

COMMISSION OF INQUIRY INTO PUBLIC INVESTMENT CORPORATION COMMISSION

HELD AT

PRETORIA

10

21 JANUARY 2019

DAY 1

20

PROCEEDINGS HELD ON 21 JANUARY 2019

COMMISSIONER: I just said good morning everybody. The arrangement was that we will start the proceedings at 10:00, but because of some technical issues, technical problems, there has been a delay and I understand that an apology was offered and I would like to offer the apology as well. I am not happy that we start almost a half an hour later, but unfortunately we could not do otherwise.

Advocate Lubbe, ladies and gentlemen and I think amongst us is the Chair of the Board of the PIC, Deputy Minister Gungubele. You may sit Mr Lubbe.

This is a sitting of the Commission of Inquiry into allegations of impropriety
10 regarding the Public Investigation Corporation, an asset management company that manages assets for clients, one of which is the Government Employees' Pension Fund.

The Commission was established by proclamations signed by the President of the Republic on the 4th October 2018, but published in the Government Gazette number 41979 dated 17 October 2018.

I am Lex Mpati, former President of the Supreme Court of Appeal and have been appointed as Commissioner and in that capacity I Chair the Commission. On my right is Ms Gill Marcus, former Governor of the Reserve Bank and on my left is Mr Emmanuel Lediga, to whom we refer as Chief, an Investment Banker and Asset
20 Manager. So we have two quite two experienced people in what we are going to investigate. They have been appointed by the President to assist the Commissioner in this Inquiry.

The processes and proceedings relating to the Commissioner would be governed by the Regulations of the Commission, which were published in Government Gazette number 42076 of 3 December 2018, as well as the Commission's Rules of Procedure which were published in Government Gazette number 42157 on

15 January 2019.

The Commission's Terms of Reference, Regulations and Rules of Procedure can be accessed on the Commissioner's website at www.justice.gov.za/commissions/pic and at some stage I hope that website will be reflected on the board behind us. I am told that it is there. As to the Commission's Terms of Reference, I think it will be convenient to read the instructions in paragraphs 1.1, 2 and 4 thereof. One reads as follows:

"The Commission must enquire into, make findings, report on and make recommendations on the following:

- 10 1.1 Whether any alleged impropriety regarding investment decisions by the PIC in media reports in 2017 and 2018 contravened any legislation, PIC policy or contractual obligations and resulted in any undue benefit for any PIC director or employee or any associate of family member of any PIC director, or employee at the time."

Paragraph 2 reads:

"The Commission must in its enquiry for the purpose of its findings report and recommendations consider the period 1 January 2015 to 31 August 2018."

- 20 So we will not only look at the media reports of 2017 and 2018, but we are instructed to go back and start from the 1st January 2015 and until 31 August 2018.

Paragraph 4:

"The Commission may, if necessary investigate and make findings and recommendations on, any other matter regarding the PIC, regardless of when it is alleged to have

occurred, on condition that such other investigations, findings and recommendations do not cause any delay in the submission of the reports on the applicable dates referred to in paragraph 3."

And if I might just mention paragraph 3:

"The Commission is required to submit an interim report to the President, by not later than 15 February 2019 and a final report by not later than 15 April 2019."

We are this morning about to commence with the hearing of evidence from
10 witnesses in relation to the issues the Commission has been instructed to investigate and for which it was setup.

The Commission, through its Secretary Advocate Setati has sent out notices which again may be accessed on, or from our website, inviting anyone with information relevant to the Terms of Reference to come forward, to assist the Commission in its task. Responses to that call have being received, but the invitation still stands. I want to repeat, the invitation and invite any person with information that may be relevant to the Commission's Terms of Reference, to contact Advocate Setati or the evidence leader, Advocate Lubbe SC in this regard. Their contacts details are available on the Commission's website. In fact, Advocate Setati and Advocate Lubbe are both here. If
20 anyone wishes to get in touch with them during the adjournment may do so.

For persons who would like to come forward with information relevant to the Commission's Terms of Reference, and please mark that, I repeat, "information relevant to the Terms of Reference of the Commission", but who are afraid to do so for fear of whatever kind of repercussions, there is provision in the Regulations for an order that a witness's identity should under no circumstances be disclosed. So there is provision for

whoever would not like his or her identity to be disclosed, there is provision for that in our Regulations. So people should feel free to come forward and we give the undertaking that witnesses will be treated fairly and with dignity at all times.

Before giving evidence, a witness will be required to take the oath, or affirm that the evidence they are about to give will be the truth, the whole truth and nothing but the truth, as is normally done in a Court of Law. We need to arrive at our conclusions on evidence that we are satisfied is the truth.

We have been advised that media personnel have being accredited. If there are any others who require accreditation please get in touch with the Secretary of the
10 Commission who, if he cannot do it himself, we will direct you to the correct person.

The sittings of the Commission are commencing today and we will from today under Wednesday and again next week from Monday until Wednesday the 30th, if I am correct. We will then adjourn for approximately three weeks to commence again with hearing evidence on the 24th February 2019.

If there are any questions arising from the comments that I have just made, please direct them to the media team of the Commission who will clear with us if necessary.

May I say that witnesses or members of the public who have had, or have any interest in the PIC and our Commission, are invited, if they so wish to make
20 recommendations, because we are required by the President to make recommendations in our final report. So if there are people who have an interest and who wish to suggest recommendations, we shall consider them if they are sent to us and included if we feel that they should be included in the final report to the President.

Thank you. Yes Mr Lubbe.

ADV JANNIE LUBBE SC: Thank you Commissioner and members of the Commission.

For the record I am the Chief Evidence Leader J Lubbe, I am a Senior Counsel and I am assisted by my very able legal team. From my right Advocate Guwe, Monahela, and Mhope. I am further assisted by a Forensic Team who are already busy with their investigations.

We plan Mr Commissioner and members to start this morning with formal evidence, setting the legal framework for the Commission and to explain how the PIC operates within this legal framework. I plan to call as the first witness the Acting Secretary of the PIC Ms Wilna Louw.

10 May I, with respect, also join you Mr Commissioner in your appeal for people to come forward to assist the Commission in performing their mandate. As you have mentioned in your opening remarks, the Commission is faced with a very, very tight timeline to complete their work and it will be impossible, in my respectful submission, if the Commission is not assisted by people coming forward.

That is our opening remarks Commissioner. I would ask you for a brief adjournment to enable us to setup the first witness and if it is convenient for you, can we start at 11:00 then?

COMMISSIONER: The proceedings are then adjourned until 11:00.

ADV JANNIE LUBBE SC: As it pleases you.

COMMISSION ADJOURNS

20 **COMMISSION RESUMES**

COMMISSIONER:

ADV JANNIE LUBBE SC: Thank you Chairperson. The first witness is Ms Wilna Louw who is the Acting Secretary of the PIC and she will be assisted during her testimony by Mercia Monyela on her left and we are also greatly honoured, the top management team of the PIC is behind her, and if necessary, will also assist with any difficult

questions by the Commission.

COMMISSIONER: What is the name of the assistant again, Mercia?

ADV JANNIE LUBBE SC: Bongela, Bongela.

COMMISSIONER: Monyela.

ADV JANNIE LUBBE SC: Monyela, M-O-N-Y-E-L-A [spelt] Mr Commissioner.

COMMISSIONER: No I cannot hear. What is the first letter M for Martin?

MS MERCIA MONYELA: Yes.

COMMISSIONER: Okay got it.

ADV JANNIE LUBBE SC: So if we can then proceed to have the witness sworn in?

10 **COMMISSIONER:** Ms Louw what are your full names?

MS WILNA LOUW: My names are Wilhelmina Johanna Frederica Louw.

COMMISSIONER: Wilhelmina Johanna?

MS WILNA LOUW: That is correct.

COMMISSIONER: Frederika, Frederika with KA?

MS WILNA LOUW: Yes Commissioner.

COMMISSIONER: KA. Do you have any objection to taking the prescribed oath?

MS WILNA LOUW: No Commissioner.

COMMISSIONER: If not, do you swear that the evidence you are about to give will be the truth, the whole truth and nothing but the truth, raise your right hand and say, so

20 help me God.

MS WILNA LOUW: So help me God.

WILHELMINA JOHANNA FREDERIKA: (Duly sworn stated)

COMMISSIONER: Thank you. You may be seated.

ADV JANNIE LUBBE SC: Mr Commissioner can the witness be during her testimony?

COMMISSIONER: Yes indeed, indeed.

ADV JANNIE LUBBE SC: And may I respectfully ask that I can ask also be seated while – with the proceedings, this is going to take a couple of hours, I think.

COMMISSIONER: Feel free to do so.

ADV JANNIE LUBBE SC: Right, thank you Mr Commissioner. Ms Louw before we start with your evidence, is it correct that this is your first time testifying in an institution like a Commission or a Court of Law?

MS WILNA LOUW: That is correct.

ADV JANNIE LUBBE SC: Is it also correct that your first language is Afrikaans and not English?

10 **MS WILNA LOUW:** That is correct.

ADV JANNIE LUBBE SC: Are you comfortable to testify in English?

MS WILNA LOUW: I am comfortable.

ADV JANNIE LUBBE SC: Right. I want you just to relax and we have prepared a statement for you, will you have a look at the statement. You can start with that statement and when necessary I will interrupt you, or the Commission will interrupt you. But you can please carry on with that and please speak up. I believe there is a bit of a problem with the sound system. So Mr Commissioner if it sounds that we are shouting at you, we were requested to speak up.

20 **MS WILNA LOUW:** Thank you Mr Commissioner. As I said, I am Wilhelmina Johanna Frederika Louw and I prepared this statement in my capacity as the Acting Company Secretary of the PIC. I joined the Public Investment Commissioners on the 1st September 1996 as a personal assistant to the then Chair Chief Director of the PIC. We were reporting to the National Treasury at that time. Part of my role was to minute meetings of the Commissioners and later the PIC Board, following the corporatisation on the 1st April 2005.

ADV JANNIE LUBBE SC: Can I just interrupt you there. Can you just briefly explain to the Commission, what was the situation with the Commissioners before 1994 and what was the change after the formal Act of 1994?

MS WILNA LOUW: Of 1994. During the time of the Public Investment Commissioners, it was the Department of the National Treasury, reporting directly through the Directorate General to the Minister of Finance as all the departments within the National Treasury. The Commissioners were still appointed by the Minister of Finance, but they were called Commissioners, it was not a company. Then after 2005, when we corporatized, the Public Investment Corporation was established as a company, under
10 the Companies' Act.

ADV JANNIE LUBBE SC: There was in other words a formal PIC Act?

MS WILNA LOUW: Yes. Before that there was also a PIC Act established in 1984 when we took over the Public Debt Commissioners, but that Act was still under the name of the National Treasury and not as a company.

ADV JANNIE LUBBE SC: Thank you. Please continue?

MS WILNA LOUW: I was appointed as the company's secretary of the PIC for the period 1st December 2008 to the 31st March 2015. From 1st April 2015, I assumed the role of the Board Secretary responsible for *inter alia* the collection and compiling of Board documents, Board committee papers, attending Board committee meetings and
20 taking minutes of these meetings. However, I also continued to – as an acting company secretary during that period until Ms Bongani Mathebula was appointed as the company's secretary on the 1st August 2015.

And I will continue just to give a brief overview of the PIC. The Public Investment Corporation SOC Limited is a South Africa State owned Asset Management company, that manages assets for clients, all of which are public sector entities. The

PIC has a long history which spans over 107 years. Although we were corporatized only in 2005. The concept of a separate body responsible for the investment of Trust and other Government deposits has its origins in the Public Debt Commissioners Act 1911 which came into operation on the 2nd May 1911, ag 1911. This Act was later replaced by the Public Debt Commissioners' Act 1969 and the successor of the Public Debt Commissioners was the Public Investment Commissioners, which was governed by the Public Investment Commissioners Act 1984. In April 2005, the Public Investment Corporation SOC Limited succeeded the Public Investment Commissioners.

PIC was promulgated on the 1st April 2005, in accordance with the
10 Public Investment Corporation Act 2004, as a corporation wholly owned by the South African Government and represented by the Minister of Finance as the shareholder representative.

As per Section 4 of the PIC Act, the main object of the PIC is to be a financial service provider, in terms of the Financial Advisory and Intermediary Services Act 2004, or in short the FAIS Act.

COMMISSIONER: Ms Louw can I – sorry from here. Can I just go back to the first line of that paragraph 131. You mentioned that the PIC was promulgated on the 1st April 2005.

MS WILNA LOUW: That is correct.

20 **COMMISSIONER:** Somewhere I saw a certificate of incorporated dated, I think 30 March, or something 2005 or 2004. Why is there is a difference?

MS WILNA LOUW: No sir I will have to have a look at that.

COMMISSIONER: Yes alright I will have a look during the break.

MS WILNA LOUW: And I will come back to you on that as well sir, I will have a look at that.

ADV JANNIE LUBBE SC: Mr Commissioner we make a note of that and we will come back on that.

COMMISSIONER: Yes.

MS WILNA LOUW: Section 10 (1) of the PIC Act provides:

"That the Corporation may invest every deposit, or portions of a deposit with regard to the periodic, if any, after the expiration of which such a deposit, or portions of such a deposit may become necessary for use, on behalf of the depositor concerned, in accordance with the investment policy of the Corporation."

Now the PIC Act further goes on to defines "deposit and depositor" as follows:

10 "Deposit means an amount of money, other than that
forming part of the National Revenue Fund, as contemplated
in the Public Finance Management Act 1999, which is
received or held by; for or on behalf of the Government of
the Republic, including the provinces, or anybody, council,
fund or account established by, or under law, which may, or
is required to pay in terms of that law, such amount of
money to the Corporation for investment in terms of this Act,
and which is not required for immediate use, or as a
reasonable working balance and which is not invested, or
20 otherwise utilised in terms of any law, otherwise than in
terms of this Act, and which is not invested with the
Corporation referred to in Section 2 of the Corporation for
Public Deposit's Act 1984. And except for the purposes of
Section 11.1, includes an amount of money received or held
by, for or on behalf of a person or body referred to in that

subsection.

A depositor means any person or body who pays a deposit to the Corporation for investment on behalf of the person or body, and it is for the purposes of the FIAS Act deemed to be a client, as defined in Section 11 of the FIAS Act."

COMMISSIONER: Ms Louw I know very little about investments and so on. But can an individual just walk into the offices of the PIC and say I have got money to invest?

MS WILNA LOUW: Not at this stage sir. Mr Commissioner the PIC Act does not provide for public people to invest with it at the moment.

10 The PIC Act further provides in Section 11:

"That the Minister may, if it is in the public interest, authorise generally, or in respect of a particular case, any person or body receiving or holding, within, or outside the Republic amounts or money, other than deposits to pay those amounts or money, or portions thereof to the Corporation for investment, as if those amounts or money were deposits. The Corporation may receive for investment amounts of money other than deposits and those amounts contemplated in subsection (1)."

20 Then I will give a bit background about the Regulatory environment. The PIC is a State African – is a South African State owned Asset Management Company, that manages assets for clients, all of which are public sector entities. The PIC as a State owned entity is governed by the following laws, which is the major laws for the PIC. That is the Public Investment Corporation Act 2004, the Companies Act 2008 and we were registered under the Companies Act as a company with company registration

number 200500909430 and then the Public Finance Management Act 1999. The PIC is scheduled as 3B entity under the PFMA and reports to the Minister of Finance in terms of the PFMA. In addition to the provisions of the PIC Act, the operations of the PIC is supported by the establishment of legislation for some public entities, which specifically directs these entities to invest their monies, which are not required for immediate use with the PIC.

Furthermore, in terms of the Treasury Regulations issued in terms of the PFMA, public entities that are listed in Schedule 3A or 3C of the PFMA, must invest their surplus funds with the Corporation for public deposits, unless they are exempted
10 by the National Treasury. The schedule, all the Schedule 3A and 3C companies were exempted by the National Treasury and therefore they can invest their funds now with the PIC.

