

**COMMISSION OF INQUIRY OF THE PUBLIC INVESTMENT CORPORATION**

**HELD AT**

**TSHWANE, PRETORIA**

10

**12 MARCH 2019**

**DAY 14**

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**PROCEEDINGS HELD ON 12 MARCH 2019**

**CHAIRPERSON:** Good morning everybody.

**ADV SECHABA MOHAPI:** Good morning Mr Commissioner.

**CHAIRPERSON:** Yes Mr Mohapi? Has somebody dealt with the temperature inside of this room, has somebody looked at the aircon and set it properly?

**MR EMMANUEL LEDIGA:** It's too hot in here.

**CHAIRPERSON:** It's too hot in here. Okay I assume that somebody is attending to that. Yes Mr Mohapi shall I alright remind Mr Molebatsi that you are still under oath.

**MR LEOGANG MOLEBATS:** Yes Sir.

10 **CHAIRPERSON:** Yes thank you.

**ADV SECHABA MOHAPI:** Thank you Mr Commissioner. Mr Molebatsi we left off at the point where you were about to go into the Sagarmatha Technologies transaction commencing on paragraph 50 of your statement, can we proceed from there?

**MR LEOGANG MOLEBATS:** Good morning.

**MR EMMANUEL LEDIGA:** Mr Molebatsi before you go ahead I've got a couple of questions I wanted to check with you.

**MR LEOGANG MOLEBATS:** Yes.

20 **MR EMMANUEL LEDIGA:** Alright maybe if you could go back and explain again the three reports that you normally do and what is the differences of those reports as a first question.

**MR LEOGANG MOLEBATS:** Okay the first report that we refer is the deep dive report. The deep dive report are the vast majority of reports that we generate as a team, these reports really are about looking in quite a lot of detail into the investment opportunity of a company that is already listed on the JSE and effectively the analyst's job would be to unpack the investment case, to understand the drivers of the industry in

which that company is located in and effectively using the four factor framework to capture all the critical components of what we would use to make a decision, an invest decision of a company. So that's what a deep dive report is, it's use is purely for the internal equity's team so in other words the team that is in charge of managing the Enhanced Index Portfolio so that is where that deep dive report essentially is used or presented. All those reports are then stored in a central database which is a platform called Code Red. And the call of the analysts is recorded on that system and that call is tracked over time. So that is really the role of a deep dive report, it doesn't get presented to PMC it doesn't get presented to IC. However, obviously that information  
10 may be dispersed or maybe you know discussed with other teams or with executives if they have questions on any particular company.

The other two reports are really linked to the approval process for investment opportunities that go through the PMC approval process. So both reports, so both the scoping report as well as the appraisal reports both those reports are submitted PMC1 or to IC depending on the size of the transaction and the delegation of authority. So the contents of those reports are similar to a deep dive report, they may not be as detailed as what a deep dive report would be, for example if it's an IPO and there's limited information for example it may not be as detailed as what a deep dive report may be. The scoping report essentially is almost identical to the deep dive report in the listed  
20 space because when we do, when we take an opportunity to PMC 1 to ask PMC to apply its mind whether we should go into due diligence the way we approached it was we would want to go to committee with a level of conviction of what we think about this company before we take it to committee and so a lot of work generally gets done and is captured within the scoping report before it goes to PMC1.

And so what you then find is that there may be inputs from PMC1 or there

may be additional questions that we may want answered that would then find itself into the second report which is the appraisal report. However those reports generally speaking are very similar.

**CHAIRPERSON:** Sorry just PMC1 is where consent is given to go into DD?

**MR LEOGANG MOLEBATS!** That is correct.

**MR EMMANUEL LEDIGA:** So the first report which is the scoping report is for the PMC1 generally?

**MR LEOGANG MOLEBATS!** That is correct.

**MR EMMANUEL LEDIGA:** And the next report is for the PMC2?

10 **MR LEOGANG MOLEBATS!** That is correct.

**MR EMMANUEL LEDIGA:** Alright which is sort of the final report really for the, the final report the appraisal report?

**MR LEOGANG MOLEBATS!** That is correct.

**MR EMMANUEL LEDIGA:** Okay alright next question, the PIC manages about what I think it's a trillion Rand or so in the equities mandate it looks like, you must correct me and you said that you got tracking portfolio and then you got a sort of an enhance indexing portfolio.

**MR LEOGANG MOLEBATS!** Correct.

20 **MR EMMANUEL LEDIGA:** I just want to get a sense sort of what kind of returns are generated from those two portfolios are they segregated portfolios and how do they compare with the outsourced portfolios, am I being clear?

**MR LEOGANG MOLEBATS!** Yes, yes you are clear. I will speak in estimates here because the numbers do change as the market ... (intervention)

**MR EMMANUEL LEDIGA:** Just roughly and then we can get the correct figures.

**MR LEOGANG MOLEBATS!** Okay so the equity funds that are managed by the PIC

both externally and internally are about R1 to R1.1 trillion. 80% of that R1 trillion so let's call it R800 billion is managed internally. Okay so of that R800 billion about R240 billion is on the enhanced indexed part and the balance will be on the pure indexed part. The pure index ... (intervention)

**MR EMMANUEL LEDIGA:** Ja R660 billion roughly ... (intervention)

**MR LEOGANG MOLEBATS!** Roughly speaking correct. That the tracking portfolio will almost replicate exactly what the market would have done, so for example last year the market gave a negative return so that fund will also give a negative return because it replicates the performance of the index which in this case being the JSE six index.

10 The enhanced portfolio also last year would have also generated a negative return because it also is very similar to the index. So in other words if you can imagine the index has got about let's call it 160 stocks both the tracker and fund and the enhanced fund will both carry also about 160 stocks.

The difference between the Tracker Fund and the Enhanced Index Fund is that we then make a bit more, let's call it bets or we hold slightly different weights in the Enhanced Index Fund relative to the benchmark. So we can, for example if I use an example let's use Naspers which would be the biggest company I suppose, so let's say in the index Naspers is 25% in the Tracker Fund the index – the Tracker Fund will hold 25% in the enhanced index if we think Naspers is expensive we may hold 24% as  
20 opposed to 25%. So we would be underweight Naspers and therefore if underweight – if Naspers therefore underperforms relative to the benchmark we would then do better because we would have been underweight. So those are the critical differences. So if you look at the performance because the market has given quite low returns over the last three years it's almost single digit returns, the fund would also have given single digit returns.

**MR EMMANUEL LEDIGA:** And the other funds which are managed by the external managers do you have any points there because I wanted to compare sort of internal fund management versus the other guys?

**MR LEBOGANG MOLEBATS!** The – ja I can't speak with too much authority on the external managers. What I can say just based on the data that I see is that the Internal Fund has performed better than the external managers. You know but I think you know the extent, we can get back to you in terms of the relative amounts but just based on the reports that you know I get to see, you know the Internal Fund relative to its benchmark has performed better than the external managers.

10 **MR EMMANUEL LEDIGA:** When one looks at the figures from the PIC I mean generally you say you have generated something like what 9%, 10% growth in the assets but the market, the stock market has been down for the past three to five years I think you know, where does that performance come from because we know that the market has been down for three years at least but when one looks at the figures from the PIC it says that you know you have generated some 10% returns for three years, five years or whatever so where would that come from, is that fixed income or somewhere else, you know?

**MR LEBOGANG MOLEBATS!** That is correct, I think the portfolio of the PIC which is exactly the science of portfolio management is to ensure diversification, it's a very  
20 important risk management tool is to ensure that the entire portfolio is diversified in such a way that you almost have negative correlations in other words when one asset class is performing poorly another asset class should be able to pick up the slack. So in this instance for example you know on a longer term view listed property as an example would have, you know even though listed property had a very difficult period in the last while but over the longer period you know listed property from a total return

point of view would have performed a bit better than listed equities. So PIC has got quite a significant portfolio both in listed property and in unlisted property. So those returns would contribute to growth. I think you're correct as well in terms of within the fixed income space obviously there's two components in fixed income, you would have the Money Market space or the cash component, that Money Market return would have you know generated 6% or so and therefore that would have contributed and that's a significant part of the portfolio, the fixed income portion as well meaning the bond portfolio as well as the Money Market portfolio that would have generated decent returns.

10 I think the offshore portfolio as well because remember now in the offshore when the currency is weak relative to the Dollar as an example that is quite a strong source of relative growth and not even absolute growth or actual returns. So the money that is invested outside of South Africa that is Dollar denominated would have generated a return. So I think, and obviously private equity, I can't really speak to those returns but that's also another asset class, so I think the combination of all those asset classes would have then resulted in the entire portfolio generating that said return. Having said that I mean I think in the longer term if you look at equities I mean equities have generated quite strong returns before we look at the last three years, you know equities had very, very strong returns and so if you look at the you know fund  
20 profile over a longer period of time equity returns would have contributed quite materially to the growth of the fund.

**MR EMMANUEL LEDIGA:** So the time is coming for you know, for you guys to make some returns in the next few years because it's been a difficult time for the equity market?

**MR LEOGANG MOLEBATS!** Apologies Commissioner may I ask you to repeat that I

didn't hear ... (intervention)

**MR EMMANUEL LEDIGA:** Ja I'm just saying it looks like time is coming for you guys to make some good returns because it's been a difficult time for the equity market.

