

¹ A Management committee chaired by the CEO and is governed by the approved Terms of Reference

DUE DILIGENCE

29. Depending on whether the investment team or ESG, Legal and Risk has internal capacity to conduct a due diligence on the transaction, a decision will be made by the respective teams as to which area of due diligence scope will be outsourced and which area will be done using internal resources.
30. If the decision is to outsource, a procurement process will be undertaken to appoint the relevant service providers to conduct a due diligence on the transaction on behalf of the respective teams as per the unlisted investment procurement process².
31. The respective teams, together with the Supply Chain Management team ("SCM") will prepare a Request for Proposal ("RFP") which will include the scope of the due diligence and furthermore agree on which service providers to be approached from the approved service provider database. If there are no sufficient and/or experienced service providers on the approved databased, a request for approval to approach service providers outside database will be prepared and such request will be approved In line with the DoA.
32. Once the RFP is compiled, the SCM team will issue the RFP to the selected service providers. The Declaration of Interest ("DoI") and Non-Disclosure Agreement ("NDA") will accompany the RFP.
33. Depending on the requirements of the RFP, service providers will submit proposals in electronic form and/or hard copies to SCM team within the required timelines as stated in the RFP. Once received, the SCM team will convene an evaluation task team, which will include a representative from the PIC Supply Chain Management Unit ("SCM"). The proposals will be evaluated In line with the AuM procurement policy. Both successful and unsuccessful service providers will be notified.
34. The approval of the recommended service provider will be done in line with the DoA. Once the approval is obtained, a Service Level Agreement ("SLA") will be concluded between PIC and the service provider. The SLA must be reviewed by legal and signed In line with the DoA.

² This process is governed by the Unlisted Investment Procurement Policy

35. Once a SLA is signed, a kick-off meeting held with appointed service provider for a briefing on the proposed transaction and the scope of the due diligence.
36. Once the appointed service provider has completed his scope of work as outlined in the RFP, the service provider will prepare due diligence report for submission to the relevant team. The investment team will engage with the service provider until the final report is submitted.
37. Once the due diligence report is accepted by the relevant team the service provider will invoice the PIC for the work done in line with the engagement letter. The invoice will be processed in line with the DoA.
38. Once the kick-off meeting is done the investment team will share all information received from the potential client, as requested per the due diligence checklist with the approved service provider. After this, there is a site visit and meetings are held with potential client.
39. The scope of the due diligence will broadly cover the following areas:
 - a. Commercial due diligence
 - b. Financial due diligence
 - c. Technical and operational due diligence
 - d. Legal and regulatory due diligence
 - e. Environmental, social and governance due diligence.
40. From the outcome of the due diligence, the transaction structure will be agreed.

DEAL APPROVAL OR RECOMMENDATION

41. Following the above, investment team will prepare an Appraisal Report recommending either approvals or decline of the application. The appraisal document will be reviewed and signed off by the EH of the relevant division prior to submission to PMC-UI.

42. The Appraisal Report will be accompanied by independent reports from ESG, Risk, and Legal divisions and these reports will incorporate the due diligence findings and the controls to be implemented to mitigate the risks identified during due diligence. These reports are reviewed and signed off by the EH of those respective divisions prior to submission to PMC-UI via the Company Secretariat.
43. PMC-UI will consider the submission and either approve, decline the request or refer back the submission for rework. If declined the investment team will prepared a decline letter to be signed in line with the DoA. If it does not fall within the PMC-UI DoA, the transaction will be approved for onwards submission to a higher committee ("HC"). Either this higher committee usually would be the Investment Committee ("IC") or its sub-committees called Fund Investment Panels ("FIPs").
44. If transaction falls within PMC-UI DoA, PMC-UI will approve the transaction and the investment team will prepare an approval letter, which will be signed in line with the DoA. This letter will be submitted to the potential client. Company Secretary will prepare a resolution, which is signed by the approving committee chairperson. If referred back for rework, the investment team will rework and resubmit to PMC-UI.

HIGHER COMMITTEE³ (FUND INVESTMENT PANELS OR INVESTMENT COMMITTEE)

45. After PMC-UI recommends the proposed transaction to a higher committee for approval, the same reports, modified to the extent necessary based on comments from PMC-UI, are signed by PIC's CEO and submitted, via Company Secretariat, to the IC or relevant FIP.
46. The IC or FIP will consider the submission and either approve, decline or refer back the submission for rework. If declined, the investment team will prepare a decline letter to be signed in line with the DoA. If referred back for rework, the investment team will rework and resubmit to IC or FIP.
47. If approved, the investment team will prepare an approval letter, which will be signed in line with the DoA. This letter will be submitted to the potential client. The Company Secretary will prepare a resolution, which is signed by the approving committee chairperson.