The PIC as an Asset Manager, as a Financial Services Provider with Financial Services Provider number 1977. The PIC is registered with the Financial Sector to conduct authority. It was previously the Financial Services Board. The PIC's investment activities are governed by the Financial Advisory and Intermediary Services Act 2002.

The PIC's FIAS license status. The FIAS Act provides for regulation of Financial Services, or various categories of Financial Services Providers. The PIC is
20 licensed for two categories, namely Category 1, as an Advisory and Intermediary Financial Services Provider. That means that FSP is providing financial advise to clients, without discretion to decide on behalf of the clients. The PIC may be requested to provide input into the client's mandate in relation to asset class allocations, with a view to assist the client in achieving its investment objectives.

PIC is also registered as a Category 2 Advisory Service, Financial Service

Provider, which is a discretionary Financial Service Provider. Under this category the PIC is authorised to make investment decisions by or sell assets on behalf of its clients.

COMMISSIONER: When you say "discretionary", what do you mean thereby?

MS WILNA LOUW: We make investments on behalf of the clients, without first getting the input from the client, or approval from the client. It is totally in line with the client mandate, but then we can decide what to sell and what to buy.

An FSP means any person natural or heuristic, who has a regular feature of the business, render financial advise and/or Intermediary Services in respect of financial products, which is asset classes to clients, or on behalf of clients.

10 Then our client investment mandates are also regulated by the FIAS Act. The clients, for example, the Government Employees' Pension Fund, has provided the PIC with an investment mandate that are approved by the Regulator, the Financial Sector Conduct authority. The mandate sets out, amongst others, the investment objectives, risk appetite and the asset classes allocations or parameters.

The PIC is responsible for formulating investment strategy, on how to achieve the client's investment objectives and returns, set out in the mandate, taking into account the guidelines stipulated in the mandate.

ADV JANNIE LUBBE SC: Perhaps I can intervene here for a moment Mr Commissioner. The biggest client of the PIC, I understand is the GEPF, the
20 Government Employees' Pension Fund.

MS WILNA LOUW: That is correct.

ADV JANNIE LUBBE SC: And the PIC will then get a mandate from the Board of Trustees of this Fund?

MS WILNA LOUW: That is correct.

ADV JANNIE LUBBE SC: Right. Thank you, please proceed.

MS WILNA LOUW: Thank you sir. For purposes of ensuring compliance with the client mandates, in particular adherence to the asset class allocation limits, the PIC utilises the Charles River Investment Management System and the High Portfolio System, to capture the client mandates and monitor compliance thereof.

ADV JANNIE LUBBE SC: Can you just for the moment, with your leave Mr Commissioner, just tell the Commission what are you talking about when you talk about the Charles River Investment Management System and the High Portfolio System, what is it exactly about?

MS WILNA LOUW: Mr Commissioner if I may, I am not very familiar with exactly what
10 the Charles River Investment Management System is, but in short I just know that is where the performance of the investments are captured. I think my colleagues will elaborate on that if that is – if you are in agreement with that.

ADV JANNIE LUBBE SC: Thank you. Mr Commissioner I have made a note of that. The next witnesses will be the Executive Managers Investments and we will make an issue to explain that properly to the Commission.

COMMISSIONER: Yes okay.

ADV JANNIE LUBBE SC: Okay.

MS WILNA LOUW: Thank you. In terms of the FIAS Act, the PIC are required to have
20 key individuals, investment professionals and the PIC currently has 69 investment professionals registered with the FSCA, that are approved to make investment recommendations and decisions in respect of investments in various asset classes on behalf of the clients, in line with the clients' mandates and the delegation of authority, which sets out the limits for approval of transactions and deals.

The investment professionals are required to meet the following FIAS fit and proper requirements before registration with the FSCA. Competency requirements,

which include experience, qualifications, regulatory examinations, continues professional development and Class of Business Training. Then there is an element of honesty, integrity and good standing which they need to meet. Key individuals provide oversight and manage the rendering of financial services, while the representatives make investment recommendations or decisions in respect of investments in various asset classes on behalf of PIC clients.

PIC reporting to clients. The PIC reports to clients on a monthly and quarterly basis, detailing, amongst others, portfolio performance during the investment period. The clients are further able to engage with the PIC during the presentations of the portfolio performances and sought clarity if needs be.

PIC submissions and reporting to the Regulator. In terms of the FIAS Act, the PIC provides the following submissions to the Regulator, audited annual financial statements. Then there is a FIAS Section 19 (3) report which provides a list of investments and reconciliation of the bank account statements, held in the name of the clients and the investments made. The FIAS by annual compliance report, which entails a set of self assessment questions, seeking to establish and determine the PIC's level of compliance with the FIAS Act. Then registration and updating of the key individuals and representatives, registers with the FSCA as and when there are new appointments and resignations. Then applying for profile changes with the FSCA, as and when there are new appointments or resignations of members of the PIC Board of Directors.

ADV JANNIE LUBBE SC: Mr Commissioner if I can again interrupt. The next paragraph deals with all the other applicable legislation. Can it be just noted? I do not think it is necessary for the witness to read that out, it may take an hour. So with your permission, can she then proceed with paragraph 3?

COMMISSIONER: Yes. May I just mention that we have been provided with copies of the statement that Ms Louw is reading from. But later on it will be officially handed up. It is just so that we can follow the proceedings. I am fine with the Mr Lubbe.

ADV JANNIE LUBBE SC: Thank you Mr Commissioner.

COMMISSIONER: That we can leave out going through the list of Acts.

MS WILNA LOUW: Thank you Mr Commissioner. Then I will get to PIC's vision and mission. The PIC is an organisation with values that the corporation's leadership, management and employees have agreed to strive for and live by, in order to achieve the vision, mission, goals and objectives of the company.

10 Now PIC's mission is to be a global leader impactful investing. Sorry, that is our vision to be a global leader in impactful investing. Our mission is to exceed clients' expectations whilst investing for sustainable growth, inclusivity and transformation. To grow the client base and investment offerings through innovative thinking, mobilising and leveraging strategic partnerships and resources and to be a catalyst of continental economic integration and global investor.

 Now in order for us to achieve our vision and mission, we implemented optimal information technology, we invest in our people and creating brand ambassadors, we entrenched ESG, which is Environment, Social and Governance practices. We strive for innovative culture and implementation thereof, in site full
20 research and enterprise intelligence and we believe in robust risk management.

PIC's values ...[intervenes]

COMMISSIONER: Just a moment. My colleague has a question.

MR EMMANUEL LEDIGA: The one question is on impactful investments. Do you perhaps have any benchmark companies that you use to compare yourself with those in terms of the impact of investments that you make?

MS WILNA LOUW: Thank you Mr Commissioner through you, I will, if I may again just get the full details of the companies, if we use any companies and then I will come back to you after the break on that one. Thank you.

Okay, PIC's values are, we care and we deliver and those form the cornerstone of the PIC's culture. Then PIC's business operating model. PIC is different from development financial institutions. In that the PIC is an Asset Manager, which manages fund based on mandates prescribed by clients for which it is paid a fee. PIC does not own these investments. The DFIs on the other hand manage funds from their own balance sheet.

- 10 **ADV JANNIE LUBBE SC:** Can I again interrupt just to explain to the Commission? The Development Bank of South Africa is in other words a development finance institution?

MS WILNA LOUW: That is correct.

ADV JANNIE LUBBE SC: And that differs from the PIC, is that correct?

MS WILNA LOUW: Yes sir.

ADV JANNIE LUBBE SC: Thank you Mr Commissioner.

- MS WILNA LOUW:** Whilst the PIC's investment philosophy includes consideration of developmental impact. It has to deliver financial returns in line with client mandates and expectations. The development finance institutions have the latitude to sacrifice
20 financial returns in order to achieve social impact outcomes and primarily exist because of the failure of commercial financial institutions to intervene in certain markets.

The PIC business model can be summarised as follows. The PIC invests funds as allocated by clients. The clients pay management fees to the PIC, the management fees are the major source of the PIC's income and finances its operations.

The PIC investment activity and implementation of the strategy are guided and

overseen by the Board. In doing business, the PIC interacts with the investee companies, Government, in terms of the alignment of developmental and sectoral priorities, such as the National Development Plan, service providers which provides specialist services, strategic partners, crowding in of private sector funding and co-investments in implementation of the client mandates.

ADV JANNIE LUBBE SC: Mr Commissioner can I again interrupt here? Can you just explain to the Commission the management fees that you refer to in 5.2 Bullet 1, is a fixed percentage, is it an agreed fee, what is the situation?

MS WILNA LOUW: Through you Mr Commissioner. The management fees are agreed
10 upfront with the client mandate and it differs from the different asset classes and the different portfolios. For the unlisted investments, the management fees are between 25 basis points and 150 basis points. That is across all our clients, the top three clients specifically. For the property investments, it is a fixed fee of 25 basis points and for the listed investments portfolio the management fee is between 1 and 3 basis points.

ADV JANNIE LUBBE SC: Thank you.

MS WILNA LOUW: Then corporate governance at the PIC. The PIC Board of Directors, Section 61 of the PIC Act 2004 provides:

"That the Minister must, in consultation with Cabinet determine and appoint the members of the Board."

20 Paragraph 7 of the PIC's memorandum of incorporations stipulates:

"That the Board shall comprise of no less than 10 and no more than 15 directors. Section 7 of the PIC Act, further empowers the Board to establish such committees as it considers necessary and the PIC memorandum of incorporation provides that the Chief Executive Officer, the

Chief Financial Officer, the Chief Investment Officer and the Chief Operations Officer of the PIC shall be appointed as *ex officio* Executive Directors of the company."

The current Board of Directors ...[intervenes]

COMMISSIONER: I assume Mr Lubbe we will hear later what these individuals do?

ADV JANNIE LUBBE SC: Exactly Mr Commissioner.

MS WILNA LOUW: In the current Board of Directors, Mr Mondli Gungubele, the Deputy Minister of Finance is the Chairman. Doctor Xolani Mkhwanazi has been appointed as the Deputy Chairman of the Board, then our nonexecutive Directors are
10 Ms Dudu Thlatswayo, Doctor Trueman Goba, Ms Sandra Beswick, Ms Lindiwe Toyi, Mr Pitsi Moloto, Ms Mathukana Mokoka and Ms Sibusisiwe Zulu. We currently have only one Executive Director which is Ms Matshepo More.

The appointment process, the Company Secretary receives nominations accompanied by a *curriculum vitae* of potential nonexecutive directors and keeps a database of the names for consideration for appointment to the PIC Board. These nominations are submitted by Board members, the public, PIC employees or the PIC clients.

The Company Secretary liaises with the Asset and Liability Division of the National Treasury on the rotation of existing nonexecutive directors, the reappointment
20 of eligible nonexecutive directors and the appointment of new nonexecutive directors. A memorandum nominating persons for appointment as nonexecutive directors are then compiled by the Company Secretary in consultation with the CEO, and once signed off by the CEO, the PIC's nominations for appointment as nonexecutive directors to the PIC Board is submitted to the shareholder representative through the office of the Chairman of the Board.

I just want to let the Commission know that these nominations for appointment to the Board, do not serve up any of the PIC Board Committees. It is dealt with by the Company Secretary, the CEO and the office of the Chairman of the Board.

The office of the shareholder representative ...[intervenes]

COMMISSIONER: Just give us a moment.

MS GILL MARCUS: Sorry. To your knowledge, given that all of these appointments are made by Cabinet in consultation with the Minister of Finance, has there been any instance where the Cabinet has proposed names, or rejected names that have been proposed?

- 10 **MS WILNA LOUW:** Through you Mr Commissioner. At the end – we do not see the Cabinet memorandum which is submitted to the Cabinet, but the Minister can exclude some of the PIC's nominations and include his own nominations. And as I understand the process, that even at the Cabinet Committee and at Cabinet, some of the proposed names can be rejected and new ones can be added to the list.

COMMISSIONER: Added by whom?

MS WILNA LOUW: By the Cabinet Ministers or the Minister of Finance.

MS GILL MARCUS: So in essence the Board as it exists does not really have any influence over new members coming in or requirements for – that would strengthen the Board?

- 20 **MS WILNA LOUW:** That is correct.

MS GILL MARCUS: It is a Cabinet Ministerial decision?

MS WILNA LOUW: Ja that is correct. We can propose but the end of the day the Board does not have any say in who is appointed.

ADV JANNIE LUBBE SC: If I can again assist Mr Commissioner. As I understand it and Ms Louw please listen carefully what I am saying. As I understand the situation,

the memorandum by the Board of nominations are handed by the Chairperson to National Treasury, who will consider those names, but in their discretion can leave them out or add to them. They will prepare a final memorandum going to Cabinet who will then have the final say who to appoint as Board members. Is that correct?

MS WILNA LOUW: That is correct.

COMMISSIONER: Another question here.

MR EMMANUEL LEDIGA: Ja two questions. You mentioned that nominations can be done by the general public?

MS WILNA LOUW: That is correct.

10 **MR EMMANUEL LEDIGA:** How is that achieved in terms of getting the general public to make nominations, that is the first question? The second question. If you get say 500 nominations, who actually work close down that particular list, is it done at a PIC level, or at a National Treasury level?

MS WILNA LOUW: Through you Mr Commissioner. The PIC has previously advertised requesting nominations from the public and the National Treasury are also advertising, as I understand, I unfortunately cannot confirm that as a fact. But as I understand they are also advertising, put out advertisements for the public to submit names. They are compiling their own list for nominations and we are compiling our list for nominations as well. And then if we get for instance the 500, if they were submitted
20 to us, we go through it, we look at the qualifications, the skills that are needed on our Board and we compile our list in terms of that.

ADV JANNIE LUBBE SC: Appointment process.

MS WILNA LOUW: That is an appointment process. Now the Chairman of the PIC Board. The Chairman of the Board who is also the Deputy Minister of Finance is appointed by the Minister of Finance in consultation with Cabinet. The King report on

Corporate Governance for South Africa, as amended from time to time, prescribes that the Board Chairmanship should preferably be held by an independent nonexecutive director.

However, the appointment of the Deputy Minister as Chairman of the PIC Board, is based on the fact that the Government Employees Pension Fund who is our biggest client, and constitutes approximately 88 percent of the PIC's funds under management, is a defined benefit fund underwritten by Government, with the Minister of Finance as the shareholder representative. To ensure that there is a power balance – a proper balance of power to strengthen the independence of the Board and to lead in the
10 absence of the Chairman, Doctor Xolani Mkhwanazi has been appointed as the lead independent nonexecutive director, which is in line with the King report as well.

COMMISSIONER: But there is nothing in the legislation, in any legislation is there, that the Chairman or Chairperson of the Board must be the Deputy Finance Minister?

MS WILNA LOUW: No Commissioner it is not legislated.

MS GILL MARCUS: And in addition is this the first time with Doctor Mkhwanazi that you have a lead independent nonexecutive director, or has that been practiced in the past?

MS WILNA LOUW: We had one previously, it was Mr Roshan Morar. So Doctor Mkhwanazi is our second lead independent director.

20 Then the rotation of directors, in terms of the PIC MOI, a nonexecutive director shall hold office for a term of three years and shall not hold office for more than two consecutive terms. A nonexecutive director who has been in office for three years since his or her last appointment shall retire during the annual general meeting. One third of the nonexecutive directors for the time being, or if their number is not a multiple of three, then the number nearest, but not less than one third shall retire from office. The

nonexecutive directors retiring, shall be those who have been longest in office since their last appointment.

MS GILL MARCUS: Perhaps just a question of past practice. The term of two consecutive terms, so a total of six years.

MS WILNA LOUW: That is correct.

MS GILL MARCUS: Was that different in the past, was there a term limit? And secondly, given the complexity of what the PIC does. I fully agree there should be term limits, but six seems a little sort of in-between, not long enough and a bit too short. How did the – what would motivate a two term rather than a three term?