**MR LEBOGANG MOLEBATS!** I think you are correct but I think it is a very nuanced discussion, in other words if you look at the market there's very, very diverse and divergent expected returns even within listed equity. So if you look at, for example industrials and you look at resources and you look at financial services our expected returns within those subsectors are actually quite different so we for example having positive resources stocks relative to financial stocks for the last two years. So because  
10 it's, and I mean I can go into the detail if you want, but because of our view on global growth and what we think that will mean for commodity prices we actually became very bullish resource stocks in the last two years.

So if you look at what resource stocks have returned relative to let's say financial stocks you'll see the difference in return is quite big so looking forward therefore you would expect some normal, probably less of returns coming out of resources because I think they will run quite hard, but I think financial services are sure in value. So I think I'm saying overall I do agree with you but I think that our job is to ensure that we understand the detail of those relative returns even within equities because those returns can be very, very different.

20 **MR EMMANUEL LEDIGA:** The final one is how do you translate the GEPF mandate to portfolios, you know so do you have like one fund for the GEPF and one fund for the UIF, how does the segregated nature of the portfolios work, is that clear?

**MR LEBOGANG MOLEBATS!** That is correct so each one of our clients would have a segregated portfolio so the GEPF would have a separate portfolio to the UIF as well as to the Compensation Commission and Compensation Fund as well as our other clients

and each one of our clients will have a different mandate you know for example within, you know the GEPF may issue a certain parameters around our tracking error in other words the extent to which the overall fund may deviate from the index. They may have their own view of what they want there and that is captured in the mandate and the UIF will have a separate view. The UIF mandate is largely passive and so you know each one of those mandates would have their own nuances which we would then use that to execute our investment strategy.

**MR EMMANUEL LEDIGA:** And broadly then is that the general mandate, sort of asset allocation would come from somewhere because then they might say they want a  
10 certain percentage of bonds, a certain percentage of property and all that, is that how it works?

**MR LEOGANG MOLEBATSI:** That is correct so within the mandate what we call there's sort of strategic asset allocation, in other words there are ranges that the client will give you to say in our mandate we allow you to hold between let's say, I'm just using examples not exact numbers, let's say between 40 to 50% in equities, bonds 20 to 30% *etcetera* and therefore the client will give you those ranges that you are you know mandated to keep within and therefore you may tilt the fund. So in other words you may want to say we are more positive equity is relative to bonds so we would want to be on the upper range of equities and on the lower range of bonds and then if your  
20 positive bond is relative to equities you may then want to say we want to sell a bit more equities and buy more bonds because we see more returns in bonds relative to equities quite obviously confined within those ranges as mandated by the client.

**MR EMMANUEL LEDIGA:** Just to do a final check on the four factor model you know just coming back there, is that are you happy that it covers all the key things that a company you know does and is the valuation a large part of that scoring also you know

and I know you said you got a ranking table and then after scoring and all that but I just wanted to check what you designed, are you happy that it covers all the key issues and all that in the company?

**MR LEOGANG MOLEBATS!** Through you Commissioner yes I'm happy and I think that framework worked extremely well and has actually resulted in very good performance in the fund. I think in my humble opinion it's a very good framework. In that framework we don't value one component higher than another one so valuation is one component however the other ones are important as well. So it's not one that would override the other one. There are extremities where for example if uncertainty gets to a point where, you know if you use an example where for example there's litigation, Steinhoff is a good example, where there's fraud and there's extensive amount of liquidation etcetera the uncertainty of that stock is so high that it just, it doesn't matter what we think about the other components. So there are extremities however on balance when we look at a firm each one of those components roughly speaking would be 25% of each components of how we apply our mind where we think about the overall investment opportunity in that business.

**MR EMMANUEL LEDIGA:** You mentioned that we need to put money in a global portfolio and when the Rand weakens you know we make a lot of money at the PIC and all that, there are people who are against that you know and saying that we need to deploy money locally and all that, what's your views on that?

**MR LEOGANG MOLEBATS!** No thank you it's a good question and through you Commissioner so in my humble view they're not mutually exclusive. I think from a client point of view it makes a lot of sense to diversify one's portfolio globally because you know purely from portfolio analytics or from portfolio management theory is that the more you diversify your portfolio the better your risk adjusted returns up to a point and

so it would make sense to, given the size of the, in particular the GEPF funds to diversify its portfolio in such a way that it may reduce to some extent the concentration risk within the South African equity market. Having said that it doesn't nullify the argument that there are attractive investment opportunities within the South African market and a lot of those investment opportunities would not necessarily be listed and also there is an argument to say that given that the PIC's assets under management closely correlates the GDP growth of South Africa it would make sense that part of the funds needs to be allocated to stimulate the economic growth of South Africa because as South Africa grows in the long term there is evidence that as a South African

10 economy grows the assets under management of the GEPF as well as of the PIC grow in similar correlation. So therefore there's an argument to say to stimulate economic growth within the SA context is also good for the client in the long term.

**MR EMMANUEL LEDIGA:** Then the conundrum about listed versus unlisted and all that, you know how, this is a big question that you know people are saying the PIC is putting too much money in the listed market of which you are the custodian, what's your view on this dichotomy of you know JSE versus sort of real assets?

**MR LEBOGANG MOLEBATS!** It's a good question and through you Commissioner so we, I, this is my view is that the construct of the current swix is too concentrated. In other words you are carrying, if you look at the top 10 stocks within the swix it is quite

20 concentrated within those companies and therefore for us to have so much exposure on the listed space creates concentration risk and I'm not sure whether that is good for the portfolio in the long term given that you know I believe that they have reification to a point is good for risk adjusted returns. So if you look at it within that context then to say we, it will be good to diversify away from that and on the other side of the allocation it will be through global allocation, it would be through unlisted assets it will be through

other assets such as infrastructure of funds. So there's quite a lot of asset classes that I think could be explored to diversify the overall portfolio away from the swix because I do think that the swix is concentrated.

**MR EMMANUEL LEDIGA:** And besides is that I mean the JSE is like the Chinese company called Tencent really, 23%, 22% of the JSE is mainly the Chinese economy.

**MR LEOGANG MOLEBATS!** I agree it is a bit more nuanced than that, I hear what you are saying however if you look, and I agree that you know Tencent is you know it's almost more than 100% of the value of Naspers in other words there's a rump within Naspers that you're almost getting for free because Tencent is such a major valuation.

10 Having said that I think you know Tencent in itself is diversifying away from the Chinese consumer so, you know I don't want to get into – we can debate that, I don't think it's as you know straight forward as saying it is all about China, I think it's much more nuanced. Having said that I do agree that the concentration risk, whatever my view is, my fundamental view may be around Naspers and Tencent is that it is simply too large as a contributor to the benchmark and therefore either way whether we like the stock or not purely from a portfolio risk management point of view the concentration is simply too high.

**MR EMMANUEL LEDIGA:** So if we had to make some recommendations what would you say one could say about listed stuff on the JSE companies, you know as you know  
20 you've got BAT with cigarettes which is large, you've got the SA Breweries/SAB Miller and all that, what is it called by the way it's called ...

**MR LEOGANG MOLEBATS!** AB.

**MR EMMANUEL LEDIGA:** AB ja, you know so what, is there something that you can say about the structure of the investments?

**MR LEOGANG MOLEBATS!** I think there's probably two main components there

and I'll try and keep it short. The first one is that because of the construct of the SA economy which is really quite a concentrated economy within you know, I don't want to say it's monopolies but you've got big conglomerates that are dominant within the SA economy that will reflect within the market by definition. I think the other one is that you are, you've seen diff in initial public offerings or companies coming to market because of the poor economic growth and so I think it's almost like the index or the JSE is an outcome in other words it's a, ja it's an indication of the structure of the underlying fundamental economy in the South African economy. The reality is that quite a lot of SA corporate have diversified outside of South Africa and there are a lot of companies that

10 have found themselves within South Africa that have not been able to grow because the South African economy simply has not been growing and as a result you then begin to find this concentration becoming more and more of a challenge. So the way you solve for it is you solve the economic problem and that will result in my view in the long term in an index that is reflective a growing economy and therefore that will have much more companies that are on the JSE and therefore less concentration.

**MR EMMANUEL LEDIGA:** Thank you.

**ADV SECHABA MOHAPI:** Thank you Mr Commissioner. Mr Molebatsi let's go to Sagarmatha.

**MR LBOGANG MOLEBATSI:** Okay thank you Commissioner. I will walk through

20 Sagarmatha Technologies transaction that was supposed to happen. On the 21<sup>st</sup> December 2017 Fidelis sent an e-mail stating that he had spoken to Sagarmatha management and has agreed with them an IPO date of the last week in January 2018 or latest the first week of February 2018. Similar to the Ayo transaction Victor was allocated to be the primary analyst. This meant that Victor will be the main communicator or contact for Sagarmatha and conduct the research for the purpose of

preparing submissions to PMC. These reports would allow the review process – would follow the review process as per other transactions.

On the 22<sup>nd</sup> December 2017 Victor sent an e-mail to Fidelis asking for the Sagarmatha management's contact details. Fidelis subsequently sent Mr Takudzwa Hove's contacts which was Sagarmatha's CFO. On the 8<sup>th</sup> January 2018 Victor sent a request to Mr Hove by e-mail requesting a prospectus and a prelisting statement. Mr Hove responded that quote:

10                   “Our suggestion is that we first come to present to you the bigger picture of the vision as the PLS which is currently work in progress doesn't properly articulate our position.”