³ The Higher Committees refers to FIPs, which are sub-committees of IC and IC, which is a sub-committee of the PIC Board. These HC are chaired by PIC Non-Executive Director and are governed by the approved Terms of Reference.

48. Once the transaction has been approved, it will move to the drafting of legal agreements process.

LEGAL AGREEMENT PROCESS

49. Once approval is obtained from the PMC-UI, IC or relevant FIP, the Legal Division will commence with drafting legal agreements (with inputs from the Investment team, PMV, Risk, and ESG, Investment Finance). The drafting of legal agreements can be either outsourced or drafted using internal resources. If outsourced the Legal team will appoint a law firm after following a procurement process outlined above under the due diligence section. The legal agreements will be drafted in line with the terms and conditions of the approving committee.
50. Once drafted, the legal agreements will be signed by the counterparty and Chief Executive Officer of the PIC or his delegate. The transaction will move to the disbursement process.

CONDITIONS PRECEDENT FULFILMENT ("CPs")

51. Once both parties have signed legal agreements, the respective transaction teams, led by the Investment team, Legal team, Risk and ESG teams oversee the fulfilment of all the conditions precedent both of a legal and non-legal nature including conditions for disbursement.
52. Legal will prepare and issue legal conditions precedent satisfaction letter to the sponsor confirming that all CPs have been met and that the agreements are now unconditional. Both the Legal and Investment teams will sign-off the CP fulfillment checklist. The CPs satisfaction letter will be signed in line with the DoA.
53. Once all the CPs have been met, the transaction will move to the hand-over process.

HAND OVER MEETING PROCESS

54. Once all the CPs have been met, the Investment Team will convene a hand-over meeting and all relevant stakeholders (Investment Finance, PMV, ESG, Risk, Investment team, IM Operation) will be invited to the handover meeting. The purpose of this meeting is to apprise all the stakeholders of the transaction. The Investment team will prepare a presentation focusing on key aspects of the transaction.

55. The Investment team is expected to present the transaction to the internal stakeholders, answer any questions, and furthermore provide an update of the transaction.
56. Attendance register will be circulated and signed by all in attendance. Once the hand-over process is completed, the transaction will move to the disbursement process.

DISBURSEMENT PROCESS

57. Post the hand-over meeting the Investment team assisted by Investment Management Operations team will prepare the disbursement file. The disbursement file will be prepared in line with a disbursement checklist.
58. Accompanying the disbursement file will be a disbursement memo requesting approval to disburse funds. The disbursement memo will be signed in line with the DoA.
59. Once approved, the memo and the disbursement file will be submitted to Investment Finance for payment of funds in line with the memo and approval conditions. Once payment is made, Investment Finance will forward proof of payment to the Investment Management Operations team for filing in the disbursement file.
60. Once disbursed the transaction will move to post investment teams.

MONITORING AND VALUATION

61. Post disbursement the transaction will now move to monitoring and reporting by ESG, PMV and Investment Management teams.
62. In addition to ESG & PMV, Properties require asset management teams who become the "owners of assets" to drive strategy and performance. The Asset Management teams will be assisted by a Property Management team.
63. Property Management teams deal with the day-to-day operations like rent collection, arrears management, repairs and maintenance, cleaning, security, mechanical equipment. When these functions are not available in-house, they will be outsourced to third parties. In the case of PIC, property management is outsourced to MOWANA being an entity, which PIC on behalf of clients has an interest in.

FOLLOW-ON

64. Follow-on investment will follow normal investment process as outlined above including role and responsibilities and approved in line with the DoA.

EXIT

65. The PMV and the investment team shall facilitate an exit, and jointly they shall prepare a submission to the appropriate committee in line with the DoA for approval of the exit. Investment exits are governed by the investment thesis, asset disposal guidelines/policy and legal agreements.

ENHANCEMENT OF THE INVESTMENT PROCESS

66. The investment process outlined represents the current investment process and this process is a result of continuous improvements and enhancements over a number of years. These improvements and enhancements include, but not limited to:
- a. Establishment of the sector focused Investment Committees (FIP);
 - b. Strengthening of the Deal Screening Committee;
 - c. Implementation of enhanced due diligence on funding application where Politically Exposed Persons ("PEPS") are involved;
 - d. Referral of funding applications where PEPs are involved OR where high potential reputational risk is perceived to Social and Ethics Committee ("SEC");
 - e. Completion of Declaration of Interest forms prior to commencing due diligence;
 - f. Incorporation of the ESG considerations into investment process; and
 - g. Issuing funding application acknowledgement letter to potential clients.



VUYANI HAKO

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