10 **MS WILNA LOUW**: Since the incorporation it was always a term of six years, maximum six years. After three years they rotate and then they are reappointed by Cabinet, or Cabinet can decide not to reappoint them. With regards to the limited term of six years, all the State owned entities that are reporting to the Minister of Finance, basically have that provision. That was always the shareholders' provision that we have our directors only for a period of six years to ensure independence. It is also aligned with the King that says, independence is basically for six years, but it can be prolonged to – in certain circumstances to nine years.

If I may Mr Commissioner. Then the nonexecutive directors fees. The fees are paid in terms of Section 66 (9) of the Companies Act, which provides:

20 "That fees paid to nonexecutive directors for their services as directors, may be paid only in accordance with the special resolution approved by the shareholder in the previous two years. The shareholder considered this and signed the latest special resolution in line with the provisions of the Companies Act, at the annual general meeting held

on 8 June 2018."

ADV JANNIE LUBBE SC: May I just again interrupt for clarity purposes Commissioner. The nonexecutive directors are they paid per hour, are they paid for preparation for meetings, or are they just paid per meeting, can you just put that on record?

MS WILNA LOUW: Through you Mr Commissioner. The nonexecutive directors are paid a meeting fee, they are paid per meeting and as well as retainer fee, which is paid once per annum. The meeting fees are paid by – for a Board attendances at Board meetings and then a different fee for attendances at Committee meetings. They are not
10 paid any additional incentives, bonuses and the retainer fees are also therefore preparation time and for documentation which they had to make for their own account.

ADV JANNIE LUBBE SC: Or to prepare.

MS WILNA LOUW: The PIC memorandum of incorporation. The memorandum of incorporation sets out the rules governing the conduct of the company, as specified by the its owners, the shareholder. Section 15 of the Companies Act imposes certain specific requirements on the content of an MOI as necessary to protect the interest of the shareholders in the company and provide for a number of default company rules, or alterable provisions, which companies may accept or alter as they wish, as long as it is in line with the Companies Act.

20 The PIC's MOI was signed by the then shareholder representative Mr Pravin Gordhan on 26 April 2013. Mr Gordhan requested changes to the PIC MOI in his letter dated 24 March 2017 and signed the amended MOI on 30 March 2017. Mr Gigaba was appointed as the Minister of Finance on 30 March 2017, after which he requested the PIC Board in his letter dated 19 April 2017, to ensure that the MOI is signed by Mr Gordhan on 30 March 2017, is not implemented and that the 2013 MOI

should remain in existence until he has acquainted himself with the PIC. This request was then accepted by the Companies and Intellectual Property Commission on 15 May 2017.

COMMISSIONER: Now which one should we look at?

MS WILNA LOUW: The one dated 26 April 2013.

ADV JANNIE LUBBE SC: Mr Commission if I again may intervene. If the Commission will please just make a note of this part of the evidence, as further evidence will be led later in these proceedings regarding the withdrawal of the MOI.

MS WILNA LOUW: Then paragraph 6.3 is the Shareholders Compact and Corporate
10 Plan. In terms of sub Regulation 29.2 of the Treasury Regulations issued in terms of the PFMA, the PIC must, in consultation with its executive authority, the Minister, on an annual basis, conclude a shareholders' compact documenting the mandated key performance, measures and indicators to be attained by the PIC as agreed between the Board and the Minister as their accounting authority. The Shareholders compact represents their agreement between the executive authority and the accounting authority and is a reflection of the expectations of each party expressed in terms of outcomes and out-goods that need to be achieved. The Corporate Plan is a framework containing information regarding the corporation's strategic thinking, direction and action leading to the achievement of consistent and planned results. The Corporate
20 Plan is designed to support the leadership within the Corporation through the concise presentation of the outcomes of strategic planning and budgeting at operational level.

In terms of the Corporate Plan and the Shareholders Compact, the PIC is reporting on a quarterly basis to the National Treasury on the achievement of the targets set out in the Corporate Plan.

Then PIC is operating under a delegation of authority. The Board retains

effective control over the operations of the PIC through well developed Governed structures, comprising various Board Committees and a comprehensive delegation of authority. The delegation of authority ensures timeous and effective implementation of the Board's strategy, but does not divest the Board of its responsibilities. The DOA delegates responsibilities for different transactions to a variety of role-players in the investment divisions, which includes the listed, unlisted and property investments, as well as to employees within the Risk Management, Legal, Compliance, Corporate Affairs and Investment Support Departments. The DOA also sets out the powers of the Board and the different management committees.

10 The Board has put for delegation for authority documents in place, which is the corporate delegation of authority, the unlisted investments delegation of authority, the property investments delegation of authority and the listed investments delegation of authority.

PIC is also adhering to a number of policies. PIC's policies and procedures are designed to influence, determine and guide all major decisions and actions. Then I have included a list of the policies which are currently in place. As per the different departments, the Company's Secretariat has the Board of Directors code of conduct and the remuneration policy for nonexecutive directors. The Human Resources Department is the bursary policy, the code of ethics policy, conditions of service policy, 20 disciplinary policy and procedure. We have got a dress code policy, education assistance scheme, leave policy, performance management policy, the PIC – or the PIC Seed policy, the recruitment policy, remuneration policy, sexual harassment policy and the training policy.

ADV JANNIE LUBBE SC: If I can then again intervene Mr Commissioner. The important policies and reflected in the Terms of Reference which we will come back to

later or a code of ethics policy, the performance management policy, the recruitment policy, remuneration policy dealing with incentives and bonuses. We will later present evidence on those policies.

COMMISSIONER: Thank you.

MS WILNA LOUW: Thank you Mr Commissioner.

COMMISSIONER: Should we have access to the disciplinary policy and procedure as well?

ADV JANNIE LUBBE SC: Absolutely it is available, and when we deal – we will specifically deal with one or two instances where the disciplinary policies are applicable.

MS WILNA LOUW: Thank you Mr Commissioner. Then our Corporate Affairs Department are responsible for the language policy, the news and social media policy and the stakeholder management policy. The Finance Department is the Corporate Procurement policy, the dividend policy, the Isibaya Procurement policy, the petty-cash policy, Properties Investments Procurement policy and the travel policy.

Information Technology is a susceptible use policy, the IT disposal policy and the third party management policy. Our records management we have the records management policy ...[intervenes]

COMMISSIONER: Can you just give us a moment.

20 **MR EMMANUEL LEDIGA:** Just a question on dividends. Has the PIC ever paid a dividend to the Government, the National Treasury?

MS WILNA LOUW: Yes Mr Commissioner the PIC has declared – I think now three or four dividends to the National Treasury already. Our records management ...[intervenes]

ADV JANNIE LUBBE SC: Sorry. Mr Commissioner can I just ask, would you prefer to

have documentary evidence available of those dividends?

COMMISSIONER: But the amounts might be relevant.

MS WILNA LOUW: Okay we will get the amounts for you Mr Commissioner. The Records Management Department, we have the Records Management Policy and the Records Retention Schedule for PIC. In our Compliance Department we have got an Anti-money Laundering Policy, Client Complaints Resolution Policy, the Compliance Charter, Compliance Framework and Manual Conflict of Interest Management Policy, Debarment Policy, Personal Account and In-sided Trading Policy, Risk Management and compliance programme and treating customers fairly policy with the ...[intervenes]

10 **COMMISSIONER:** Ms Lubbe I suspect that virtually all these would be relevant, is it not?

ADV JANNIE LUBBE SC: It is absolutely correct Mr Commissioner yes.

MS WILNA LOUW: Yes, yes.

ADV JANNIE LUBBE SC: We will deal with that specifically when we deal with specific investments.

MS WILNA LOUW: In Risk Management, we have got the Credit Risk Policy, Enterprise Risk Management Framework, Mandate Compliance and Statistic Data Management Policy, Mandate Compliance Policy, Market Risk Policy, Operational Risk Management Framework and a Standard Operating Procedure for performance and
20 attribution.

ADV J LUBBE SC: Also Mr Commissioner, highly relevant to later evidence.

MS WILNA LOUW: We have also got the Safety Health and Environmental Policy and then for listed investments they are responsible for the Dealing Policies Procedures, Fixed Income Policies and Procedures, listed equity straight allocation policy and they have also got a standard operating procedure for listed investments. Investment

management is the Asset Apportionment Policy, Asset Disposal Guidelines, Triple BEE Policy for Listed Investments. Triple BEE Guidelines for the Isibaya Investments, Delisted Investment Policy, ESG Guidelines for External Managers and ESG Policy for Fixed Income, ESG Policy for Listed Equities, ESG Policy for Public Entities and ESG Policy for Unlisted Investments, Governance Policy and a Political Exposed Persons Policy.

ADV J LUBBE SC: Again, if I may interrupt Mr Commissioner, highly relevant, you will notice in the terms of reference that specific reference is made to politically exposed persons for this Commissions investigations.

10 **MS WILNA LOUW**: Thank you Mr Commissioner, that deals with [Intervenens].

COMMISSIONER: Just a question here.

MR EMMANUEL LEDIGA: *Ja*, I am not sure, looking at this list there should have been – Maybe there is a whistle blowing policy somewhere, but I am not sure whether it is a part of that or what?

MS WILNA LOUW: Yes Mr Commissioner, the whistle blowing policy is part of our compliance policies and it is dealt with in terms of the personal account and insider trading policy. It is also making reference to it in our Code of Ethics. So there is definitely a whistle blowing hotline as well. That deals then with the policies. Then just to say that our external auditors, as the PIC is classified as a Schedule 3(b) entity in
20 terms of the Public Finance Management Act, we are audited by the Auditor General in terms of the PFMA, the Auditor General Act and paragraph 6(8)(iii) and 18.1 of PIC's Memorandum of Incorporation.

In the governance structure, the Board established the following Board Committees to assist with balance of power and the effective discharge of its duties. The Committees regularly report to the Board in terms of their agreed terms of

reference which are reviewed annually to ensure relevance and alignment with Governance Best Practice. We have got the Audit and Risk Committee. The Audit and Risk Committee is a statutory committee in terms of Section 94 of the Companies Act and provides oversight of audit, compliance and risk management. The members of the Audit and Risk Committee are appointed at the Annual General Meeting by the Shareholder in line with the Provisions of the Companies Act.

Here, if I can perhaps explain while the PFMA is also applicable to the PIC, we – The National Treasury gave the PIC exemption from the Public Finance Management Act, because in terms of the Public Finance Management Act, the Board
10 appoints the members of the Audit Committee whilst in the Companies Act, the Shareholder appoints the Members of the Audit Committee. My apologies. I did not include that in my written statement.

Then there is the Social and Ethics Committee [Intervenues].

ADV J LUBBE SC: Before you proceed, may I interrupt Mr Commissioner, the full names solicited under 6.7(i), just for the record, they are all Board Members.

MS WILNA LOUW: They are all Non-Executive Board Members. The Social and Ethics Committee [Intervenues].

MS GILL MARCUS: Just a question in relation to the size of your Audit and Risk and given that the Audit and Risk are combined, has the PIC looked at whether this is an
20 adequate capacity for oversight, given the complexity and the issues at stake in relation to both risk and audit to have such a small audit committee?

MS WILNA LOUW: Through you Mr Commissioner, the Audit and Risk Committee was previously consisted of 6 members, but 2 of our Non-Executive Directors resigned during April or June/July and then when the – At our Annual General Meeting, held on 8 June the Shareholder only appoints these four people, but we agree that the span of

control and the span of the duties of the Audit and Risk Committee are very broad and there is a process under way where we are considering separating the Audit Committee and the establishing a Risk Committee, especially for the purposes of the [Intervenés].

MS GILL MARCUS: I mean, I think that is interesting to hear, because the skills required for a Risk Committee are somewhat different and with such a narrow team, given audit and risk together and the skills required, I would think that this would require some attention. I mean, it just raises a question being such a small committee.

MS WILNA LOUW: Noted. Thank you, Mr Commissioner. We will note that down.

MR EMMANUEL LEDIGA: Just a further question. Is that, how was it decided that the
10 – This Committee will be appointed by the Board, not the Shareholder. You know, how was that decision...?

MS WILNA LOUW: Sorry Mr Commissioner, the Committee is appointed by the Shareholder and not by the Board. The PFMA states that the Board must appoint the Audit Committee Members, but the Companies Act stated that the Shareholder shall appoint the Audit Committee Members and then after discussions with the National Treasury, the National Treasury exempt the PIC from adherence to the PFMA. So the Shareholder is now appointing our [Intervenés].

MR EMMANUEL LEDIGA: The Audit Committee.

MS WILNA LOUW: The Audit Committee.

20 **MR EMMANUEL LEDIGA:** Again, thank you.

MS WILNA LOUW: That is fine. The Social and Ethics Committee, Regulation 43 of the Companies Act requires that all State owned entities must have a Social and Ethics Committee. Regulation 43 further sets out the duties and responsibilities of the Social and Ethics Committee and Section 72(8) of the Companies Act provides the powers for the Social and Ethics Committee. The Social an Ethics Committee currently consists of

Ms Lindiwe Toyi, Mr Pitsi Moloto, Ms Mathukana Mokoka, Dr Xolani Mkhwanazi and Ms Matshepo More.

ADV J LUBBE SC: Just for the record again, Mr Commissioner and for the benefit of the Commission, this type of Committee is a result of the King IV recommendations. Previously there was no such Committees and Companies wherever, these are coming out of the recommendations of King IV.

MS WILNA LOUW: Then there is the Directors Affairs Committee. The Directors Affairs Committee serves as PIC's nominations Committee and focuses on Board evaluations and nominations for appointments to the Boards of PIC investee
10 companies. The membership of the Directors Affairs Committee comprises the Chairpersons of the Board Committees as well as the CEO. The Human Resources and Remuneration Committee, ensures that formal and transparent procedures are followed, especially in terms of PIC's remuneration policy and other labour relations matters. [Intervenues].

ADV J LUBBE SC: Can I just again interrupt. We will present more detailed evidence regarding the working of this Committee, especially with the view of the terms of the reference of the Commission where there are - The Commissioner is required to look into this alleged unfair salary increases, payment of bonuses incentives, *et cetera*.

MS WILNA LOUW: And if I can also mention there, under the Human Resources and
20 Remuneration Committee, all of the Members there are also Non-Executive Directors. No Executive Director are a Member of the HRRC. Information Communication and Technology Governance Committee, the – If I may, I am going to refer to it as the ICTGC, is constituted in terms of Principle 12 of the King Report with its focus being on Information Technology Governance and Information and Cyber Security. Here we have got 4 Non-Executive Directors and 1 Executive Director. The Investment

Committee provides an oversight and decision making on investment activities and is chaired by a Non-Executive Director as well.

Then we have established Fund Investment Panels as Sub-Committees off the Investment Committee. The Fund Investment Panels have the authority to deliberate and make investment decisions on unlisted investments including properties or real estate in accordance with the approved Unlisted Investments DLA. The Property Investments DLA and approved Private Placement Memorandums. The Fund Investment Panels further act in accordance with and subject to the authority directives and requirements that may be laid down by the Board and the IC. The Property Fund
10 Investment Panel assists the Investment Committee with oversight or direct and indirect unlisted property investments. The Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel assist the Investment Committee with oversight of unlisted Social and Economic Infrastructure Investments and the Private Equity Sector and Small Medium Enterprise Fund Investment Panel assists the IC with oversight of the Private Equity Sector and Small Medium Enterprise Fund Investments. All of these Fund Investment Panels consist of the majority of Non-Executive Directors and the only other membership is the Chief Executive Officer.