I was not cc'd on this mail. On the 9<sup>th</sup> January 2018 Victor requested that Mr Hove and his team come to present to the PIC within the week, he highlighted, that is Mr Victor, that there are tight deadlines and that Victor will require the necessary documents within the week. On the 11<sup>th</sup> January 2018 I attended a meeting with Sagarmatha management at the PIC offices. The first things that struck me was that firstly that a Sagarmatha Sekunjalo related group company was looking to do an IPO so soon after Ayo and secondly that the capital raised was to facilitate amongst other things the purchase of Independent Media. Although I was not aware of the detail around the funding of Independent Media and just to add it's because it was done under the  
20                   unlisted side. I knew that PIC had extended a loan to that company.

Sagarmatha Group Holdings Companies Pty Limited is related as follows to Ayo Technology Solutions; Sekunjalo Investment Holdings Pty Limited owns 61.37% of AEEI Limited which in turn owns 49% of Ayo. Sekunjalo Investment Holdings Pty Limited owns 73.3% of Sagarmatha Group Holdings Pty Limited. Dr Iqbal Survé controls Sekunjalo Investment Holdings Pty Limited as follows; Sagarmatha Group

Holdings Pty Limited is a wholly owned subsidiary of African Technology and Media Investments Pty Limited which is wholly owned Sekunjalo Investment Holdings Pty Limited which in turn is held by the Haras Trust. The trustees of the Haras Trust is Dr Iqbal Survé and the beneficiaries are Reyhan Survé and Sarah Survé.

**MS GILL MARCUS:** Sorry can I ask you a few questions if you don't mind?

**MR LEOGANG MOLEBATS!** Go ahead.

**MS GILL MARCUS:** If I could come back to the point on 53 how can a company asking for funding saying that their prelisting statement does not reflect what they stand for, I mean does that not send warning signals in itself that what you're putting out as a prelisting statement, even if you call it a currently work in progress but they can't present that to you?

**MR LEOGANG MOLEBATS!** It was a big red flag and a big concern.

**MS GILL MARCUS:** And what did you do about that concern?

**MR LEOGANG MOLEBATS!** We communicated with them obviously, and I mean if I just look at Victor's correspondence it was clear to say we need documentation that we can work off so it was a concern and we raised it with them, we raised it with – I raised it in a discussion with Fidelis during debates to say it doesn't seem like this company is ready to an IPO that documentation doesn't seem to be at a stage where it is ready. However we were acting under the understanding that we have to put it together and find a way to take it to PMC.

**MS GILL MARCUS:** And if I looked at your paragraph 55 a concern that Sekunjalo related company was doing an IPO so soon after Ayo and if we go back to the conditions precedent that were not conditions precedent of your 20<sup>th</sup> December meeting because you can't have condition precedent after the money has been paid. But your condition precedent 4.2 says a commitment that Ayo will spend the equity funds raised

only on acquisitions for growth and within 24 months that reflects to me, and I would want your view on that, whether in fact that, you were concerned that the funds could be used for other things and that relates to your question of 55 that you were aware that there had been funding of Independent Media separately. When we look at your paragraphs that you read 56 and 57 in terms of risk previous witnesses have stated that each entity or each deal is only viewed as its own deal. Is that correct because surely with the kind of issues that you've raised in these paragraphs, from your perspective as risk would there not have been a cumulative risk assessment as what is your exposure to the whole group?

- 10 **MR LBOGANG MOLEBATSI:** That is correct that through you Commissioner so I think you've raised very, very good points that I fully agree with. I think the first thing is that Ayo was already a difficult investment to make and so to then have a subsequent Sekunjalo related company almost, if you look at the timelines, it overlaps, was almost to say you know this is very strange. So that is just looking at it before you even delve into the detail that's what was my initial thought. The second one was to, or the second point was to say that independent media is, I mean you cannot compare the nature of that firm to a BT for example so the risk profile of a media company that is already loss making is a completely different proposition to a global IT firm and so you already even then have question marks even if we had not had exposure into Independent Media.
- 20 And when you add the fact that we had on the unlisted side funded Independent Media it obviously – with the accumulation, and then you – so that's one other one, and then as you, I think you rightly point out is that ultimately there is exposure to an individual even though it's not direct but effectively there is exposure to an individual, once again it adds to the risk concerns.

**MS GILL MARCUS:** In that circumstance as the Head of Risk why did you proceed?

**MR LEOGANG MOLEBATS!** Apologies, Commissioner. So I'm not the head of Risk.

**MS GILL MARCUS:** No, no, but in terms of this assessment you were there and you had to then – obviously it goes to the different hierarchies, but what... Let me put it differently. What was your stance in this deal and how did that get taken forward about whether it should go to PMC and with what recommendation?

**MR LEOGANG MOLEBATS!** Ja. So I think the way we managed this was to say if indeed we are being asked that we have to take this to PMC there were several things that we needed to do and it's similar to what we did with other companies that we asked  
10 to go and submit. One, understand the business model. Understand what are we dealing with. What are these people – or sorry, not people – what is this company purporting to be offering as an investment case? Understand that in detail and see whether, fundamentally, we like that. So already there we were saying fundamentally we're not attracted to a media company that is lossmaking. So that's the... The second thing is to understand the risks and highlight – and show that we highlight those risks to the committee so that they are able to apply their mind to understand the risks that are contained in this transaction. Third was to capture, in our view, what we thought was the fundamental value of that firm. And remember, in this instance you had a lossmaking company that was almost at the centre of this, so the value  
20 proposition thereof and how we valued it resulted us in coming out with a much lower valuation. So the way we responded was to say if we... So if it was – if we had a choice as a team we would say we don't even think this should even go to committee, but the fact that we don't have a choice, how do we then respond, how do we manage it? We say, well, let's under – the points that I've alluded to. And so when we took it to committee we highlighted the risks, we explained what the business model was. We

then put a valuation, which obviously was much lower than what the IPO asking price would be and a big part ... (intervention)

**MS GILL MARCUS:** Just give the numbers. Give the numbers there, what your valuation was and what they were after.

**MR LEOGANG MOLEBATS!** Yes, I do touch on it later but I will tell you. It was... So we... Our valuation number was R7,06 and their asking price was R39,62. So we then captured that in our valuation as well. And as I say, a big part of it was to capture the fact that, from a business model point of view, Independent Media is not – was not a great business model in our view. In addition to that, obviously, the other online  
10 businesses that were being purported to be grown businesses, we took a much more conservative view on them than I think was purported by management.

**MS GILL MARCUS:** If I understand you correctly, you did take it to the committee in the group sense of saying this is the interconnectedness and this is Sagarmatha. Or did you only deal with Sagarmatha?

**MR LEOGANG MOLEBATS!** We... I must just recall exactly what we said in the group, but we would have touched on the shareholding structure, which would have obviously, you know, revealed, if I can put it that way, its relationship to both Independent Media... Because obviously we talk to Independent Media in the report, which would have been known that Independent Media is a related company to  
20 Sekunjalo.

**MS GILL MARCUS:** But in your submission would you have said our (?) exposure to this group is your 4.3 and if Sagarmatha goes ahead you add that amount and the Independent Media is that amount? This is your exposure of PIC to that group?

**MR LEOGANG MOLEBATS!** Okay, no.

**MS GILL MARCUS:** Is it within the limits? Would that have gone ... (intervention)

**MR LEOGANG MOLEBATS!** I don't recall... No, we didn't... I don't recall putting that particular detail in terms of the cumulative exposure, if that's what you're ... (intervention)

**MS GILL MARCUS:** I am.

**MR LEOGANG MOLEBATS!** Ja, that's not ... (intervention)

**MS GILL MARCUS:** Because surely when you're looking at risk that's what you've got to look at, not the individual exposure but the cumulative exposure to a particular group.

**MR LEOGANG MOLEBATS!** It is... You are correct, and I think we do touch on that to say this is a related party to this additional group. So what I'm trying to say is we  
10 may not have added a numerical exposure. However, we definitely highlight very strongly that this is not a standalone company that is completely unrelated to, ultimately, the Sekunjalo group.

**MS GILL MARCUS:** If I go back to that condition precedent that wasn't, the 4.2, about stipulating what Ayo could spend it on, and you looked at your presentation in paras 56 and 57 that you read out, would it be – could it be considered that this is a corporate Ponzi scheme?

**MR LEOGANG MOLEBATS!** I wouldn't say a Ponzi scheme. What I would say is in any group of companies you will have related parties and it happens in group companies in other instances.

20 **MS GILL MARCUS:** Sure, but the question of different groups should be, I mean... And that's why I'm going to the resolution about – that was taken. Because here obviously there is companies with lots of different groupings within it, but I am asking whether, in fact, the funding of one element would have been used to fund another so that you've got a circuitous flow of funds that's the same fund in essence.

**MR LEOGANG MOLEBATS!** Okay.

**MS GILL MARCUS:** To ensure that they all sort of meet their obligations but it is because of the way you're spending the same money.

**MR LEOGANG MOLEBATS:** Well ... (intervention)

**MS GILL MARCUS:** And that's my concern in this holding and the resolution that asks the question. It can't be used for other things, assuming if you put that in a resolution my assumption would be you have an awareness that money that is raised for A is actually used to pay B.

**ADV SECHABA MOHAPI:** Can I ask...? Can I add ... (intervention)

**MR LEOGANG MOLEBATS:** Okay.

10 **ADV SECHABA MOHAPI:** Can I add to that question? You know, companies on the JSE do raise money to pay off loans and everything, you know. They do that generally. Could it be that the IPO, the money raised there, was also partly meant to repay the loan from the – you know, from the Independent Media?

**MR LEOGANG MOLEBATS:** Okay, so just a couple of points just to unpick.

**ADV SECHABA MOHAPI:** Ja.

**MR LEOGANG MOLEBATS:** I think, firstly, there were serious concerns that a company ultimately related to Ayo wants to raise fresh capital so soon after they've raised Ayo.

**ADV SECHABA MOHAPI:** H'm.

20 **MR LEOGANG MOLEBATS:** That is – definitely was a major concern.

**ADV SECHABA MOHAPI:** H'm.

**MR LEOGANG MOLEBATS:** The second one that was a concern, which I think you are touching on through you, Commissioner, is that even within that related-party construct there is a company called Independent Media that had been funded by the PIC on the unlisted side, of which in the draft PLS it was made explicitly clear to say

some of the money raised from the capital raised will be used effectively to buy out PIC's own investment. So if that's what you mean when you say Ponzi scheme, that is not normal. That is not – would have been – that is not good – that would not have been good for clients in my view or for the portfolio in my view. So that was a concern and I think the committee, and you will see when we talk to it, is that I think that the committee to approve DD actually declined the request for DD and one of the things they had raised was exactly that issue, to say if capital will be successfully raised by this group it cannot be that part of those funds are used to extinguish a liability they owe the PIC on the other side. Because you had these Chinese walls between listed  
10 and unlisted and one needed to ensure that you don't run a risk where the listed team does one thing that will be used to fund a transaction from the unlisted side.

**MS GILL MARCUS:** Do you know if at the time the Independent Media loan was being serviced?

**MR LEOGANG MOLEBATS!** I do not. You know, there are Chinese walls between listed and unlisted so I do not ... (intervention)

**MS GILL MARCUS:** Sure.

**MR LEOGANG MOLEBATS!** Ja. I do not know.

**MS GILL MARCUS:** But I would have thought that one of the questions would be for the committee to be aware that if there was a loan on the unlisted side that was being  
20 serviced, and can we check on that and get that information?

**MR LEOGANG MOLEBATS!** Sure.

**MS GILL MARCUS:** Ja? And then just one question in relation to this. Ayo decision-making and timelines was a result of pressure.

**MR LEOGANG MOLEBATS!** H'm.

**MS GILL MARCUS:** And you have exactly the same with Sagarmatha.

**MR LBOGANG MOLEBATS!** H'm.

**MS GILL MARCUS:** How common is that in other entities that you deal with, that you are put under pressure to fast-track, if one's kind about it, fast-track the process to enable a listing to be done in that way at two companies within the same group within the same timespan? How common is that in the work that you do?

**MR LBOGANG MOLEBATS!** Ja. It's a good question. Thank you through you, Mr Commissioner. The first comment I need to make is that there IPOs that happen within a very short duration of time. It happens in the market, there are – where management will issue a prelisting statement and within a short period of time, you  
10 know, I can't give the exact times, but to say, you know, two weeks, three weeks from now, here we've got our prelisting statement, please may you consider this opportunity and we will be IPO'ing. The difference between that kind of timeline, that is a normal IPO timeline in this one was, one, that it was a private placement and PIC was going to be keeping a significant portion of that private placement and therefore one would have expected that we could tell the management who are coming to us for that to say we do have governance processes that we have to follow and they may not happen within that three weeks, four weeks period of time and therefore you, because we are effectively becoming an anchor in this issue, you need to give us more time. And that was the anomaly here with Ayo and with Sagarmatha, to say in my view we should have been  
20 able to say, and I think Victor did send an email post my discussion with him as well, is to say Malik, we cannot meet the 15<sup>th</sup> of December deadline, please can we move it? And I think, if I recall, he responded I think on the 14<sup>th</sup>, on the day we signed, to say, you know, we've had discussions with the executives and they are comfortable that this thing must go ahead. So there was definitely – and we were being – and undermining at our level in terms of those timelines. So I agree with you to say, yes, in a normal

IPO you could argue two to three weeks is fine, but in this case, where you are – it's a private placement and you're taking a significant portion we should have been able to push back. And even with Sagarmatha, when you look at the first email that was sent by Fidelis to say I have agreed already with Sagarmatha on the timeline to say January and latest, I think he said first week of... I mean, you know. So one would have expected to say before you agree you would either have a discussion with the team to say is reasonable, what can be done, or some kind of level of discussion in addition to, I think you raised the point, to say you're having this overlap of capital raised of two related – of companies that are effectively, if I say sister companies. So those were  
10 issues that are anomalous in my view.

**MS GILL MARCUS:** And, in addition, if I could say, you go back to the question that your PLS was not available and you then going on a verbal presentation to make that decision, and, in addition, that the only taker of both entities is the PIC.

**MR LEOGANG MOLEBATS!** Ja. And... Well ... (intervention)

**MS GILL MARCUS:** In Ayo PIC took the lot and in Sagarmatha PIC was going to take the lot.

**MR LEOGANG MOLEBATS!** Look, I think the undertaking initially on Ayo was not that PIC will take the lot. That changed subsequently, agreed. So what I'm saying is I'm not saying you are incorrect. I'm saying the understanding that the team had at a  
20 particular point in time is that we are not taking 100% of the issuance. That came subsequently when – with discussions with Dr Dan, on the 13<sup>th</sup>, I think it was. And... But you are correct to say either way, even if we're not taking 100% of it, we're taking the vast majority of it and therefore inasmuch that there is not anything in principle that is incorrect by being an anchor and taking the majority of an issuance, however, given the overlaps, given the timelines, it was difficult on the team. It was extremely difficult

on us.

**ADV SECHABA MOHAPI:** Question. We sort of heard from Mr Magula, I think, that many transactions don't actually make it to PMC1, you know, those that come from the streets or from somewhere else. What were the sort of reasons for this one to make to PMC1? Because it looks like many don't even reach PMC1, you know.

**MR LEOGANG MOLEBATS!** I can only go on what – the discussions that I've had and I might give – I may give you deductions or assumptions of what I may assume, but it was obvious that the CEO wanted this transaction to be presented to PMC and so I think, if I recall, and I'm just now going on what I recall, there were comments made by  
10 Mr Fidelis Madavo, for example, to say guys, you know, I've had a discussion with the CEO, he wants us to go and present this to PMC, and so in that – in the Saga – in this – in the Sagarmatha particular situation it was an instruction. As I said before, there have been other IPOs where we didn't – we were instructed to meet management but it wasn't explicit to say this transaction must present at PMC.

**ADV SECHABA MOHAPI:** So tell me then, I mean, what makes a transaction not to go to PMC generally? I just want... Ja. And I spoke, you know, sort of standouts that people sort of have to uphold and not listen to the CEO, you know, something we chatted about. I just want to understand what disqualifies a company from going to PMC1, to PMC generally.

20 **MR LEOGANG MOLEBATS!** I think when the team is not instructed to take it to PMC my experience was we had much more a sense of, I don't know if I want to call it ownership. In other words, we could express a view to the management, to other people that may want to do an IPO, to say either we need more time or we think this doesn't work, and therefore we had room to express a view to management as to whether we think this should present at PMC or not. But I think there was a change. I

must also be clear. I think post-Ayo a lot of things changed, I think – let's say Ayo and Sagarmatha, and after the audit finding, and just the experience and the take-away from what happened with Ayo, which in a lot of ways was a game-changer in the team, was to say we... I mean, you know, Internal Audit came to this commission and said there must be action taken against the deal team as if it was the deal team that wanted Ayo to go to PMC, that wanted Sagarmatha to go to... We were working within constraints and operating under instruction and so it doesn't make sense to me. So it was... But it became clear to the deal team to say there's a level of whatever the, you know, whatever the perception you may have had around the role the CEO has... And

10 in the private sector it happens quite a lot where a CIO has a final say in a transaction, as an example. In this instance we needed to strengthen, you know, our ability to say if we're going to take this to PMC we either need to continue to highlight the risks quite strongly to committee or if we think that this transaction, one, if I say there isn't pressure to take it we apply our minds. I don't know if I'm making sense. In other words, there was a – there's a big difference between transactions that we were told this is coming from the CEO, he's asking this needs to go to PMC, and those that maybe the Executive Head would have said please meet with this management team and tell me whether you think this is something that could go to PMC.

**ADV SECHABA MOHAPI:** Yes. The big issue is that, you know, if the CEO says this

20 is a transaction, it must go through, and you guys point there and there, this is not good, but it still goes through that becomes a problem because the transaction might be good or bad but the fact is that this is from the CEO, generally it looks like that would go through and that messes up the investments process completely because the merits are not like engaged properly and all that. Is that correct?

**MR LBOGANG MOLEBATS!** Commissioner, I think I would agree with that. I would

agree that when you disempower the team and yet there are stakeholders that want to hold us accountable it creates a material disconnect. One is happy to come to the commission and explain my portfolio and why my portfolio is underperforming the benchmark, *etcetera, etcetera*, but it's difficult to – for Internal Audit to come here and say we can't action against the deal team when actually when you look at what happened was there was instruction issued by the CEO and we managed within that context and did our best to manage and protect the PIC within that context. I don't know if I'm answering the question.