Then we have provided a schematic illustration off the Board of Directors and how the different Committees fit into the Board. The Executive Committee: The
20 CEO is responsible for the day to day management of the PIC in line with the Board approved delegation of authority framework and a strategic direction set by the Board. The CEO is assisted by an Executive Committee or EXCO whose functions is to assist the CEO in effectively discharge his or her statutory duties in managing the PIC. THE EXCO is governed by all applicable laws as well as approved terms of reference and the delegation of authority. The EXCO comprises the following members. The Chief

Executive Officer who is the Chairman of the Committee. The Chief Financial Officer, the Executive Heads - Research and Project Development, the Executive Heads - Impact Investing. The Executive Head - Private Equity and SIPS. That is Structured Investment Products. The Executive Head - Property Investments, Executive Head - Listed Investments. The Executive Head - Investment Management. Executive Head - Human Resources, Executive Head – Legal Counsel Governance and Compliance and the Executive Head – Information Technology.

Then there are a couple of permanent employees or permanent invitees to the EXCO meeting. They do not form part of the quorum and they have no decision making powers. That is the General Manger – Finance. The Executive Assistant to the
10 CEO. The Head of Internal Audit. The Head of Corporate Affairs and the Company Secretary.

The EXCO has established a number of Sub-Committees in line with the investment strategy to instil a culture of compliance and good governance and to ensure that the PIC’s governance process and affairs are conducted with accountability, transparency, fairness and prudence. Each Sub-Committee operates in accordance with an EXCO approved terms of reference. The delegation of authority and the approved policies.

ADV J LUBBE SC: I note that there is a word missing in 6.8.4. Can I take it that
20 integrity is also included in that?

MS WILNA LOUW: That is true Mr Commissioner. The first Committee is the Information Technology and Risk Committee. The Committee provides oversight of IT - Information Technology related activities of the PIC as recommended by the King Report and ensures that an appropriate enterprise risk management framework is in place and operates effectively. This Committee reports through the Executive

Committee to the Audit and Risk Committee, the Social and Ethics Committee and the ICTGC Committee.

Then we have got the Finance and Valuations Committee that reviews the input, assumptions, valuation and methodology and calculates fair values of listed and unlisted investments for reporting to clients. The Committee also submits the valuations to the Investment Committee for approval.

The Employment Equity Committee. The EXCO recognises that from a business and transformation perspective, it is important to entrench employment equity in the work place and to comply with the requirements of the Employment Equity Act
10 1998.

COMMISSIONER: My colleague has a question here.

MR EMMANUEL LEDIGA: Just in terms of the Finance and Valuations Committee, is it a self-standing Committee or is it within the various departments, you know, when people do valuations . I do not know if I am clear.

MS WILNA LOUW: Mr Commissioner, if I can just – If you say a standing Committee or in the different departments?

MR EMMANUEL LEDIGA: *Ja*, so is it a shared [Indistinct] environment. Is there [Indistinct] or valuations are coming within the [Indistinct].

MS WILNA LOUW: Okay. Mr Commissioner, the Valuations Committee consists of the
20 different Executive Heads as well as Finance, but the PIC has independent external service provider who value all PIC investments, so it is not done... It is done internally by the risk department and the different investment departments, but the final valuation by the external valuers which is then presented to our Investment Committee. First to the Finance and Valuations Committee, then it is presented to our Investment Committee and then to the different clients.

MR EMMANUEL LEDIGA: So if you have to invest in a Company, [Indistinct]. If you have to invest in a company, the final valuation, where does it come from?

MS WILNA LOUW: Oh. Okay these valuations are done at financial year end. It is done after PIC has made the investment. When we are going to invest in a company, that valuation is done during the due diligence process which will be explained later on by the Executive Heads in Investments, but that valuation is not going through the Finance and Valuations Committee.

MR EMMANUEL LEDIGA: The year-end valuations are the ones that are done in this Committee.

10 **MS WILNA LOUW**: In this Committee. That is correct.

MR EMMANUEL LEDIGA: Individual valuations are done somewhere else.

MS WILNA LOUW: That is correct.

MR EMMANUEL LEDIGA: Alright. Thank you.

MS WILNA LOUW: To continue with the Employment Equity Committee, the Employment Equity Committee derives its mandate from constituencies and relevant labour legislations and the membership is 2 co-Chairpersons. One representing management and one representing the employees. Then we have appointed 4 employer representatives, 4 employee representatives and we have 1 representative from differently abled people on the Committee.

20 The Portfolio Management Committee for unlisted investments, is responsible for the oversight of implementation of PIC's investment strategy for unlisted investments and its approval of unlisted investments, including properties in line with the delegation of authority for unlisted investments and for property investments as well as approved policies. The Membership of this Committee is all Executive Heads and the Chief Investment Officer and the Chief Financial Officer.

The Portfolio Management Committee for listed investments is responsible for oversight of implementation of PIC's investment strategy for listed investments, approval of listed investments in line with the DOA and listed investments and approved policies. This Committee also looks at listed properties.

ADV J LUBBE SC: If I can again intervene. If the Commission will just make a note. These are two very important Committees that will be more fully explained when we deal with specific investment.

MS WILNA LOUW: Then we have got the Asset Allocation Committee. The Asset Allocation Committee was established in 2017 with the responsibility to determine and
10 implement the tactical asset allocations strategic investment approach or framework for listed, unlisted and property investments, adopted by EXCO. Part of the Asset Allocations Committees responsibilities is the screening of unlisted investment proposals received by the PIC through a deals screening task team. Before submission to the Portfolio Management Committee, unlisted investments for consideration to proceed to the due diligence phase to ensure alignment to investment strategy.

The Membership of the Asset Allocation Committee are very broad and comprises a variety of employees at different levels within the PIC. It includes the deal teams, the Executive Head of Research and Project Development is the Chairman of this Committee. The Chief Executive Officer and the Chief Financial Officer are
20 members as well as the Executive Heads for the listed departments like Listed Investments, Investment Manager, Private Equity and SIPS, Impact Investing Property Investments. The Executive Head of Risk are also a Member to look after and to ensure that the risk is taken into account during the deliberations. The Head Economic Research, Head Investment Projects, the Senior Specialist, those are all the people who basically receives the investments and then work further on the investments.

Then it is just the schematic, again off the EXCO with the different Committees. How each one fits in and how it is divided between PIC corporate and assets under management.

ADV J LUBBE SC: Carry on.

MS WILNA LOUW: Conflict of interest. Conflict of interest means any situation in which the PIC employee's representatives, key individuals or a Director has an actual or potential interest that may in rendering a financial service to a client influence the objective performance of their obligations towards such a client. Prevent the PIC as provider, representative key individual or Director from rendering an unbiased and fair
10 financial service to that client or from acting in the interest of that client, including but not limited to a financial interest, an ownership interest and any relationship with a third party.

A conflict of interest may be actual, perceived or potential as outlined below. An actual conflict of interest occurs when there is a conflict between a Director's official duties and their responsibilities in serving the PIC's interest and their personal interest. A perceived conflict of interest occurs when a reasonable person, knowing the facts would consider that a conflict of interest may exist and the potential conflict of interest occurs where a Director has a personal interest that could conflict with their official duties in the future.

20 Please note that even though the following process refers to Directors, the process applies to all PIC employees, representatives, key individuals and the Directors. The only difference is that the Directors submit their declarations to the Board through the office of the Company Secretary, while the PIC employee's representatives and key individuals submit their declarations to the Executive Head of Human Resources.

MS GILL MARCUS: Do Board Members also submit conflict of interest statements and declarations?

MS WILNA LOUW: Yes. Through your – I am coming to that part now Mr Commissioner. Where a conflict of interest has been identified, full and timely disclosure in writing of any conflict or potential conflict relating to Directors must be made to the Board through the Company Secretary. The Board requires full transparency about the nature and details of any actual perceived or potential conflict of interest.

At the beginning of each financial year, Directors are required to submit a
10 duly completed and signed declaration of interest form, to the Company Secretary. The Company Secretary also obtain the Directorships of individual Directors from the Company and Intellectual Property Commission website.

ADV J LUBBE SC: The Directors of the Board Members.

MS WILNA LOUW: The Directors of the Board Members.

ADV J LUBBE SC: Just with regard to the question posed, one of the Members. Mr Commissioner, the reference to Directors here is a reference to Board Members. Perhaps we must just make that clear.

MS WILNA LOUW: In addition to the annual declaration of interest, when there is a change in the responsibilities within the PIC or in their personal circumstances,
20 Directors are required to disclose in writing any relevant, new or additional information about those interests as soon as possible.

Where an actual or perceived conflict of interest cannot be avoided, Directors must take the appropriate steps to manage the conflict. The Company Secretary is responsible for receiving and ensuring the confidentiality of all disclosures and for ensuring that any actual or perceived conflict of interest is avoided or effectively

managed.

ADV J LUBBE SC: If I again interrupt here Mr Commissioner. To sum this up, Ms Louw, would it be correct to say, annually the Chairperson and all members sign a declaration of interest.

MS WILNA LOUW: That is correct.

ADV J LUBBE SC: And then at every Board Meeting, they sign a declaration of interest again.

MS WILNA LOUW: That is correct.

ADV J LUBBE SC: And when they sit in other Committees, with officials of the PIC,
10 they again sign declarations of interest there?

MS WILNA LOUW: That is correct.

ADV J LUBBE SC: Thank you.

MS WILNA LOUW: In meeting management, the Board and Board Committee meeting dates are aligned as far as possible to the provisions of the Board Charter and the terms of reference of each Committee and to the annual work plan of the Board and Board Committees.

Meetings in addition to those scheduled maybe held with approval of the Chairman of the Board or Board Committee, EXCO or EXCO Committee or at the request of the Chairman of the Board or Board Committees or the Chairman of the
20 EXCO for EXCO Sub-Committees. All members must receive fair and reasonable notice of such a meeting outlining the matters to be discussed and must acknowledge receipt of the notice of the meeting.

The Company Secretary checks and confirms quorum with the Chairman before the meeting starts. Upon commencement of the meeting, an attendance register is circulated and signed by all members and the declaration of interest register is

circulated and signed by all the attendees. Where a conflict of interest situation is identified, the relevant Director or attendee is required to declare the conflict or perceived conflict of interest at the beginning of the meeting and where possible before the meeting. The Director or attendee must recuse him or herself from the discussions or decisions in respect of the existing conflict or perceived conflict of interest. They are not allowed to vote on the decisions in respect of the existing conflict or perceived conflict of interest and the relevant Director may be restricted from accessing documentation in respect of the existing conflict or perceived conflict of interest, pending the Board's resolution or decision regarding the conflict of perceived conflict of
10 interest.

Since December 2017, all discussions at the Board and Board Committee Meetings are recorded, including the *in camera* discussions.

Now we come to the Investment Philosophy. I am just going to briefly focus on the Investment Philosophy because the Executive Heads Investments will elaborate more on the Investment Philosophy during their presentations here.

The PIC Investment Philosophy is underpinned by two broad objectives, namely, generating financial returns and sustainable environment social governance impact. Together these objectives are called the 'fresh approach'. It is a smart way of making investment decision to yield a green alpha.

20 **ADV J LUBBE SC**: It was quite a surprise to me Mr Commissioner to hear about a 'green alpha'. Perhaps the witness will explain that to the Commission.

MS WILNA LOUW: Through you Commissioner, 'green alpha' is where we are – Although we are striving investment returns for our clients, we also need to take into account the sustainability and the environmental and governance, when then bring in the green part of it, where we say, we look at the environment and even though we can

perhaps make a great financial return if the green, the environment are not conducive for or good for the South African citizen, then we would rather look at ways to improve the environment and then perhaps release the alpha. Make the alpha more greener so that we can say alpha is green.

ADV J LUBBE SC: Again Mr Commissioner, if I can interrupt. This is all in alignment with King IV, that you must take into account, social impact, environment, *et cetera*.

MS WILNA LOUW: And this is in a laywoman's language what I have tried to explain that. Then we have got the schematic diagram off the investment philosophy. The PIC's Investment Philosophy is anchored on the following key principles: The Financial
10 Return to generate excess returns for the clients above their stipulated benchmarks and to invest directly into the economy through developmental and impact investments.

This is premised on the following. Given the size of PIC's assets under management, South Africa's GDP growth is critical for the growth of the institutions as it's – We cannot grow our assets without having an impact on the South African GDP and the South African GDP cannot grow if our assets are not growing. Investing not only on the Johannesburg Stock Exchange (JSE) but directly in the economy across various sectors to stimulate growth while generating returns and contributing to the broader social economic transformation of the country is very important.

The second key anchor, is the Environmental Social and Governance. This
20 anchor is critical in ensuring the long term sustainability of the returns generated.

COMMISSIONER: I am sorry. Where are you reading from now?

MS WILNA LOUW: So this is the – I am trying to explain the diagram.

COMMISSIONER: *Ja.*

ADV J LUBBE SC: It is not in writing in the statement before you Mr Commissioner.

MS WILNA LOUW: We believe in investing in Companies that take measures to

protect the environment, are socially responsible and have good corporate governance and then some of the other pillars are risk managements, diversification, the time horizon, market efficiency, valuation and analysis and cost.

All transactions are subject to various board approved policies as well as ESG frameworks and policies, all of which are based on international best practice and are aligned with applicable legislation and regulations. The delegation of authority framework delegates responsibilities for different transactions to a variety of role players across the PIC and also outlines the powers of the Board. the Board Committees and those of the Executives. The PIC has implemented a rigours due
10 diligence process which any transaction worth pursuing is subjected to.

This process includes, but is not limited to independent risk assessment, financial due diligence, technical assessment, legal due diligence, environmental social governance due diligence as well as commercial due diligence. Where there is a lack of internal capacity, these are outsourced to external service providers and experts. The various PIC support functions assist with post investments monitoring, value add and reporting throughout the investment tenure until exist.

ADV J LUBBE SC: If I again may interrupt Mr Commissioner, if you can just make a note. The next witness will be in detail with these aspects.

MS WILNA LOUW: The current PIC Approval Committees that preside over the
20 investment considerations comprises the Portfolio Management Committees, the Fund Investment Panels, the Investment Committee and then the Board. The Board, Board Committees and EXCO Committees all operate in accordance with approved terms of reference, the delegation of authority and approved policies.

In Assets under Management, the PIC is one of the largest asset managers on the African continent in terms of Assets under Management. The total assets under

management as at 31 March 2018 was 2.08 trillion rand, having grown by 155 billion rand, compared to the previous year. This reflects the combined and separate mandates of each of PIC's clients.

ADV J LUBBE SC: Mr Commissioner, perhaps I can just intervene again. It is mindboggling figures and for people not in the financial world, how many billions is a trillion?

MS WILNA LOUW: That I do not know.

ADV J LUBBE SC: There is assistance from the back. It is one thousandth billion is a trillion. I cannot understand it, but for the record, that is the answer.

10 **MS WILNA LOUW:** PIC Clients. Each of PIC's clients has specific investment objectives, expressed in the investment mandate given to the PIC to execute. These client investment mandates are based on actuarial assets and liability statistic and approved by the Financial Sector Conduct Authority. Below is the list of the PIC's clients.

ADV J LUBBE SC: Can I just interrupt again. Ms Louw, can you please just explain to the Commission, why these people are your clients and how did it come about that they became your clients?

MS WILNA LOUW: Okay. Some of these clients, as I mentioned previously are in terms of the legislation, they are investing with the PIC, but the PIC has also in 1984
20 when we took over the Public Debt Commissioners, inherited some of the clients which are small clients and some of them has like R10 000 000 invested with the PIC.

COMMISSIONER: Does the PIC go out to look for clients?

MS WILNA LOUW: PIC does go out to look for clients. In terms of our Act, the Minister can give us that authority, but at this stage, we did not go out and look for clients. We do not have any client that did not come or does not invest with PIC in

terms of legislation.

MR EMMANUEL LEDIGA: With these clients, how often do you negotiate the fees, with these clients and are the fees very different from one client to another?

MS WILNA LOUW: Yes the fees are different in terms of the different portfolios, but for our three major clients, which is the Government Employees Pension Fund, the Compensation Commissioner and the Unemployment Insurance Fund, the fees are the same for the different portfolios. We are negotiating the funds on an annual basis and some of them, their mandate will stipulate that the mandate is in place for a certain period, whereafter we will then renegotiate and again the Executive Head - Impact

10 Investments which will present this afternoon, will talk more on the fees.

Our clients are the Associated Institutions Pension Fund. This is now not in terms of the size of. It is just the list of the clients.

ADV J LUBBE SC: In alphabetical order.

MS WILNA LOUW: In alphabetical order. The Broons Research Fund, Compensation Commissioner's Fund, The National Skills Fund [Intervenies].

COMMISSIONER: We have got them in front of us. You do not have to go through each and every one of them.

MS WILNA LOUW: It is fine. Thank you Mr Commissioner. In the asset classes, the diagram below depicts the asset class composition of the portfolio as at 31 March 2018.

20 Each asset class is indicated in the table below and is aligned with PIC Investment Philosophy. The percentages there is as a percentage of the assets under management. The asset classes are divided between listed investments and unlisted investments. In listed investments, we manage 39.94 percent of the assets under management internally. The listed fixed income, that is managed internally, is 33.20 percent of assets under management. Then the cash and money markets is 5.38

percent and then we have also got externally managed funds, which is 9.32 percent of the assets under management.

The global listed equities is 4.38 percent. Global listed bonds 0.99 percent and Africa listed investments is 0.86 percent of the assets under management.

ADV J LUBBE SC: Just to assist The Commission, when you talk about global listed bonds, who will be a client there?

MS WILNA LOUW: The global listed bonds will be for instance being Eskom, Transnet, the IDC, Sanral is also – The unlisted investments is Private Equity 1.02 percent. Impact Investing 2.35 percent. The properties is 2.26 percent and Africa Unlisted
10 Investments is 0.3 percent of the assets under management.

Combine Insurance and Risk Management Oversight: Effective management of risk is a critical lever and enabler in delivery on the PIC strategy and is integral to good corporate governance. The PIC recognises that it has a responsibility to its shareholder, clients and other stakeholder to manage risk effectively with the aim of protecting the assets under management against undue losses and minimising uncertainty in achieving its strategic objectives.

Risk management is a process that involves the identification, assessment
prioritisation and response to risks affecting the organisation. The management of
identified risks ensure that PIC minimises the probability and impact of negative events
20 and maximises the potential for credible investment opportunities. The PIC has
adopted an enterprise wide approach to managing risk which is embodied in the
Corporation's enterprise risk management framework. This framework codifies the
PIC's approach to identifying, measuring monitoring, reporting and managing risks
throughout the Corporation. In its design the enterprise risk management framework
adopts risk management and govern its principles from the ISO31000 risk management

standard and the King Report.

ADV J LUBBE SC: Can you just explain to the Commission what is the meaning of ISO31000?

MS WILNA LOUW: It is a standard that is issued in terms of Risk Management and PIC adopted that specific standard. It like the King IV that gives certain guidelines. The ISO is also a guideline. The PIC is acutely aware that some risks can never be completely eliminated and constantly evaluates its operating environment to proactively identify and respond to risks. Through this continuous process the PIC identifies risk inherent to the Corporations core activities and adopts controls and business practices
10 to manage these risks with acceptable levels. Evaluation assessment of risk is conducted through bottom-up and top down approaches where risk is reported at management and Board level. The treatment of risk is dependent on the severity level of the impact of the inherent risk to the Corporation. The risk treatment responses which follows from the enterprise risk management framework for the Corporation to consider and manage risk is to accept the risk, reduce the risk, to transfer or share the risk and to avoid or reject the risk.

As a good Corporate citizen, the PIC also subscribes to the principles of the King Report as it relates to the robustness of both the risk management and good governance. The PIC has adopted the principle of combined assurance contained
20 within the King Report and a combined assurance, PIC follows the three lines of defence methodology which is shown on the next page. The PIC combined assurance partners comprise of risk management, compliance and internal order departments. Over and above independent internal assurance, the PIC is also overseen by external assurance providers including the external auditors as well as other regulatory bodies.

Then Mr Commissioner, Human Resources and remuneration, the core of

PIC's remuneration philosophy is the need to reinforce and reward excellent performance that supports the values, vision and mission as well as strategic objectives of the PIC. The PIC uses accredited service providers to conduct salary benchmarking so that it remains relevant in the labour markets and to attract and retain top talent in the asset management industry. PIC's remuneration policy, guide and provides the framework for reward practices that enhance the employee value proposition. The PIC subscribes to the total cost to company remuneration structure which consists of total guaranteed pay inclusive of employee benefits that are subsidised, such as medical aid and funeral cover and variable pay which includes a short term incentives and long term incentives. PIC uses the balance score cards, performance management tool to determine individual and corporate performance. PIC's total personnel cost and the achievement of the corporate balance score card determine the distributable incentive pool and all governance processes have to be observed before pay out. Once the Board sets the overall entity incentive pool the PIC goes through a structured process to ensure that individual allocations are in line with the formula contained in the remuneration policy.

This process entails the following steps: The Board determines the incentive pool. Managers assess individual performance against individual objectives and in line with PIC's corporate balance score card and values. Consistency checks are conducted at entity, business unit or functional level through a moderation Committee. The Human Resources and Remuneration Committee reviews and recommence the incentive pool for corporate and senior management to the Board, based on achievement of performance objectives. The total incentive pool is then approved by the Board based on PIC's financial performance. Incentives for EXCO Members are approved by the Shareholder and the internal audit department audits all

the calculations before payment of incentives. Thank you Mr Commissioner.

MR EMMANUEL LEDIGA: One question. The bonus pool or the – Are there two types. One for the Executives and one for the normal employees or is it just one bonus pool.

MS WILNA LOUW: It is just one bonus pool sir.

MR EMMANUEL LEDIGA: And the first part will be determined by the Board for the Executive and the second part?

MS WILNA LOUW: No, the first part – The entire bonus pool are determined by the Board and then the Board approves the pay-out for the employees, but the Executives
10 must first go to the Shareholder. The Shareholder approves the rating and the payments to the Executive Directors, but our Executive at Human Resources will also elaborate more on that sir.

ADV J LUBBE SC: Mr Commissioner, this is the evidence of the Acting Secretary. It sets the framework and we will proceed this afternoon with more detailed evidence on other aspects covered already in this statement by the witness. I have arranged for the next witness to be available at 14:00. Will it be a convenient for The Commission to adjourn now?

COMMISSIONER: *Ja*, I just have one question before we adjourn. Paragraph 1.5 of our terms of reference says we have got to investigate whether the approved minutes
20 of the PIC board regarding discussions of any alleged impropriety referred to in paragraph 1.1 are an accurate reflection of the discussions and the Board resolution regarding the matters and whether the minutes were altered to unduly protect persons implicated and if so, to make a finding on the persons responsible for the alterations. In a file that I received at the beginning of The Commissions life, there is a copy of minutes of the Public Investment Corporation, special *in camera* Board meeting held on

Friday 29 September 2017 at 09:00. There is another copy. This is – Or rather this copy that I have in front of me here has lines that have been cross and there are two other copies without any lines crossed. Can you explain what has happened there?

ADV J LUBBE SC: Mr Commissioner, thank you for mentioning that. This witness can in detail assist The Commission on the recording of proceedings of the Board, the typing of minutes, correction – May I with your permission then lead her on that aspect. It is not in her formal statement, but she – I have consulted with her and she can assist The Commission.

COMMISSIONER: Yes. Do you prefer that – To do that this afternoon?

10 **ADV J LUBBE SC**: Mr Commissioner, I can do it now or otherwise after 14:00. I am in your hands.

COMMISSIONER: I think we can do it now.

ADV J LUBBE SC: Thank you Mr Commissioner. Ms Louw, can you just explain to The Commission who takes minutes at Board meetings?

MS WILNA LOUW: It is myself and the Company Secretaries.

ADV J LUBBE SC: And you have already testified that the proceedings are recorded.

MS WILNA LOUW: That is correct sir.

ADV J LUBBE SC: Now, how do you prepare the minutes of a meeting? Can you just explain to The Commission?

20 **MS WILNA LOUW**: Specifically a Board Committee, we are attending the Board Committee. Myself and the Company Secretary. Then from December 2017, we started to record the *in camera* meetings as well. Prior to that the *in camera* meetings were not recorded and then after... During the meeting, I will take notes and then after the meeting compile the minutes. In *in camera* meetings like the one on 29 September with the Company Secretary was attending that *in camera* meeting, the meeting was

not recorded. She took notes and she then gave her notes to myself and to the assistant Company Secretary to type the minutes – To start preparing the minutes from her notes. After that we gave the draft to her. She then changes the minutes in line with the discussions which she made and could remember from the Board Meeting on that day. The changes she gave back to us so that we can change it and depending on who of us work on that specific minute, it differs. Some of us would do the track changes. Others will just change it.

ADV J LUBBE SC: Okay, if I can start with a normal Board meeting. You will be present at the Board Meeting.

10 **MS WILNA LOUW:** Yes.

ADV J LUBBE SC: And you will type the minutes from the recording and the notes of that meeting.

MS WILNA LOUW: That is correct.

ADV J LUBBE SC: The final product typed will go back to the Board for approval.

MS WILNA LOUW: Yes.

ADV J LUBBE SC: Is that the normal process?

MS WILNA LOUW: *Ja.*

ADV J LUBBE SC: Alright. With regard to *in camera* meetings, I understand then the officials of the PIC are then asked to leave the meeting.

20 **MS WILNA LOUW:** That is correct.

ADV J LUBBE SC: But only the Board Secretary will then remain. Is that correct?

MS WILNA LOUW: The Company Secretary.

ADV J LUBBE SC: Sorry the Company Secretary will remain.

MS WILNA LOUW: That is correct.

ADV J LUBBE SC: She will then take notes of the meeting.

MS WILNA LOUW: That is correct.

ADV J LUBBE SC: And that notes will then be given to you to prepare minutes?

MS WILNA LOUW: That is correct.

ADV J LUBBE SC: The draft minutes prepared by you will then go back to the Company Secretary.

MS WILNA LOUW: Yes.

ADV J LUBBE SC: For corrections and those corrections will come back to you or your colleague for finalisation and that again will then go back to the Board for approval.

10 **MS WILNA LOUW**: To the board for approval.

ADV J LUBBE SC: I hope that assists your Mr Commissioner.

COMMISSIONER: I suppose it does, but looking through the minutes or the set of minutes where lines have been drawn through lines, what does one do with that? Do I say this is what was said in the meeting and later deleted so that the minute – The final minute does not reflect what – Where a line has been drawn through?

MS WILNA LOUW: Through you Mr Commissioner, the final set of minutes is the minutes which is signed and approved by the Board. The – All the previous sets of minutes are just draft minutes and they have got no legal standing until they are approved and signed by the Chairman of the Board.

20 **ADV J LUBBE SC**: And will the final approved minutes have manual corrections on it or would it be a complete corrected minutes.

MS WILNA LOUW: It will be the complete corrected minutes, but if a Director, after the minute has been signed, if there is then an attestation or a dispute about the correctness of the minute, it may be corrected legally with the hand – manually but then the Chairman must sign by it. The Directors of course has the authority to change the

minutes before approval. They can provide the Company Secretary with input which we will then effect if we are in agreement with that and then at the Board it will be approved.

COMMISSIONER: Just for clarity, you see there are certain minutes where there have been lines drawn through lines in the minute, consist of about nine and a half pages and the minute that I see was signed by the Chairman on 1 December 2017 has about seven and a half pages. Does that tell me that certain matters or certain things that were said are contained in the almost 10 page minute which were then left out and left the minutes with seven and a half pages?

10 **MS WILNA LOUW**: Yes Mr Commissioner, you are correct to say that, but it is still the Board's prerogative to say let us rather concise certain discussions in a small summary and only include a small summary of what was said and not basically verbally.

COMMISSIONER: So in order for one to have a clear view, is that you read both and you see whether there are things left out in the final minute or not? Am I correct there?

MS WILNA LOUW: You are correct sir, but the draft minutes are normally only for the PIC. It is not for other people. It is not public.

ADV J LUBBE SC: I think Mr Commissioner, if I can assist. Do you know of any instance where Board minutes were changed and the final product not reflecting what was actually discussed at the Board Meeting? Have you any evidence or proof of that.

20 I think that is what The Commission is looking for?

MS WILNA LOUW: Through Mr Commissioner, no. I do not have any evidence that the final minutes was not a true reflection of the discussions.

UNKNOWN MALE: [Indistinct].

COMMISSIONER: At 14:00.

ADV J LUBBE SC: The next witness will be ready at 14:00 Mr Commissioner.

COMMISSIONER: The sitting will then adjourn until 14:00.

ADV J LUBBE SC: Thank you.

COMMISSION ADJOURNS

COMMISSION RESUMES

ADV LUBBE SC: Thank you Mr Commissioner, the next witness is Mr Roy Rajdhar, he will also be assisted with some of the documentation by Silo Mkwale, next to him and he is ready to be sworn in.

COMMISSIONER: Do you have any objections to taking the oath?

MR RAJDHAR: No.

10 **COMMISSIONER**: If not do you swear that the evidence you are about to give will be the truth, the whole truth and nothing but the truth? Raise your right hand and say so help me God.

MR RAJDHAR: So help me God.

COMMISSIONER: Thank you. You may be seated.

ADV LUBBE SC: Thank you Mr Commissioner, can I again also to be seated during the questioning?

COMMISSIONER: Yes indeed.

ADV LUBBE SC: Thank you. Mr Rajdhar, you have also informed me that it is your first time.

20 **MR RAJDHAR**: Yes.

ADV LUBBE SC: Where you testify before a Commission of Inquiry or for that matter in any court of law. You are English speaking. You are comfortable to testify in English?

MR RAJDHAR: Yes.

ADV LUBBE SC: Thank you. Can you start off by telling the Commission who you

are, when were you employed by the PIC and what exact portfolio you are handling at the PIC?

MR RAJDHAR: Okay thank you Mr Commissioner and members, my name is Roy Rajdhar, I was employed by the PIC on 1 October 2009 and have been in its employ since then with uninterrupted service, holding various titles entailing responsibilities aligned to those roles, and currently employed as the executive head of impact investing, and report directly to the chief executive officer of the PIC.

My qualifications, a bachelor in accounting science; a postgraduate diploma in accounting, which is the certificate of theory in accounting; higher diploma
10 in tax law and certificate in advanced company law. I qualified as a chartered accountant in 1991.

I am going to provide, I have been requested to provide information on the investment process insofar as it relates to unlisted investments, but prior to that I would just like to give a background before I start in the process.

[Indistinct] investment portfolio, whose process I am going to describe in here consists of three divisions, the private equity division, the impact investing division and unlisted properties division. I understand that the unlisted properties division will submit a separate statement confirming the investment process related to it, therefore this statement relates to the investment process insofar as it relates to
20 private equity and impact investing.

ADV LUBBE SC: Can you, before you proceed just elaborate on exactly what is meant by private equity and impact investing and what is understood by unlisted properties?

MR RAJDHAR: Okay so the essential distinction is in private equity predominantly you are dealing with transactions where there is an exchange of shareholding from

one person to another. So it usually does not involve a financial impact on the company but rather just a change in shareholding. On the impact investing side it will deal predominantly with start up investments or expansions, so where the funds will flow into the company. So it is going to impact on the financial position of the company.

Now unlisted properties would deal with investment in properties, which the executive head of properties will deal with later on in this week, but it will comprise investments in for example the retail properties office, you could have specialised properties as well. So that will be typically the – what would fall in
10 unlisted properties division.

ADV LUBBE SC: Thank you.

COMMISSIONER: Here is a question here.

MALE: Two questions, do you have a separate head of private equity in impact investing or are you the overall head of those divisions and second one, just come again on the private equity side, just explain it again please.

MR RAJDHAR: So there are heads, there is a separate executive head for private equity, there is a separate executive head for impact investing, but however, in terms of process they follow the identical process. They go to the same committees. Everything is identical, hence it has been dealt with as one.