**ADV SECHABA MOHAPI:** Ja. Thanks.

- 10 **ADV JANNIE LUBBE SC:** Mr Commissioner, can I perhaps just come in here? I refer you to the terms of reference of the PMC Listed, 5.1.1 and 5.1.2, dealing with the responsibilities and duties of this committee. It says it must:

“...ensure and monitor compliance with all applicable laws, regulations and adopted nonbinding rules, codes and standards in a way that supports the organisation, being ethical and a good corporate citizen.”

5.1.2:

“Ensure that responsible investment is practiced to promote the good governance and the creation of value by investee companies.”

20

It would appear to me that in Ayo and Sagarmatha this was just ignored.

Am I wrong? Am I correct?

**MR LBOGANG MOLEBATS!** In Ayo I think the fact that we entered – or the transaction was entered into and the irrevocable was signed before PMC means that – and that PMC was asked to ratify means that we entered into a contract that didn't

present at PMC, which means that PMC didn't pre-enter into the contract, apply its mind and given the opportunity to apply its mind and so that was an – that was not a normal way to do a transaction. And the ratification of that transaction was to say that transaction was entered into, it is now being presented to PMC and now PMC is looking at that transaction and saying whether this transaction exposed PIC, and that is why it said, in my reading of it, we approved the transaction, we are concerned about the valuation and therefore we recommend a PUT, amongst other things. So PMC did apply its mind on this transaction. It didn't happen according to the normal process and policies of the PIC. So, in other words, it didn't happen – this was not a normal –

10 there's no ways of trying to argue that this was a normal approval process. It was not. But what I'm trying to say is there was a point where PMC did look at the transaction and did apply its mind to it, and not only apply its mind to it, gave an approval which should have been a ratification given that it was entered into. On Sagarmatha PMC did apply its mind. The irrevocable was not signed before that PMC and therefore PMC, the opportunity – the Sagarmatha opportunity was ventilated at PMC and PMC applied its mind and resolved to approve, not at the R39,00 but at the R7,00. And so I do think that Ayo and Sagarmatha are not the same in the sense of the timing of it was completely different.

**MS GILL MARCUS:** Sorry. But the deal actually didn't go through, not because there

20 was not approval. It went through – it did not – it was not – did not go through because of an FSB problem.

**MR LBOGANG MOLEBATS!** No. I deal with it in my statement, where ...  
(intervention)

**MS GILL MARCUS:** Okay, let's go to that then and we'll deal with it there.

**MR LBOGANG MOLEBATS!** Ja, where I explain what happened, what happened

there.

**MS GILL MARCUS:** Thanks.

**CHAIRPERSON:** You can continue, I think.

**ADV SECHABA MOHAPI:** Ja, okay. Let's proceed from paragraph 38.

**MR LEOGANG MOLEBATS!** Paragraph 38?

**ADV SECHABA MOHAPI:** Sorry, 58.

**MR LEOGANG MOLEBATS!** Okay.

10 “On the 12<sup>th</sup> of January 2018 Mr Victor Seanie received the draft prelisting statement from Mr Takudzwa Hove. Victor started preparing a PMC submission using the draft PLS. The use of the draft PLS was due to the time pressure placed on the team as per the undertaking Fidelis had concluded with Sagarmatha on the timelines. The exposure to a print media company that was lossmaking made the Sagarmatha opportunity not as attractive to me. However, as per the request from Fidelis to make a submission to PMC, Victor proceeded to put the submission to PMC1. In our submission we had already highlighted that our fair value was much lower at R7,06 compared to the Sagarmatha's IP or asking price of R39,62. In addition, we outlined that part of the capital raised from the IPO would be used by Sagarmatha to buy PIC shares in and loan claims against Independent Media and Sekunjalo Independent Media. This information was disclosed in the draft PLS where it referenced a sale agreement, the agreement entered into on or about 1 December 2017. I remember this being a major concern to me. The PMC

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submission document was signed on the 24<sup>th</sup> of January 2018.”

**ADV SECHABA MOHAPI:** A question. A question. During that time when you sort of had the concerns did you speak to your boss, Mr Madavo, Fidelis?

**MR LEBOGANG MOLEBATS!** That is ... (intervention)

**ADV SECHABA MOHAPI:** About your concerns. Did you call him in a corner and say, hey, you know, I've got serious concerns about these issues and all that?

**MR LEBOGANG MOLEBATS!** Many times. And, I mean, it was in his office with Fidelis – with Victor. At times it was in my office. You know, there was definite constant debate and discussion and we raised the concerns. We raised the concerns. And I  
10 think the extent to which we were different in the valuation is a big sign to tell you that we really, really were not – did not have appetite and we said if we do have to go and present it to PMC we are asking PMC to approve a participation at a price much lower than what is being asked for.

“PMC was held on the 25<sup>th</sup> of January 2018. PMC declined the request for DD for the following reasons: For the transaction team to interrogate the Sagarmatha valuation assumptions further; for the transaction team to establish from Sagarmatha who the potential investors are; the transaction team to confirm the validity of the agreement stated in the Sagarmatha prelisting statement  
20 pertaining to the sale agreement entered into on or about 1 December 2017. PMC, however, resolved that the proposal could be submitted post further work stated in...”

Apologies, there's a typo there.

“...61.1-61.3. PMC further resolved that the company secretariat should check whether we can take the submission to IC to test

their appetite. As we continued to engage Sagarmatha management it became clear that our view of the valuation was significantly lower than their IP or offer price and they were not willing to lower their expectation. It is important to note that, as with other transactions, including Ayo, we had numerous debates on valuation as a team, that is Victor, Sunil and myself in this case. My view on the valuation was based on analysis of documents provided and debates amongst the team. The other sources of differences between us, i.e. Victor, Sunil and myself and Sagarmatha, was the idea that some cash raised from the IP, initial public offering, would be used to buy Independent Media shares from the PIC. This would in effect mean that the exit of PIC would be funded by the PIC. The JSE-approved prelisting statement was issued on the 26<sup>th</sup> of March 2018. This is the version that Victor would then have used to prepare the PMC.”

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I should say PMC2 submission.

“The final PLS did not make reference to a previously-mentioned sale agreement wherein Sagarmatha would buy PIC shares in and loan claims against Independent Media and Sekunjalo Independent Media. Based on the minutes from the PMC meeting held on the 6<sup>th</sup> of April 2018, the sale agreement was nullified.

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So, in other words, it wasn't nullified at that meeting, but when I look at those minutes it says at some point that sale agreement was nullified. I can't trace how it was nullified, who nullified it. All I can pick up was just from those minutes.

“I was not part of the discussion that resulted in this nullification.

The sale agreement was signed by Dr Dan and I therefore assumed that he would have been the one who negotiated this. On the 4<sup>th</sup> of April 2018 we submitted a request for IC to approve participation in the Sagarmatha IPO, not at the asking price of R39,62 but at the PIC's estimated intrinsic value of R7,06. On the 6<sup>th</sup> of April 2018 a special PMC was held and resolved to approve the transaction but at the intrinsic value per the report we submitted to IC and PMC, i.e. at R7,06. IC subsequently held a telecom on the matter and resolved that PMC had the DOA to deal with the transaction. Based on an email received from Dr Dan on the 10<sup>th</sup> of April 2018..."

**ADV SECHABA MOHAPI:** Question. Question. Given that there was such disconnect about the prices, you know, the sponsor wants the R9,00 a share, you want R7,00 a share, was there no point where you said, you know, this isn't going to work, should we put our money here, you know, given such a disparity of expectations?

**MR LBOGANG MOLEBATS!** Ja, so I think one had to get to a point where we said if we were being forced to put our money here then we can only do it at R7,00. If we had a choice as a team whether we'd want to do it or not the answer is we probably wouldn't want to do it. If we don't have a choice whether we want to do it or not we were saying PMC approved and agreed with that price to say we can do it, we can see a scenario where it would be... The reality is every investment has a price, you know. Every value, every company, even companies that we don't find attractive, they do have a price, so we were coming from that point of view, to say every company does have a price and at R7,06 there is value that is emerging, but definitely not at R39,00.

**ADV SECHABA MOHAPI:** And there was some pressure, you know, coming through

from the top, isn't it, generally?

**MR LBOGANG MOLEBATS!** It was... Ja, through debates and discussion it was clear that there was pressure to say this is a transaction that the executive or the CEO would have wanted to enter into.

**ADV SECHABA MOHAPI:** Alright, so the pressure came from whom, you know? You know, from the top, who were the people who were putting the pressure?

**MR LBOGANG MOLEBATS!** You see, for example, there would have been discussions with Fidelis where he said, listen, I've received a phone call from Dr Dan and he's saying we need to do this. There were numerous discussions and debates  
10 wherein... For example, I remember, I recall a debate where we were told that we don't understand the business model of Sagarmatha, which, I mean, those kind of comments are valid. There is no... There is nothing wrong with somebody saying that. However, you could see that, you know, it were being said your valuation is – or your view of the company is maybe there is things that you don't understand and obviously then there would have been debates even with management. You know, there would have been debates even with Iqbal Survé where I recall a meeting where he sort of made the point that, you know, if you look at the NASDAC and the companies that list on the NASDAC it seems as if South African investors don't understand fourth industrial or, you know, e-commerce businesses. So there were those debates, but it was clear that there were –  
20 there are people who hold a different view on this opportunity than what I did and what I think Victor did and what Sunil had.