20 **MALE**: And you are the head of those two areas?

MR RAJDHAR: No, I am the head of impact investing.

MALE: Oh.

MR RAJDHAR: I have another colleague who is the head of private equity.

MALE: I get you, okay, alright.

MR RAJDHAR: So typically on private equity you would have a transaction for, as

an example you will have a BEE transaction where a BEE party wants to buy into the ownership of the company, so it will just be a sale of shares between the one party to the other. It would not have an impact. That – but that is predominantly what it is but of course you could have a situation where money is entering the company where let us say for example a fresh issue of shares is done by the company, to which a BEE party subscribes, that would happen but predominantly it is the exchange of shares.

MALE: I get you, alright good.

MR RAJDHAR: So in terms of the – some context for private equity and impact
10 investing divisions, the PIC has entered into investment mandate agreements with its clients. My colleague Wilna earlier mentioned, so for example a GEPF, Unemployment Insurance Fund and the Compensation Commission, broadly the mandate covers listed equities, listed fixed income, securities, cash and money markets, unlisted property, unlisted equity and unlisted debt. The private equity and impact investing divisions cover the unlisted debt and unlisted equities portion of the mandates that we receive from clients.

I have mentioned a broad distinction between private equity and impact
investing. The private equity and impact investing divisions follow a similar investment process or actually identical investment processes, and are guided by the
20 provisions of the relevant client mandates.

Transactions conducted, concluded by the private equity division and impact investing division would be dealt with through the following committees, the asset allocation committee, which includes a deal screening task team, which I will elaborate on later, a portfolio management committee unlisted investments, a fund investment panel that would deal with social and economic infrastructure and

environmental sustainability project, a fund investment panel that will deal with private sector, priority sector and small and medium enterprises.

If just for the sake of simplicity if I can make the distinction between those [indistinct] investment panels, one basically deals with infrastructure and the other deals with non infrastructure. Then we have an investment committee and a social and ethics committee. I will go through the membership of the different committees, the members of the asset allocation committee includes the following, the executive head research and project development who is the chairperson of the committee, the executive head of risk, the chief executive officer, the chief financial
10 officer, all executive heads, general managers and fund principles of investment divisions. The head of economic research, the head of investment projects and the senior manager enterprise wide and operational risk.

Then the members of the portfolio management committee of unlisted investments includes the following, the chief executive officer who is the chairperson, the chief financial officer, all executive head of investment divisions except the executive head of listed investments. Executive heads of the following divisions, risk, legal, research and project development and investment management.

ADV LUBBE SC: Can I just briefly interrupt here Mr Commissioner, just to emphasise on this committee there is no board member sitting.

20 **MR RAJDHAR**: That is correct, it is made up completely of management. The members of the fund investment panel, the majority of which are non executive directors, includes the following, a PIC non executive director as chairperson of the committee. There will be other PIC non executive directors, the chief executive officer, the chief financial officer.

The members of the investment committee, the majority of which are non

executive directors includes the following, a PIC non executive director as chairperson, which at the moment is the deputy chairperson of the PIC, other PIC non executive directors, the chief executive officer, the chief financial officer.

Just to note that chairpersons of the fund investment panel are members of the investment committee. The members of the social and ethics committee includes the following, three non executive directors, one of which is chairperson. The chief executive officer, the chief financial officer.

I need to point out that these committees reflect the current status and the composition therefore has changed over a number of years. There are
10 circumstances where proposals or investment proposal will be referred to the PIC board, the social and ethics committee and/or the client. There are various instruments in place which provide a framework for undertaking unlisted investments, these include the client mandate, policies, processes, guidelines, delegation of authority and governance structures.

In terms of the investment process, there was a description of the investment process and it relates to private equity and impact investing division of PIC. It will make reference to certain committees in certain instances below. It is suggested that the investment process be read in conjunction with the terms of reference of the relevant committees of PIC as well as the delegation of authority
20 insofar as it relates to unlisted investments.

It must be highlighted that this process has been tabled at different instruments of government such as the standing committee on finance, the standing committee on public accounts, the public protector, the auditor general of South Africa. It may have taken different forms such as in the form of a PowerPoint presentation, a full text document like this one.

ADV LUBBE SC: Is what you are saying, with your leave Mr Commissioner, that this whole process has been presented to these, into the standing committee of finance and auditor general etcetera, and met with their approval?

MR RAJDHAR: Yes it has met with their approval. So if we start with – now if we take a particular transaction, so you have an application, so the PIC will receive applications for finance through various means which could include the following, unlisted, unsolicited applications, compliance for their advisors, these would come to PIC to the extent that it lands on the desk of divisions other than the private equity and impact investing divisions. It will be referred to the private equity and impact
10 investing division. It will be – it could be through deal origination, directly by PIC investment professionals. It could be referrals by other funding institutions. Deals could come through strategic partners with whom PIC has concluded memorandums of understandings such as the Industrial Development Corporation and the Developmental Bank of Southern Africa. On occasions certain investments are delisted in which case they come into the unlisted investment portfolio.

Upon receipt of the application by the respective team, an application acknowledgement letter will be prepared and sent to the potential client.

ADV LUBBE SC: Excuse me for interrupting again Mr Commissioner; can you just explain to the Commission the ratio of these deals coming to the PIC? Is it correct
20 that unsolicited applications are the majority of applications coming to the PIC, as I can call it walk-in clients?

MR RAJDHAR: Yes that is true; it is by far the most number of proposals. An initial desktop review of the application is conducted by the investment team. It is tested primarily to ascertain compliance with PIC investment mandate, particularly in relation to meeting financial returns and the level of developmental impact such as

job creation, housing provision and education as well as the nature of the project.

If the application fails to meet the mandate it is declined and the applicant is informed accordingly. If the application, based on a desktop evaluation meets the mandate requirements, the investment team will prepare a deal screening report for submission to the executive head for review, and an approval to submit to the deal screening task team, which is a structure within the asset allocation committee which I referred to earlier.

ADV LUBBE SC: Can I, again sorry to interrupt again, this deal screening task team I believe is quite a new procedure that has been brought into the PIC.

10 **MR RAJDHAR**: Yes Mr Commissioner, that is true. It is a process, our investment process evolves over time and we try to improve where necessary. So this particular task team has been introduced in this latest financial year. So once approval by ...[intervenes].

COMMISSIONER: Just give us a moment, in Section – in the mandate, Section 24 or paragraph 24 if application meets the mandate, I just wanted to know how do you let people know what your mandate is you know? Like if people bring transactions how would they know beforehand whether it meets your mandate you know, or not? Do you communicate that or they have to find out when they come and see you?

20 **MR RAJDHAR**: Thank you, that is communicated via the website where we will state under the different subdivisions of the – within the impact investing division and the private equity division, it will spell out the criteria in there. So once the deal, once approved by the executive head, the deal screening report will be submitted to the deal screening task team via the company's secretariat of the PIC.

At this point in time I would just like to bring to the Commission's awareness that whichever committees I have referred to previously, always

submissions are always done via the company secretariat of the PIC.

Then at the deal screening stage the investment team will make a presentation to the deal screening task team, requesting approval to submit a scoping report to the portfolio management committee of unlisted investments. 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 parts of the due diligence.

The deal screening task team will consider the submission and either approve, decline or refer the submission back to the investment team for further work. If the submission by the investment team is declined, a decline letter with reasons will be prepared by the investment team and signed in line with the delegation of authority as it applies to assets and the management, and accordingly sent to the applicant.

If the submission is approved the investment team, in consultation with other relevant PIC divisions prepare the scoping report for submission to the portfolio management committee of unlisted investments.

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

Then the transaction would move to deal scoping. The investment team will prepare, with inputs from other PIC divisions, the scoping report requesting approval to proceed to due diligence. The scoping report is submitted to the executive head for review and approval to submit to the portfolio management committee of unlisted investments.

This committee will consider the submission and either approve or

decline or request to go to due diligence or refer the submission back to the investment team for rework. If declined the investment team will prepare a decline letter to be signed in accordance with the delegation of authority. If referred for rework, the investment team will revise its initial submission and resubmit an amended document to the portfolio management committee of unlisted investments.

If approved, the application would move to the due diligence stage. Upon receiving approval to proceed to the due diligence stage the investment team will request from the various executive heads of the risk division, legal division and ESG divisions, which mean environmental, social and governance for resources to
10 assist in the due diligence of the proposed transaction.

The investment team will prepare an engagement letter and an indicative time sheet which is reviewed by the legal team before forwarding it to the potential client for review and sign off in line with the delegation of authority.

The engagement letter will include *inter alia* the scope of the due diligence to be covered by the various investment teams and information required for Know Your Client and FICA procedures.

At due diligence stage, depending on whether the investment team or the ESG team or legal and risk teams has internal capacity to conduct due diligence on the transaction, a decision will be made by the respective teams as to which section
20 of the due diligence scope will be outsourced to third party advisors and which section would be done using internal resources.

If the decision is to outsource procurement process will be undertaken to appoint the relevant service providers to conduct due diligence on the transaction on behalf of the respective teams as per the unlisted investment procurement policy and process.

ADV LUBBE SC: Sorry to interrupt again, do I understand correct then, at this stage then the normal supply chain management will apply in terms of the PFMA?

MR RAJDHAR: Through you Chair, that is correct. The respective investment ...[intervenes].

COMMISSIONER: Sorry, tell me when due diligence is done what is actually done? What is being checked?

MR RAJDHAR: Chair can I come to that later? The respective investment teams of the investment management operations team will prepare a request for proposal which will include the scope of the due diligence and furthermore agree on which
10 service providers to be approached from the approved service provider database.

The process will be done in conjunction with the respective investment teams. If there are no sufficient and/or experienced service providers on the approved database, a request for approval to approach service providers outside the database will be prepared, and such request will be approved in line with the delegation of authority.

Once the request for proposal is completed and the required number of service providers have been agreed upon, the request for proposal will be issued by the investment management operations team to the selected service providers. A request for proposal will be accompanied by declarations of interest and
20 nondisclosure agreements.

Depending on the requirements of the request for proposals, service providers will submit proposals in electronic form and/or hard copies to the investment management operations team within the requirement timelines as stated in the request for proposal.

Once received the investment management operations team will convene

an evaluation task team, which will include a representative from the PIC supply chain unit. The proposals will be evaluated in line with the assets under management procurement policy, and the service provider with the highest score will be recommended for appointment.

The approval of a service provider will be done in line with the delegation of authority. Once the approval is obtained an engagement letter will be concluded between PIC and the service provider. The engagement letter must be reviewed by legal division and signed in line with the delegation of authority.

COMMISSIONER: There is a question for you.

- 10 **MALE:** Just a question on one would think that you would probably have an approved supplier list you know, to do the due diligence. I mean do you have that or do you have to go through this thing you know, all the time?

MR RAJDHAR: Thank you Mr Lediga, yes we have a database of service providers where their different area of expertise is captured, things like their capacity and so forth. We allow that database to be completed continuously but every three years I think we have put out in the print media, a request for service providers as well.

- 20 Once an engagement letter is signed, a kick-off meeting is scheduled and held with the appointed service provider for a briefing on the proposed transaction and the scope of the due diligence. Once the appointed service provider has completed the scope of work as outlined in the request for proposal, the service provider will prepare a due diligence report for submission to the relevant investment team.

The investment team will engage with the service provider until the final report is submitted. So whilst that work is being conducted there is continuous engagement so that we ensure all the entire scope of responsibility is discharged.

Once the kick-off meeting is done, the investment team will share all information received from the potential client as per the due diligence checklist with the approved service provider. After this there is a site visit and meetings are held with the potential client.

Now insofar as the due diligence is concerned, the scope of the due diligence will cover a [indistinct] typically it will cover commercial due diligence, a financial due diligence, a technical and operational due diligence, a legal and regulatory due diligence and an environmental, social and governance due diligence. So that is the scope of the due diligence that will be undertaken.

10 From the outcome of the due diligence the transaction structure will be agreed, that meaning how much is allocated between debt, equity or quasi equity type instruments, and the risk division will conclude an independent risk review assessment on each of the due diligence areas that are referred to above. So the risk unit does a credit risk report independent of the investment team.

ADV LUBBE SC: I am sorry again to interrupt, can I take you back to 43. When you say a commercial due diligence can you just elaborate on that? What is meant by that?

MR RAJDHAR: So commercial due diligence would typically include an assessment of the industry, the sector in which it is operating, the subsector, the competitive advantage of the company and those markets, dealing mainly with the market aspects of the transaction.

ADV LUBBE SC: The financial due diligence?

MR RAJDHAR: So the financial due diligence would cover an assessment of the financial performance of the company, the financial condition of the company.

ADV LUBBE SC: Financial statements?

MR RAJDHAR: Ja the financial statements, the cash flow information. It will cover valuations as well as including looking at the assumptions that drive projections that have been submitted.

ADV LUBBE SC: And then lastly technical and operational due diligence, does that look at the structure of the company, whether there are policies and procedures in place, etcetera?

MR RAJDHAR: Yes that will be covered under the operational due diligence. Technical will relate mainly to if we are dealing with a manufacturing type of company and you are looking more from the engineering side.

10 **ADV LUBBE SC**: Yes.

MR RAJDHAR: The plant and so forth.

ADV LUBBE SC: Thank you.

MR RAJDHAR: Then we go over to the deal approval stage, where the investment team will prepare an appraisal report for submission to the portfolio management committee of unlisted investments. The appraisal report will be reviewed and signed off by the executive head of the relevant investment division prior to submission to the portfolio management committee of unlisted investments.

20 Essentially the appraisal report is the investment recommendation by the investment team based on the findings of the due diligence. The appraisal report will be accompanied by independents reports from the environmental, social and governance team, the risk team and the legal divisions, and these reports will incorporate the due diligence findings and the controls to be implemented to mitigate any risk identified during the respective due diligence investigations.

ADV LUBBE SC: Can I again, sorry to interrupt again, I think it is important to emphasise that apart from the appraisal report there are independent reports, totally

independent from the due diligence regarding ESG risk and legal.

MR RAJDHAR: Yes that is true.

ADV LUBBE SC: And just to mention an example for us, if there is a negative report by legal or by risk what will happen? What is the impact?

MR RAJDHAR: Okay so prior to the issuance of the report there will be deliberations between the investment team and the other teams, where they would try to say reach consensus, but if not each team will submit their report independently. That will have to go to the committee and the committee, based on all information available to it, will make a decision. So even if there is a conflicting
10 report between let us say for example the risk division and the investment team, that will be tabled as is to the relevant approving committee.

The portfolio management committee of unlisted investments will consider the submission and either approve or decline or refer the submission back to the investment team for rework. If the submission is declined by the portfolio management committee of unlisted investments, the investment team will prepare a decline letter to be signed in line with the delegation of authority and submit it to the client.

If it does not fall within the PMC, portfolio management committee of unlisted investment delegation of authority, the transaction would be referred for
20 onward submission to the relevant governance committee as per the delegation of authority for consideration. The relevant committee would typically be the investment committee or its subcommittees, namely the fund investment panel.

So at this stage here you would have, for example a portfolio management committee would have a R200 million delegation of authority where it can approve in terms of let us say transactions that are not in the infrastructure

space, but let us say it is more than that then it has to go to a higher committee.

If the proposed transaction falls within the portfolio management committee delegation of authority and is approved by the portfolio management unlisted investments, the investment team will accordingly prepare an approval letter which will be signed in line with the delegation of authority and submitted to the potential client. A 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 the portfolio management committee.

10 After the portfolio Management Committee recommends the proposed transaction to a higher Committee for approval, the same reports modify to the extent necessary based on comments from the Portfolio Management Committee assigned by PIC's Chief Executive Officer and submitted by Company Secretariat to the Investment Committee or relevant Fund Investment Panel. Those Committees will consider the submission and either approve or decline or refer submission back to the investment team for re-work. Again if declined, the investment team will prepare a decline letter to be signed in line with the delegation of authority and sent to the client.

If referred for re-work, the investment team will re-work and re-submit the submissions to the Investment Committee or fund the investment panel for further consideration. If approved [Intervenues].

20 **COMMISSIONER**: Another question here.

MR EMMANUEL LEDIGA: Just to check one or two things. Once a transaction has gone through a due diligent stage, are there times when you decline it or you revise it and if that has happened, what could be those areas where you say we are declining or we are revising this transaction?

MR ROY RAJDHAR: Yes Mr Commissioner, throughout the process at any point in

time, a transaction can be declined if:

1. Let say at the initial stage if new information comes to light that adversely affects our view on the transaction, we can decline it, following due diligence when they also decline a transaction because we would have done a desktop review and limited due diligence, but we have to still value the information that the client represented to us and if we find that it is a material representation that affects the viability of the project or material misrepresentation would cast doubt on the credibility of the client. Then we may decline the transaction.

10 **COMMISSIONER**: Can I just ask – maybe I should be closer. Can I just ask the time between you know the walk in client has come in. They have made a proposal to – Because you seem to be going through Committees and Committees and due diligence and so on. How long does it take to get the final response?

MR ROY RAJDHAR: It is a difficult question, but typically it would not take less than 3 months. Typically. Typically, it would not take less than 3 months, but that also, one must bear in mind that very rarely would you get a client who comes to you. Provides you with all the information you require, so there is a lot of to and fro that goes on, but ones you reach the point of going through the scoping phase, it means that at that point in time, we basically got most of the information, so between that time and approval, it
20 would not take that long, but a lot of time is taken, if you take the entire project phase, a lot of time will be taken bringing it to a point where we have all the information and if we take a transaction which reaches a disbursement, a lot of the time would be taken on the legal process, because typically there is a lot of negotiation happening and then we would always have certain conditions that have to be fulfilled prior to us disbursing, some of which is outside the control of both ourselves and the client, because for

example if you are going to deal with matters that require approval by the Competition Authorities, that takes its own time. We are not in control of that, so that is what can make a proposal long drawn.

COMMISSIONER: Okay. Sorry, another question here.

MS GILL MARCUS: Is there a minimum size, I mean of support, of the company that you are looking at or the request for support. Is there a minimum size that you – Because you have got a separate one for SMME's. Is there a minimum size that you look at?

MR ROY RAJDHAR: Yes, Mr Commissioner. We have a minimum size. It is
10 R50 000 000, however at that – I just want to draw attention to the fact that we want to reach clients that require funding that is significantly lower than that, but in that regard, what we would do is that we would provide a facility to an intermediary who specialises in that particular area, so for example some years ago we had provided a R400 000 000 facility to business partners to on-lend to entrepreneurs seeking funding anywhere from R150 000 to R5 000 000, so there we would like to use a partner to reach those clients. So, once the transaction has been approved, it will move to the negotiation and drafting of legal agreements process. Once approval is obtained from the relevant governance Committee, the legal division will commence with the drafting of the agreements, with inputs from other teams within PIC. The drafting of legal
20 agreements can be either outsourced or drafted using internal resources. If outsourced, the legal team will appoint a law firm following the same procurement process outlined above with regards to due diligence. The legal agreements will be drafted in line with the terms and conditions of the approving Committee.

ADV J LUBBE SC: Can I take that for legal firms, there is also a data base?

MR ROY RAJDHAR: Yes, the legal firms, there is a data base which is periodically

reviewed as well. Once drafted the legal agreements will be signed by the client and the CEO of the PIC or his delegate and the transactional move to the disbursement process. Once both parties have signed the legal agreements, the respective transaction teams led by the investment team, legal team, risk team and ESG team, they will oversee the fulfilment of all the conditions precedent both of a legal and non-legal nature including conditions for disbursement. The legal team will prepare and issue a legal conditions precedent satisfaction letter to the client confirming that all conditions precedent have been met and that the agreements are now unconditional. The condition precedent satisfaction letter will be signed in line with the delegation of

10 authority. The legal and investment team will complete and sign off the checklist once all the condition precedent have been met, the transactional move to the handover process led by the investment management operations team. So once the condition precedent have been met, a handover meeting will be convened by the investment management operations team and all relevant stakeholders. So that is other divisions within the PIC will invited to a handover meeting. The purpose of the meeting is to appraise all the relevant PIC divisions about the transaction, the investment team will make a presentation, focusing on the key aspects of the transaction.

The investment team presents the details of the transaction to the appropriate PIC divisions to ensure a common understanding. Attendance register will

20 be circulated and signed by all in attendance and shall be filed in the disbursement file. Once the handover process is completed, the transaction will move to a disbursement process.

ADV J LUBBE SC: Again, sorry to interrupt. The Commissioner already asked you this. It seems to me to be an extremely elaborate process. In general, what is the average time frame for a normal transaction to be completed, before we start with the

disbursement process?

MR ROY RAJDHAR: Mr Commissioner that it would typically be between 3 months and 6 months though it could take longer than that. If I may explain, for example, if you had to take renewable energy projects which typically are very large projects, so when those type of situations, PIC normally would not make a hundred percent position in the project. We work with other funders, so that also has an impact in terms of the time lines, because you dealing with other finance guys and there is a lot of negotiation that goes on, so that can go up even up to year.

MR EMMANUEL LEDIGA: Would you say that in a transaction of 3 to 6 months, the
10 later part say the 3 months would be more about legal agreements? Would you say that?

MR ROY RAJDHAR: Yes, that is true. It would be more in terms of the legal agreements meeting the conditions, which may include approval of the transaction by regulatory authorities.

COMMISSIONER: Another questions sir.

MS GILL MARCUS: What would you regard as a success rate, if you had to evaluate the project that you have approved and invested in and what is your rough percentage of success and what would you do in the event that you have approved something and it does not work out. Is that just written off? What measure do you take in terms of
20 assessing your own assessments or the issues that you perhaps might not have anticipated? What is your evaluation process?

MR ROY RAJDHAR: I can provide the figures after this, in terms of the actual performance, but if we take inevitably in investing in this space, transactions will go wrong so what happens in those instances is that we will constitute what we call a work out team, so it will incorporate members from different teams as well as with support

from an external service provider who can assist in turn around and we will develop a strategy and a plan to turn around the company. Now failing that, if we reach the point where we think that is no realistic prospect of turning around the company, then we will have to take courses of action to recoup as much as we can from a liquidation process.

So if we move to the disbursement process, post the handover meeting the investment team, assisted by the Investment Management Operations team will prepare the disbursement file. The disbursement file will be prepared in line with the disbursement checklist referred to above. Accompanying the disbursement file will be a disbursement memorandum, requesting approval to disbursements. The disbursement memorandum will be signed in line with the delegation of authority. Once approve the memorandum and the disbursement file will be submitted to investment finance for payment of the funds in line with the memorandum. Once payment is made the Investment Finance Team will forward proof of payment to the Investment Management Operations Team for filing in the disbursement file.

Once disbursed, a transaction will move to the post investment monitoring and evaluation unit. Now here, I would just like to point out that the team responsible for conducting or doing the investment, making the investment, is separate from a team that we call the post Investment Management Team which will actually monitor the transaction to see that it meets all the conditions performing in line with the base case that was submitted to the Committee, so that is also for good control so there is an independent team overlooking the deal that was tabled by the investment team.

MR EMMANUEL LEDIGA: Two questions from there. Post Investment Monitoring. Do you have a framework that you guys use or you mainly put people on the Board of those Companies and they can decide how they will monitor that and how does that monitoring cascade into the PIC? Just as a first question. The second question is,

when an investment is not doing well, has there been a time when you have, for the lack of a better word, pulled the plug on investments, asking back for the debt that you have provided or a liquidation or other things.

MR ROY RAJDHAR: Thank you very much Mr Commissioner, on the post investment side, sorry if you can just repeat?

MR EMMANUEL LEDIGA: Post investment monitoring, do you have a framework for that or you just let people who are on those boards decide how they will monitor this companies?

MR ROY RAJDHAR: Okay. Yes, we do have a framework for the monitoring of the
10 investment. At the same time we do appoint people to the Board, but we realise that in terms of the strict legal implication of it is that the Director has a duty to the Board – To the Company. That is his fiduciary responsibility. It is not to us as the PIC so in addition to that level, post investment management team that will do the work so we are not relying on the person on the Board, because there may be instances where they cannot provide information to the PIC, so we recognise that limitation.

With regards to transactions that have gone under. Yes we have been involved in transactions where we have had to put it under liquidation. We have been involved in that. We have been involved in transaction where we had to be part of a business rescue process as well.

20 **COMMISSIONER**: Just as a matter of interest, because I have done those before. Business rescue. Have you had instances where it has succeeded? If you had any.

MR ROY RAJDHAR: Look on business rescue we have projects at the moment in that. It is too early to say whether it is successful, but I can say is that companies that have gone into distress which were not put into business rescue but where we had intervened on our own, we have several instances of that where it has been turned

around.

COMMISSIONER: Then if we move to [Intervenues].

ADV J LUBBE SC: Sorry Commissioner, can I just come in here. It is important to understand this post investment monitoring and evaluation, is it done internally or is it outsourced?

MR ROY RAJDHAR: Mr Commissioner, the post investment monitoring is done internally where however we move the project into a work out situation including inevitably involved internal people as well as an external service provider and if we deal with the valuations part which was raised by Mr Lediga earlier on and I think Ms Louw
10 indicated more the annual valuation process, but I think you also asked in terms of valuations prior to making the investments, so I must want to clarify on that. Where it is valuations prior to making the investment, that would usually be done by both the internal team as well as appointing an external service provider to assist in the valuation. However just to clarify that where that instance arise, the same firm cannot value the investment at the end of the year. It has to be a different firm doing the valuation.

Then there may be instances where there is repeat funding or a client that we have funded before, would come back for more funding, it will follow the same identical investment process, however due regard is taken at this point in time to the
20 cumulative amount, so for example if the PMC had a R200 000 000 limit, and they approved an investment, say of R150 000 000 and somebody now is coming for another R100 000 000 it will not be approved at that Committee. It will go to the next Committee, because on a cumulative basis it exceeds the delegation of authority of the portfolio management Committee. So that is to avoid a situation where transactions are split in half so that it falls below the threshold.

MR EMMANUEL LEDIGA: A question. This is not linked to this point now, but it is a question of limits. Do you have limits for people bringing transactions, like say, you can bring no more than 3 or 4 transactions or we cannot spend say R10 billion on one person or one promoter. Do you have limits for those kind of things.

MR ROY RAJDHAR: Through you Mr Commissioner, yes we do. So if we – Let us take our biggest client, Government Employees Pension fund, so there we have what we call private placement memorandums or different sectors. So we will have one for energy, one for social infrastructure and so forth, within those private placement memorandums, there will be limits in terms of how much may be invested in any single
10 counter party. It goes beyond that. It will also deal with how much can be invested in a certain sector for example. So those limits are in place, however having said that, we think that there is also room to improve in terms of getting more granular.

MR EMMANUEL LEDIGA: *Ja*, just to be clear, so I wanted to check if there are limits on specific companies or individuals who are promoting transactions to the PIC. Do you have limits for those?

MR ROY RAJDHAR: Yes. For example if we take again on the GEP it is limited to 30% of the committed capital. So let us say we have a private placement memorandum allocation of R10 billion, so it is limited to R3 billion, but a person can do – We do not have a limit in terms of the number of transactions but in aggregate it must not exceed
20 R3 billion. Having said that, in terms of the number of transactions, that we would have to consider during a due diligence process that what is the capacity of this institute. This group, to have multiple projects because they could spread themselves too thin.

We usually will have undertakings with them of what we expect the role to be in the company and what to deliver, so we have to assess their capacity to do that, so there are instances where we have not approved transactions, because we felt that the

capacity, they have been stretching themselves too thin.

MR EMMANUEL LEDIGA: You mean, you do not have hard limits. You have got soft limits. One would say that, because you would look at transaction by transaction and say this grouping cannot take more than 3 transactions. Is that what I am hearing.

MR ROY RAJDHAR: Yes, the only hard limit is the 30 percent, so if we have got an allocation of R10 billion in a particular fund, it cannot be more than R3 billion. They cannot exceed the R3 billion limit in aggregate.

ADV J LUBBE SC: Just to clarify the matter further, when there is a follow on, for repeat funding. Say for instance there was an application for R100 000 000 and then
10 there is another application for another million, that will go exactly through the same process as for the first application.

MR ROY RAJDHAR: Yes. That is true.

MS GILL MARCUS: Can I just try and understand that because I understand the process that you are raising if a company X says we need a billion rand and you do all of that and they come back for another billion. Does that not raise a question as to why would you have not envisaged in your first approach that it is not a billion rand and you need two billion, because otherwise you could be going through the process and agreeing a second billion because it sounds fine, but in actual fact there is a flaw in the thinking because the first billion should have anticipated it was not in a billion amount,
20 so either it made a mistake on the first or it is a growth beyond expectation are in which even it falls into a different kind of category. I mean I would be a little bit concerned or I would just ask is it correct that you just do the same process for a second billion that you did for the first, if you did not anticipate the second billion.

MR ROY RAJDHAR: Yes, what would – I will give you a circumstances where that may arise is where, for example, we would want to see a transaction that is a scalable one.

So, sometimes somebody might come with a request for the two billion. We are not comfortable to give them the two billion. We would rather say, we will give you a billion. Let us see how you perform and then we will consider a further amount. We will also have to take into account, particularly where we dealing with start-up or early stage investments is that rapid growth can also kill the business, so it will be in situations like that – You could have another situation where again when you dealing with start-up, your risk of estimation or miss-estimation is a bit wider because you are trying your best to project what the needs of the Company is and more often than not in a start-up you underestimate its needs then in which case we have to come to re-capitalisation, but it

10 is a – I cannot think of an instance where we should have known that it was true but we did one. I just cannot think of one at the moment.

Mr Commissioner, then if we move to the stage of exit because sometimes in making these investments, particularly in an unlisted space, we would contract to exit at some point and here the portfolio of Management and Valuations team and the Investment Team shall facilitate an exit and jointly they shall prepare submission to the appropriate governance Committees in line with the delegation of authority for approval for exit.

ADV J LUBBE SC: Sorry to interrupt again, that PMV Committee, is that the Committee Ms Louw referred to in her evidence.

20 **MR ROY RAJDHAR:** Through you Mr Commissioner, I think the Committee she referred to is a Finance Valuations Committee. That was a different Committee. So investment exists are governed according to the investment theses as approved by the relevant governance Committee at the time of initial approval and undertaken in line with PIC's asset disposal guidelines and legal agreements. I think in Ms Louw's statement, she referred to the asset disposal guidelines so it sets out the rules and

guidelines under which disposals can be done.

Now the investment process which I have outlined above, represents the current investment process which has evolved over a period of time as a result of continual improvements and enhancements of a number of years. I just want to give the Committee some examples of where the changes have occurred. So maybe perhaps if we say from about 2013 and before that, we had a lot of the approvals were either done at the equivalent of what is called a Portfolio Management Committee. It was then called EXCO Investments and then the rest of the investments were done the Investment Committee. Subsequent to that, we realised that the areas in which we had
10 to be involved in funding are so specialised that we had to create sub-Committees under the Investment Committee. So for example one that deals with infrastructure, one that deals with property and one that deals with the rest, so then we are establish the Fund Investment Panel. At that point we had independent industry experts to sit on those panels. Later on those independent experts, became full members of the PIC Board.

Then in terms of politically exposed persons, we have also improved in terms of the policy in that regard. What do we do. Then following the establishment of the Social and Ethics Committee, what we have done is at any stage of that process, the Social and Ethics Committee can be approached for guidance to the Committee to
20 which the project is serving, notwithstanding that at Committees we have declaration of interest register signed. Later on we decided let us bring a process of declaration much earlier in the process, so that is something else that we have brought in. We are incorporating ESG issues in the investment process as well. So those are some of the things and even going forward, there may be areas where we find that we can improve and that is what we continually strive to do. Thank you.