**CHAIRPERSON:** Sorry, what was your team's view? It seems that you weren't completely against the deal, you would go for it if PMC for instance could accept your valuation of R7,00 plus per share? Am I correct that you weren't totally against it?

**MR LBOGANG MOLEBATS!** Ja. So I think once again going back to our framework

there are elements of this investment opportunity that would make sense conceptually in the sense that one does believe in E-commerce presences as an example. One does believe that as media becomes or digitises, there is a growth opportunity wherein you could see news being distributed via E-commerce or sorry digital platforms and in the future it was our view that that would be a growth area. There was obviously, independent media was loss making, there were also the idea around for example one of the companies which were in the E-commerce space which had a very small market share relative to its competitors, its competitor which is owned by Naspers. So even though we liked that business, we were saying it is the weaker one in the industry. So

10 what I am trying to say is we looked at all the different components and said, we can understand that if you put together this opportunity it is at a certain price it could make sense.

**MS GILL MARCUS**: Sorry, I am not quite with you there.

**MR LEOGANG MOLEBATS!** Okay.

**MS GILL MARCUS**: I understand what you are saying but it begs the question, you are going to the PMC, and I just want to understand what the role is. Did you or did you not make a recommendation? Because the question that we have been asking, is you have seen the interconnectedness, you've got concerns about the multiplicity of the same company, the owing of the shares using PIC to buy out PIC shares, etc. Given all

20 of that, not where there at R7,00 it is a deal because that is in itself the whole that you have to take account when you make a recommendation. So in going to the PMC 2, notwithstanding that your point in 69, right – notwithstanding what you say in 69, in paragraph 69, did you make a recommendation about go ahead or say take all of these things into account at this price for that in its own it would be okay, but taken all these things into account we say go with it or don't go with it.

**MR LBOGANG MOLEBATS!** Ja. Maybe if – let me – if you just go. Thank you. Let me try and answer it because if you just look at our actual recommendation, maybe if I may be so just to go there so that we are clear about what is the recommendation the team made to PMC. And that is found, so this I am just going to read. Obviously there was PMC1, I will read the PMC 2 submission which is effectively the submission that was made on the 4<sup>th</sup> of April 2018.

**MS GILL MARCUS:** And I assuming that you will give that to the legal team.

**MR LBOGANG MOLEBATS!** Correct, we will make that available to – we will obtain it and provide it to the Commission. So and I think it is important to understand the  
10 context to which what the team is managing. The team is managing to say, if we are forced to do this transaction, this is what we are recommending it could, how it could be done. Okay so our recommendation, let me read our recommendation. It is recommended that Portfolio Management Committee listed approves an investment in Sagarmatha at or below our estimated intrinsic value, so at R7,00, subject to the following conditions precedent. The PIC and Sagarmatha entering into a cash settle PUT option to protect PIC's client against a share price decline. And I think a lot of that came from our experience with IO. A commitment with Sagarmatha will spend the equity funds raised only on acquisitions for growth and within 24 to 36 months. Now why were are putting that there is, this is acquisitions for growth, not to buy out the PIC.  
20 So we make a recommendation, we are putting what we are saying, we are recommending but with this. So we are trying to manage that to say – so anyways let me finish reading it. Let me repeat it. A commitment the Sagarmatha will spend the equity funds raised on acquisitions for growth and within 24 to 36 months. A commitment that Sagarmatha not paid dividends for at least the 12 months after listing. That is also to manage the risk of an outflow, what you talked about of money coming

out. Sagarmatha implementing a conflict of interest policy. The appointment of independent Non-Executive Directors to the Board of Sagarmatha. Shareholder's approval, very important, shareholder approval for all acquisitions that are greater than 10% of Sagarmatha's market cap. So in as much as I am saying we recommended approval, we were recommending as a team to say there are concerns that you have raised around related parties, around the independent may have been ...[indistinct] out and therefore our recommendation was first of all, even before these other conditions to say, we are not going to be paying R39,00 per share. We are asking that if we do approve this, it must be at R7,00. Which and if you think about it logically what that

10 would have meant for the company, is they would not raise as much capital as they were asking for. So if they were asking for 4 billion, they would have maybe raised let us – I don't know what the number is, but much less than that. And that money that was raised would go into growth companies or growth acquisitions.

**MS GILL MARCUS:** What I would like you to do is finish reading 69 because I think that that relates to this, to a question that I would have in relation to that if you don't mind.

**MR LEBOGANG MOLEBATS!** Okay, okay. Based on an email received from Dr Dan on the 10<sup>th</sup> of April 2018, it became clear that Sekunjalo had continued negotiations on that transactions with Dr Dan. In this mail Dr Dan proposed that we submit a new PMC

20 document. The salient features of the deal that was reached, was that PIC will subscribe at Sagarmatha's originally requested listing price of R39,90 for 3 billion rand worth of shares. In addition Sagarmatha would issue PIC a call option of R1,00 on enough number of shares so as to give us, meaning PIC an average price of R8,50 per share. In effect the PIC will be receiving exposure to Sagarmatha at a lower price of R8,50 than the IPO price on the same day that the other subscribers will be paying the

full price, being R9,90.

**MS GILL MARCUS**: And that raises the question of ethical. Would that be exposed so that everybody else buying at R39,90 should the deal have gone through, know that the PIC was actually paying substantially less? And would that be an ethical approach to such a deal from the PIC side?

**MR LEOGANG MOLEBATS!** Commissioner in my view I don't – unless it was fully disclosed well ahead of time you know in the PLS and to the other prospective investors, that wouldn't be correct in my view.

**MS GILL MARCUS**: Even the proposal of doing this indicates unethical behaviour.

10 **MR LEOGANG MOLEBATS!** It – ja, it wouldn't be normal. It wouldn't be normal. You know it wouldn't be normal.

**MS GILL MARCUS**: Unless there was full disclosure of this it would not be okay.

**MR LEOGANG MOLEBATS!** It would not be okay in my view. I think it would have had to be and even if there was, if there was disclosure why would I be buying shares at R39,00 when the PIC is getting exposure to the same company at a lower price on the same day? It is different. If it is different dates, obviously valuation has moved, but on the same date that for me it does not strike me as if it is something that is normal. I have never come across something like that.

**MS GILL MARCUS**: And in addition it is at R8,50 and not R7,06?

20 **MR LEOGANG MOLEBATS!** And it would have been above our recommendation of R8,50 of sorry, R7,06.

**ADV SECHABA MOHAPI**: Ja. And one question is that I mean why would the JSE allow this because it is really a huge difference or you know as a first thing? The second point is that I mean how can you structure such a call option, I mean with such a huge difference in prices? Wouldn't that be costly you know sort of if you can explain

to us you know how would this option work given such a huge disparity of the price, the mathematics of it?

**MR LEOGANG MOLEBATS!** Ja, I think so my deduction when I looked at it, I was not part of those negotiations I am just deducing. It is obvious that Sagarmatha desperately wanted to get the 3 billion from the PIC. And therefore they were willing to structure a deal in such a way that we, they would get the nominal 3 billion rand. And the way they were trying to work around, and this is just based on my analysis's. I have not talked to them or I was not in that meeting discussing these things, was they were saying let's go ahead. And I think also, it is also quite a lot to do with once the R39,90  
10 is in the PLS, you have two options. One, you pull the PLS, you delay the IPO, you reissue a new PLS at a different price. So that is one option. So but if you want to keep to the original timelines where you don't want to pull the IPO, sorry the PLS which is already JSE approved, you want to go ahead with the deal, but PIC has raised concerns around valuation. I think the way they were trying to work around that was to say, we don't want to change our PLS so come in at that asking price, but we will satisfy your concerns around valuation being too high by giving you more shares. That is effectively what I understand this to have been.

**ADV SECHABA MOHAPI:** And the plan was for them to structure that option then? You know and pay option premium prices and all that to the PIC?

20 **MR LEOGANG MOLEBATS!** Well no, no. It would have been a call option. In other words it would have been the right for the PIC to get additional shares add on R1,00 to the extent to which the average in price then comes down. Because remember you are getting a certain number of shares at R39,60. And then they are giving you another instrument here which is the right to get more shares at R1,00 – who is – no not if the price.

**ADV SECHABA MOHAPI:** ...[indistinct].

**MR LEOGANG MOLEBATS!** Not if the price. So it wasn't related to whether the price would fall or not. So what they would say is, give us 3 billion rand at R39,90. For that 3 billion rand you get – let me use an example, purely an example. You get 10 shares. We then are going to give you a contract which allows you to get more shares, let us say another three shares by just exercising that contract at R1,00. So with R1,00 you get an extra three shares. So now you have paid 3 billion rand, but now you have got the 10 shares from the 3 billion rand, but also you got another three shares from the R1,00. So now you got 13 shares. So then the average comes down from the R39,00  
10 to the R8,00 because you have been issued more shares.

**ADV SECHABA MOHAPI:** They have the money and but it does not diminish the risk, the risk of the company. Even if you get more shares or whatever, I mean generally the risk is still there.

**MR LEOGANG MOLEBATS!** The risk is still there but also the nature of the structure, you know I struggle to understand whether that is you know something that would be allowed in normal capital markets activity. I had never, I had never seen such a transaction.

**MS GILL MARCUS:** But to just, if I can try to just summarise it. The essence of it is that Sagarmatha would have gotten 3 billion rand and the exposure of the PIC in terms  
20 of share would have been far larger?

**MR LEOGANG MOLEBATS!** Correct.

**MS GILL MARCUS:** That is the essence of it. So that the risk going forward is actually even greater because you don't have a 29%, you might have a 70% ownership.

**MR LEOGANG MOLEBATS!** Well the risk ...

**MS GILL MARCUS:** ...[indistinct] the 3 billion.

**MR LEOGANG MOLEBATS!** Well the 3 billion rand remains the 3 billion rand.

**MS GILL MARCUS:** Sure, but your number of shares is increased.

**MR LEOGANG MOLEBATS!** Correct, that is correct.

**MS GILL MARCUS:** And therefore the percentage of ownership in Sagarmatha increases.

**MR LEOGANG MOLEBATS!** That is correct.

**MS GILL MARCUS:** And therefore the risk to the PIC increases, because you have got a bigger exposure to Sagarmatha than you would have had.

**MR LEOGANG MOLEBATS!** Well it hasn't increased in the nominal sense.

10 **MS GILL MARCUS:** No.

**MR LEOGANG MOLEBATS!** In a sense that the money at risk would never have gone up.

**MS GILL MARCUS:** The money at risk could not have, but your role because you might have become a majority shareholder, you might have come close to the 40%, 50% mark of shareholding.

**MR LEOGANG MOLEBATS!** Correct.

**MS GILL MARCUS:** ...[indistinct] obligation.

**MR LEOGANG MOLEBATS!** You are correct, you are correct.

20 **MS GILL MARCUS:** Your obligation is changed. It is not just your risk who has changed, your obligation has changed because of the size of your ownership.

**MR LEOGANG MOLEBATS!** Ja. Look I think I agree with you in principle but I do – I mean that the reality is that you know if it is an associate there is a certain level, if it's a subsidiary it is a certain – so I agree with you directionally. What the actual percentage would have been, I have not worked ...

**MS GILL MARCUS:** Sure.

**MR LEOGANG MOLEBATS!** I don't know what we would have ...

**MS GILL MARCUS:** Sure, but just, but just it is not the actual percentage it is just that you would have held much more shares.

**MR LEOGANG MOLEBATS!** Correct.

**MS GILL MARCUS:** And they still got the 3 billion.

**MR LEOGANG MOLEBATS!** Correct. I had significant reservations about this structure for two main reasons. Firstly, PIC would be getting an in price that is lower than the publicly quoted listing price. And secondly, I was not convinced that Sagarmatha had the balance sheets to act under the PUT. I communicated this to the  
10 CEO Dr Dan at a meeting in his office. A letter from Sekunjalo was received on the 10<sup>th</sup> of April 2018, pledging assets on their balance sheet as security against the potential fall in the Sagarmatha share price. The problem I had with this was that most of the assets pledged were based on managements valuations and we would have needed time to review these for reasonableness. I once again expressed this concern to the CEO Dr Dan. On the 12<sup>th</sup> of April 2018, the JSE cancelled the IP of Sagarmatha and rescinded its approval of the pre-listing statement. So if I pause here, this is the reason why – so while we were still obviously mulling all these things and now saying you know Sekunjalo is coming back with they are pledging more assets as security, while we were still mulling and having those debates with Dr Dan, then the JSE pulled the PLS,  
20 that is why the transaction eventually – you know that is why it stopped. So in my understanding based on the records that I have seen, it was not an FSB related issue.

**MS GILL MARCUS:** I think that is very helpful and this clears that matter because in previous evidence it has been mentioned that I think it was the FSB as my recollection, but I might be wrong. But this then becomes the actual facts and that is helpful. Thank you.

**MR LEBOGANG MOLEBATS!** The reasons stated were that the company being Sagarmatha failed to comply with the Company's Act and the company failed to adhere to a condition that it must released is reviewed provisional results by the 9<sup>th</sup> of April 2018.

**ADV SECHABA MOHAPI:** Mr Commissioner that is Mr Molebatsi's evidence. Unless if there are further questions and I have noted that it is 11:26. Shall we proceed or? And now follow up on the conundrum of listed versus unlisted. You mentioned that you actually had a second point, but I don't know whether you can sort of remember that. But broadly is – and I know this involves GEPF and all that, what is your thinking about  
10 that conundrum again? Just give me sort of a final view on that one.

**MR LEBOGANG MOLEBATS!** I think the listed and unlisted asset classes both play a critical role in generating long term returns for clients. If you look at our peer groups or the PIC's peer group globally, they have got significant portfolios in the listed space and in the listed space I am talking listed equities, listed bonds, money market instruments. They also have significant portfolios in the unlisted space being you know infrastructure funds, private equity funds, private equity fund of funds and that entire – even unlisted debt. And I will give you a good example. On the rest of the continent for example, in my opinion, a great way to invest in the rest of the continent is actually through unlisted debt. Because listed equities has got challenges around liquidity etcetera. And so if  
20 you look at the opportunity set, in my view there is a role to be played both for of listed investments and unlisted investments, and therefore it would make sense to me directionally that as the portfolio of our clients or the GPF grows, you would want to diversify across those asset clusters. And I think it is a case study that has been proven over and over again globally, as a best practice to say diversification across asset classes, across the listed space, across the unlisted space overall generates

better you know risk adjusted returns. I don't know if I'm answering.

**ADV SECHABA MOHAPI:** In many pension funds, I mean the unlisted part is about 20% you know CalPERS and the others probably, but GEPF I think is about 5%. 5%, What is your views on that one?

**MR LEOGANG MOLEBATS!** My opinion is that there is, there is a case to be made to increase allocation to unlisted assets. Not for the sake of it, but purely because there are return opportunities inherent in unlisted assets. So it is not purely just to allocate to unlisted for the sake of it, it is to look at the returns that are being offered in that space. Private equity for example, you know if you look at a lot of the returns  
10 being – that would be IRR's or internal rates of returns which is you know a measure used in the unlisted space, particularly in private equity. There are a lot of very attractive returns allocated there. So I think the way to think about it is where is the most attractive risk adjusted return? And if that, if there is an opportunity said in unlisted then in my view it makes sense to allocate to there. Not because it is unlisted, but because it is offering an attractive return for clients.

**ADV SECHABA MOHAPI:** The final question is on you. You know and ja, you know the Nemagovhani told us here that you are facing some sanctions on the IO transaction that there were about seven to eight people who the PIC is looking at sanctioning. What is your view you know on that issue? Am I clear.

20 **MR LEOGANG MOLEBATS!** Am I clear.

**ADV JANNIE LUBBE SC:** Sorry, Mr Commissioner I am sorry to interrupt. And I think it is only fair to tell the witness that he might prejudice himself by answering that question if he is charged in a disciplinary hearing.

**ADV SECHABA MOHAPI:** I am happy if you don't want to answer it.

**MR LEOGANG MOLEBATS!** Okay.

**ADV SECHABA MOHAPI:** I am happy to leave it.

**MR LEBOGANG MOLEBATS!** I will leave it Commissioner.

**CHAIRPERSON:** Final question, hopefully. I don't have a difficulty with debates taking place between lets use your – the example of your team with whoever your report to above you when you deal with you know your research and your report and whatever. But I am concerned about you or your team or a team like yours being dictated to by somebody from above. And would like to know have you got any views as to how that can be dealt with and stopped?

**MR LEBOGANG MOLEBATS!** I think in my view Commissioner there needs to be a  
10 segregation of duties. I think the role of the CEO, the CFO role in my view if you look at what happens in the private sector CEOs and CFOs do not sit on Investment Committees and are not part of decision making in terms of investing. So the people that are involved in the front office in terms of making investment decisions must be held accountable based on the returns that they generate or not generating. And they must be given the right to apply their mind, use best practice investment principles and decline or approve or invest or sell or buy investments as they deem fit within a risk framework, within certain parameters and then be held accountable for the returns or the lack thereof of that decisions. I think then you need to have the CEO role which in an asset management function really is more operationally involved, is more ensuring  
20 that you know stakeholder relations are what they need to be etc, etc, etc. The CFO role is effectively a finance function. It is ensuring you know that the reporting in terms of financial reporting is – so those in my – those two roles in my experience in the private sector have a specific clear outcome. And then there is the CIO role and that CIO role is concerned with the generating, with the generation of risk adjusted returns and holding investment professionals to account. And I think if we – in my view we

need that segregation of duties. And I think if that happened then the need to for example take an opportunity to PMC and by the way, just for context purposes, submission to PMC is literally 5% to 10% of what we do as a team. But it has generated such negative publicity or incorrect behaviour because I think of there has been a challenge around segregation of duties. And I think the segregation of duties will go a long way to allowing investment decisions to remain with the investment team but on the same – then if that is so, then the investment team can be held accountable. But you can't not have segregation of duties and when things go wrong you want to hold the investment team accountable.

10 **ADV SECHABA MOHAPI:** Just as a follow up, so it means that you are saying maybe we should not have a Super CIO, that there must be CIOs within various divisions? Is that what you are saying maybe?