ADV JANNIE LUBBE SC: What is your understanding of a politically exposed person?

MR RAJDHAR: Well my understanding of a politically exposed person is any person who has been employed in any sphere of Government, including public entities. Then it is people related to those persons, I think it is within two degrees of [indistinct] ingenuity, so that is our understanding, and then it is also people who is known to be politically aligned, I mean based on reports that you see in the public. So we would also consider them to be politically exposed persons.

10 **ADV LUBBE SC:** Mr Commissioner that is the evidence but I mean there is still questions.

COMMISSIONER: There is a question from my colleague here.

MALE: If you can, just a few stats about your division, you know where you are, like in terms of how many transactions do you typically do per annum, what is your decline rate and coming to [indistinct] question on the success rate. Is there a way you could give us that, over time our success rate is a certain percentage and all of that?

20 **MR RAJDHAR:** The declined so – and here I am going to take all applications that we received. So you would find that typically you are going to have more than, I would say 90% would be declined alright, so in terms of the number of transactions we would do in a year, I think between the private equity and impact investing division, I think it will be between ten and 20 transactions in a year that we would conclude.

COMMISSIONER: Success rate roughly, over time?

MR RAJDHAR: I think if we say let us define it in terms of maybe what is the impairment rate. I do not have the figures but I know it will be definitely below 10%.

COMMISSIONER: Yes thank you.

ADV LUBBE SC: Thank you Mr Commissioner, the planning was to deal with these two witnesses today but there was the expectation that we might take longer or that we finish earlier. I do not know until what time you plan to sit but according to plan B, I have a witness available that I expect will not take longer than half an hour. The statement is prepared and ready, and if you are ready to proceed with that I would just ask for a five minute adjournment to arrange things.

COMMISSIONER: When would you be able to give us copies of the statement?

MR RAJDHAR: Immediately.

10 **COMMISSIONER**: Immediately, right. Then we feel that we should hear that witness.

ADV LUBBE SC: Thank you Mr Commissioner.

COMMISSIONER: And make use of the time that is available. How long would you want to adjourn?

ADV LUBBE SC: Five minutes is fine.

COMMISSIONER: Five minutes right, the Commission will adjourn then for five minutes.

COMMISSION ADJOURNS

COMMISSION RESUMES

20 **ADV LUBBE SC**: Thank you Mr Chair, Mr Commissioner. I just quickly want to recall Mr Rajdhar, I forgot to put a very important question to him, if you can just please remind him that he is still under oath.

COMMISSIONER: Mr Rajdhar, you are still under oath thank you.

ROY RAJDHAR: Still under oath.

COMMISSIONER: Okay.

ADV LUBBE SC: Thank you Mr Commissioner. Mr Rajdhar in terms of the Commission's terms of reference the Commission must enquire into whether any alleged impropriety regarding investment decisions by the PIC in the media reports in 2017 and 18 contravened any legislation, PIC policy or contractual obligations or whether any PIC director or employee used his or her position or privileges or confidential information for personal gain or to improperly benefit another person, and your position at the PIC, are you aware of any such impropriety?

MR RAJDHAR: Mr Commissioner, no, I am not aware of any such impropriety.

ADV LUBBE SC: Thank you Mr Commissioner that concludes his evidence. My
10 next witness is Mr Dolamo, he is already present and ready to testify. I trust you have received his statement. He is ready to take the oath then.

COMMISSIONER: Mr Dolamo do you have any objection to taking the oath?

MR DOLAMO: No sir.

COMMISSIONER: Do you then swear that the evidence you are about to give will be the truth, the whole truth and nothing but the truth? Raise your right hand and say so help me God.

MR DOLAMO: So help me God.

COMMISSIONER: Thank you.

ADV LUBBE SC: Mr Dolamo is this also your first time testifying before a
20 Commission or in a court of law?

MR DOLAMO: That is correct.

ADV LUBBE SC: Can you tell the Commission who you are and what your qualifications are?

MR DOLAMO: My name is Sholto Mogwatshe Dolamo, I have the following qualifications, bachelor of science in chemistry, a bachelor of technology and

ceramic science, master of science in engineering as well as a master of business administration or an MBA.

ADV LUBBE SC: Thank you. When did you join the PIC?

MR DOLAMO: I joined the PIC on the 1st of October 2014, initially as a portfolio manager within the listed investments division. On the 1st of September 2015 I was appointed as executive head of research and project development, which at the time was a newly formed division. On or around July 2017 I further took on executive responsibility for fund or funds. I report directly to the chief executive officer of the PIC.

10 **ADV LUBBE SC**: Alright we will come back to your responsibility for funds of funds later in your testimony. You have read, I understand, the statement by the previous witness Mr Rajdhar, and you were also present this afternoon in this building when he testified.

MR DOLAMO: That is correct sir.

ADV LUBBE SC: Can you confirm under oath that what he stated regarding the policies, procedures and processes regarding unlisted investments are correct?

MR DOLAMO: That is correct sir, they are correct.

ADV LUBBE SC: Now can you just then elaborate on the differences between the investments he is Chairing, and other investments, because you are also involved in
20 the strategic objective of a certain project development division, and you also Chair, I believe, the screening committee?

MR DOLAMO: That is correct sir.

ADV LUBBE SC: Please proceed then.

MR DOLAMO: So the division that I am responsible for or part of the division that I am responsible for is research and its strategic objective really is to provide the PIC

with quality and relevant research that allows informed investments to be established in order to you know further enhance the client's returns as well as spontaneously looking at ways at how that could stimulate economic growth in line with the national development plan and other relevant Government support growth plans.

What we also do is continuously scan and research involving global and local structural macroeconomic as well as sectoral themes to better inform the PIC's clients' portfolios so that we are well positioned for the long-term, this includes the following, determining how the PIC should be tactically positioned from an asset allocation perspective, establishing long – medium and long-term investible themes and ideas that will ensure that long-term returns are sustainable and are well generated. To develop sector investment strategies and investment projects within the identified sectors to optimise returns.

Furthermore to generate new knowledge and investible ideas to enable the PIC to achieve financial return objectives and developmental impact in the following sectors, mining and beneficiation energy, both renewable and conventional energy, manufacturing, agriculture and [indistinct] processing, financial services, information, communication and technology, infrastructure including real estate or property. Social infrastructure, that would include healthcare as well as education and tourism.

Furthermore we provide the institution with sectoral research and insight across various regions of the African continent to inform where we should be investing.

COMMISSIONER: Question, question, question.

ADV LUBBE SC: There is a question?

COMMISSIONER: Ja, on 2.3 you are saying to generate new knowledge so one

assumes this would be not run of the mill you know, sort of investments, this will be different kind of thing, maybe can you explain that when you say new knowledge and investible you know, ideas.

MR DOLAMO: So by – yes sir. Through you Justice, invest new investible ideas would be literally where we should be investing in the longer term and that will be areas where perhaps there is very little or – very little knowledge about how to generate investible ideas out of that.

To give you an example recently we developed ideas around how to invest in areas for new demand of PGM Metals right, and we developed invest – you
10 know an investment vehicle that we could invest in alongside other partners you know, to further enhance client returns from, you know in the PGM space.

COMMISSIONER: Alright so – investments?

MR DOLAMO: So this is new investment ideas.

COMMISSIONER: Ja.

MR DOLAMO: Is what I am talking to [indistinct]. So it will be new knowledge for example on how we should be better positioned within a particular sector.

COMMISSIONER: Right, okay.

MR DOLAMO: Does that answer your question?

ADV LUBBE SC: Mr Commissioner for my own information I would like to learn
20 more about PGM.

MR DOLAMO: So PGM is our platinum group metals, as you would know South Africa is one of the largest producers of platinum group metals. We are largely a supplier into the rest of the world in as far as platinum group metals are concerned. So speaking specifically to this particular idea was how do we not only invest in [indistinct] because as the PIC we are quite a significant shareholder in platinum

mining companies.

So the idea was then how do we not only participate in supply but also try and stimulate demand and therefore try and find investible ideas in the demand space, that we could position ourselves in. So that is basically what you know, would constitute a new you know, way of doing things specifically within the South African space.

ADV LUBBE SC: It seems that you are chairing a very important portfolio of the PIC, and I am sure that all this research and new ideas cannot be coming from you alone. Can you tell us, the Commission more about your team, who they are, what
10 do they consist of?

MR DOLAMO: So I have a team of over ten investment professionals, most of them are from the private sector, from economists to engineers to people with MBAs and CFAs to – I mean we have even a – we call him a rocket scientist but he did astrophysics at university. So we have a myriad of skill sets within the research space.

ADV LUBBE SC: In the age of artificial intelligence, do you employ any robots?

MR DOLAMO: Not yet.

ADV LUBBE SC: Please carry on.

COMMISSIONER: Ja just another question, so this would also include the venture
20 capital, would this include that?

MR DOLAMO: No, no. So within the fund or funds team right, we have – we are invested in funds and I will talk to fund of funds later on but what the – as I said my title is research and project development, so within project development which you could potentially also classify as venture capital, we are looking at early stage type of funds or investments. We have not as yet allocated in that space yet but there is

a space that we will be looking at in, you know in the future.

ADV LUBBE SC: Please proceed, paragraph 3.

MR DOLAMO: Okay so on paragraph 3, so how the research and project development division relates to investment process, through macroeconomic sector marketing, market or company fundamental in-house research, the research team provides support to private equity as well as impact investing throughout the investment process from deal screening up until deal approval. We also provide a macroeconomic and sector research to the listed investment division.

Furthermore as a consequence of the sectoral and [indistinct] research,
10 the research division also originally deals in line with the sector strategies that we have developed.

As a head of research I am a member of the following committees, Asset Allocation Committee, which I Chair, with effect from July 2018 as a member of the deal screening task team within the Asset Allocation Committee, which was established further to, you know to enhance the unlisted investment process.

I am also a member of the Portfolio Management Committee Unlisted Investments, as well as the Portfolio Management committee of the listed investments.

ADV LUBBE SC: Thank you, I would like you now to explain to the Commission the
20 concept fund of funds.

MR DOLAMO: So in line with client mandates the fund of funds team was established by the PIC to establish specifically to implement indirect investments of the PIC as required by mandates from clients. Therefore fund of funds is responsible for all indirect unlisted investments.

So fund of funds' primary role is to source and invest in third party

private equity funds. The fund of funds proposition allows the PIC to do the following, extend the reach of its investment strategy, not only in financial services sector but in the underlying industries in which the various investments are made. Diversify its portfolio across geography sector, asset class as well as vintage. Contribute to the transformation of the financial services industry, specifically private equity, through allocation of capital predominantly to black owned management funds.

ADV LUBBE SC: What is still not clear these fund of funds, are these surplus funds?

- 10 **MR DOLAMO**: So to explain it by way of examples, some of you might know of private equity firms like Ethos, Sphere and so forth right, so we would allocate capital to some of these funds to do investments on our behalf as well, and that achieves a number of objectives as I stated earlier on, one of which is to further diversify our portfolio and secondly some of these funds tend to be a lot more nimble sometimes, than we are, and therefore the rate of investment can be a bit quicker than we are able to achieve.

- And furthermore it is a mechanism of also transforming the private equity space from our perspective in a sense that we tend to allocate a lot more to black fund managers than you know the historically advantaged private equity firms. So it is a way of diversifying our portfolio even further to generate a bit more returns as well, and to make that portfolio a lot more robust. So effectively that is you know, that is how we invest in the fund of funds space. It is basically a fund of various funds, that is basically all it really means.
- 20

COMMISSIONER: Question. Ja a question, so in terms of those funds of funds how many funds of funds have you – are you supporting, roughly the number, and then

what is the capital, the committed amount on those particular funds, and the third question are they in private equity only or they could be in like infrastructure and other areas?

MR DOLAMO: To your first question it is about 23 funds that we have invested in, the total amount is just shy of R10 billion and it is largely [indistinct] funds. In other words invested in a number of sectors at the moment ja.

COMMISSIONER: Ja [indistinct], private equity.

MR DOLAMO: Exactly.

COMMISSIONER: Typical funds.

10 **MR DOLAMO**: Yes that is correct.

COMMISSIONER: Not specialist funds?

MR DOLAMO: Not at the moment. We are looking at specialist funds though.

COMMISSIONER: Okay.

FEMALE SPEAKER: Given the work that you do and notwithstanding the rules and guidelines of the PIC, are you aware of any of PIC staff, directors or associates who have been involved in placing their own funds or funds that they have, as part of these investments even if – whether or not the rules allow it is a separate question but are you aware of anyone to your knowledge who has participated as individuals, as part of these investments, in any of the 23 funds?

20 **MR DOLAMO**: To the best of my knowledge, no madam.

ADV LUBBE SC: Can you also confirm that the fund of funds project, it falls within your mandate from your three top clients?

MR DOLAMO: It falls within the mandate of the main client, the largest client being the GPF.

ADV LUBBE SC: And as I understand the concept where you invest these funds of

funds in these other firms, you are the principle providing the funds to these funds?

MR DOLAMO: Yes, so the PIC will be what we would call a limited liability partner.

ADV LUBBE SC: Yes.

MR DOLAMO: Right, and the funds will be what – you know in the terminology we call the general partners. So to the extent that we get a proposal, the proposal will go through the exact same process as stipulated earlier on by Mr Rajdhar. There are small nuances, and those nuances are the following, so in as far as the desktop assessment is concerned, the application based on desktop evaluation is if it meets the mandate requirements a pre DD questionnaire is sent to the client for
10 completion. The purpose of the pre DD, of the pre due diligence phase is make initial assessment of the quality of the client, some of the factors that we consider are – would include the experience of management, investment process, portfolio management capability, technology as well as resources that that fund manager has. The clients' response to these pre DD questionnaires is then evaluated and the deal team will use a scoring matrix that is completed by the deal team, to come up with a final score as to whether or not to proceed further. Each transaction must have a pre due diligence score of at least 3.5 out of 5 to proceed to the next phase of the investment process. That is the one key slight difference between ourselves and ...[intervenes].

20 **ADV LUBBE SC**: Unlisted?

MR DOLAMO: Ja the unlisted approval process. In as far as the deal approval is concerned, the relevant deal approving Committee for fund of funds transactions above the delegation of authority for PMC, is the Investment Committee.

ADV LUBBE SC: Okay, and do you also confirm as your colleague, you have been with the PIC for a brief period but in that period, to your personal knowledge, and

you have read about the media reports of 2017 and 18, about alleged contravention of legislation, policies, contractual obligations, etcetera, do you know of any such improprieties?

MR DOLAMO: No sir.

ADV LUBBE SC: Do you know of any director or employee that used his or her position or privileges or confidential information for personal gain or to improperly benefit another person?

MR DOLAMO: No sir.

ADV LUBBE SC: Thank you. Mr Commissioner, that concludes the evidence of this
10 witness.

COMMISSIONER: [Indistinct].

MALE SPEAKER: Just a quick question, of the 23 funds that you support, and in one section you say you want to boost black fund managers, what would be the black component within those 23 funds?

MR DOLAMO: You mean across all of them how many of them are black fund managers? If I briefly scan through all of them I think the majority, certainly you know over 50% of these fund managers are black fund managers.

ADV LUBBE SC: Thank you Mr Commissioner, that concludes the business of the
20 day then. I just want to make sure the initial planning was to start at 09:00 in the morning, it seems difficult to do that. Are you comfortable that we start rather at 10:00?

COMMISSIONER: Yes, I think we believe that it is more convenient to start at 10:00 considering travelling and so on okay.

ADV LUBBE SC: Thank you Mr Commissioner.

COMMISSIONER: So the hearing will then adjourn until tomorrow morning at 10:00.

ADV LUBBE SC: Thank you.

COMMISSIONER: Thank you, we will adjourn.

COMMISSION ADJOURNS TO 22 JANUARY 2018