**MR LBOGANG MOLEBATS!** Ja, I think there are many business models around the world that I can cite wherein you do have a group structure at the top, but they have decentralised a lot of decision making and accountability away from the centre into different pockets. I think the PIC as the largest asset manager on the continent and one of the largest in the world, in my view would benefit from a decentralised model that really puts accountability in the front lines and concentrates therefore accountability and reward to say for the risk that you taking this is the reward. Ja, I  
20 think as an investment professional, I am happy to live and die on the returns that my portfolio generates if I am allowed to have the final say on what is in that portfolio.

**ADV SECHABA MOHAPI:** And then given that you sort of run a quite an active part of the portfolio and you need to attract really good skill, you know of people you know, the analyst's portfolio managers and given the bonus structures that are ...[indistinct] out and all that, are you finding you are battling to attract top, top talent?

**MR LBOGANG MOLEBATS!** Commissioner I think that is probably one of the most important questions that have been asked at this Commission, for to me. It is if I may say, use some emotive language, it is heart-breaking to see the private sector skill that I manage to attract. When I arrived at the PIC there were good people already at the PIC. However, we were able to attract a lot of private sector skill into the PIC. Highly skilled investment professionals who have a lot of – even myself I came from the private sector. And we believed that we could make the PIC competitive and be able to compete with the private sector and therefore when the very professionals who have been recruited find themselves in a situation where they maybe are not as incentivised  
10 as they should be, and are subjected to things that their peer groups in the private sector are not subjected to, the risk is that you will have significant resignations. If I had to ask myself as a General Manager, what is the biggest risk that I am facing now? It is largely the loss of key skills in the team.

**ADV SECHABA MOHAPI!** Yes thank you Mr Molebatsi.

**CHAIRPERSON:** Thank you very much for your time, especially that we could not finish with you yesterday and you were still available this morning. We appreciate that very much, we appreciate you being here and to testify before us. And I trust that if there is one or two more people from the organisation who are prepared to come forward, maybe from the fact that you came they will do the same. So thank you so  
20 much.

**MR LBOGANG MOLEBATS!** Thank you Commissioner.

**CHAIRPERSON:** I might just mention that it may well be that you can be called back at some stage to come and answer certain questions or clear certain matters. Okay.

**MR LBOGANG MOLEBATS!** Thank you Commissioner.

**CHAIRPERSON:** Thank you so much. Alright we will adjourn. We will adjourn now.

Advocate Lubbe any suggestions? Can you come back at 12:00?

**ADV JANNIE LUBBE SC:** Mr Commissioner my planning for the day is out of the window. I am trying to regroup. Can I ask for a 15-minute adjournment so that we can try and catch up with some time?

**CHAIRPERSON:** A 20-minute adjournment.

**ADV JANNIE LUBBE SC:** Accepted, thank you Mr Commissioner.

**CHAIRPERSON:** We will adjourn until 12:00.

### **INQUIRY ADJOURNS**

### **INQUIRY RESUMES**

10 **ADV SECHABA MOHAPI:** Thank you Mr Commissioner our next witness Ms Adams is ready to take the prescribed oath.

**CHAIRPERSON:** Hello Ms Adams your full names please?

**MS GAANEWE ADAMS:** Gaanewe Adams

**CHAIRPERSON:** Two A's?

**MS GAANEWE ADAMS:** Yes.

**CHAIRPERSON:** I suppose you don't have any objections to taking the oath?

**MS GAANEWE ADAMS:** No objections.

20 **CHAIRPERSON:** Do you then swear that the evidence your 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.

**MS GAANEWE ADAMS:** So help me God.

**CHAIRPERSON:** Thank you, you may be seated.

**ADV SECHABA MOHAPI:** Ms Adams as part of the evidence you about to give you've submitted a written statement to the Commission?

**MS GAANEWE ADAMS:** Yes.

**ADV SECHABA MOHAPI:** Were you compelled to give that statement?

**MS GAANEWE ADAMS:** No.

**ADV SECHABA MOHAPI:** And were you compelled by the evidence leader to put anything in that statement with which you didn't agree?

**ADV SECHABA MOHAPI:** No. Okay can we start off in your statement paragraph 1, page 2?

**MS GAANEWE ADAMS:** "I am an adult female and currently employed by the Public

Investment Corporation as a Portfolio Manager for Listed Properties. I have been in the employ of the PIC since June 2016. The facts contained in the statement are to the best of my knowledge and belief both true and correct.

10

Section A Introduction.

I have been requested to give evidence in relation to my role in the Ayo transaction which will be known as the transaction. I am one of the seven signatories of the PIC's payment memorandum titled request for payment of R4 290 654 165,00 in respect of purchase of shares in Ayo Technology Solutions. A copy of the memo is attached marked as Annexure GA1. This has also been mentioned in paragraph 69, page 15 of the ...(indistinct) statement presented to the Commission."

**ADV SECHABA MOHAPI:** Before you proceed. Can you just go to the Annexure GA1? That is the payment memo dated 19 December 2017, correct?

20

**MS GAANEWE ADAMS:** Yes.

**ADV SECHABA MOHAPI:** If we can just go to page 3 of the memo at the bottom. Mr Commissioner there is an inscription next to the Chief Financial Officer, Ms Matshepo More's signature. We attempted to give an inscription underneath it. It's written by hand but it should read as follows:

Funds available. Just enquire if risk should be part of this memo and ESG to recommend that all in order.

Would you like me to repeat that encryption Mr Commissioner or can we move on?

**CHAIRPERSON:** Will you please repeat it?

**ADV SECHABA MOHAPI:** It reads funds available. Just enquire if risk should be part of this memo and ESG to recommend that all in order.

**CHAIRPERSON:** The eight is and?

**ADV SECHABA MOHAPI:** That is correct it's the – Roman ... Now if we go back to paragraph 5 or your heading at page 3.

10 **MS GAANEWE ADAMS:** “My first encounter with Ayo transaction, 19 December 2017.

I was the Acting General Manager of Listed Equities from the 18<sup>th</sup> December to the 22<sup>nd</sup> December 2017. I checked with the General Manager of Listed Equities Mr Lebogang Malabatse if there is anything that I should be aware of before he went on leave and the transaction was not mentioned to me. I was first made aware of transaction on the 19<sup>th</sup> December 2017 when I was approached by the Assistant Portfolio Manager for Non Consumer Industrials Victor Seanie with the memo for the transaction which needed my signature amongst other signature in my capacity as the acting GM at the time.

20 I then sent Lebogang Molebatsi a text message asking if he was aware of the transaction. If I recall well his response was that he was aware and that I should speak to Victor about it. I then enquired with Victor whether the transaction had been presented to PMC Listed and whether it was approved. He responded that the transaction had not been presented as the scheduled PMC meeting for the previous week had been cancelled. He also mentioned that efforts had also been made to approve the transaction via

round robin which was also not successful as not all members of the PMC could be reached.

10 He mentions that the former Chief Executive Officer of the PIC Dr Danielle Matjila – Dr Dan had said that payment for the PIC’s participation in the Ayo IPO should be effected and the process ratified at the next PMC meeting. He also mentioned that Dr Dan was in fact of the premises of the PIC at that time although he was apparently on leave. I asked if we could both see him - that is Dr Dan- to enable me to get a clear instruction from him. I needed the assurance as the transaction had not been mentioned to me before. We were able to locate Dr Dan in the offices and to my recollection he repeated what Victor Seanie had said that we should proceed with the payment and process would be ratified at the next PMC meeting.

Around the same time I then also learned through an email forwarded to me by our Head of ...(indistinct) Mr Simphiwe Maphumulo that Dr Dan also requested some of my colleagues to liquidate some positions in order to create liquidity for the transaction. A copy of the email is attached and marked as GA3.”

20 **MS GILL MARCUS:** Sorry can I ask you some questions there? Thank you. What did you understand that to me in the sentence that Dr Dan Matjila said we should proceed with the payment and the process would be ratified at the next PMC, how did you interpret that?

**MS GAANEWE ADAMS:** At the time I interpret it to say that it would be regularised or when everybody was around to hear the transaction that’s when it would be regularised and the transaction would be heard. That was my understanding at the time.

**MS GILL MARCUS:** And had you had any experience of a similar process of subsequent ratification before in any other deal?

**MS GAANEWE ADAMS:** Not at all.

**MS GILL MARCUS:** And a deal of that size, nothing?

**MS GAANEWE ADAMS:** No.

**MS GILL MARCUS:** And then if you looked at this question that you raised in paragraph 11. What – and it relates to what you also got in paragraph 13. The question of liquidating some positions to create liquidity. Do you know whether any losses were incurred in such liquidation and how much of the R4.3 billion that was  
10 required was created through the liquidation of those shares or those investments?

**MS GAANEWE ADAMS:** To my recollection and I actually have emails from the Head of Dealing which states what was sold on that day, within what time, at what prices. But we were able to liquidate what was needed then was around 3.7, 3.8 billion.

**MS GILL MARCUS:** So virtually the whole amount 3.7, 3.8 billion of the 4.3. You did not have sufficient liquidity for that. You had to liquidate other assets to get it.

**MS GAANEWE ADAMS:** It had to ...(indistinct).

**MS GILL MARCUS:** And were any losses made on those assets that were liquidated?

**MS GAANEWE ADAMS:** Through you Commissioner. So I would have to – I would have to just go and double check what the net effect. Because what you would typically  
20 do when you selling a stock is that you sell when it's reached it's fair value  
...(intervention).

**MS GILL MARCUS:** Sure but you were then having to liquidate at a particular time – moment in time and that might have not been the most opportune to liquidate at that moment and therefore there could have been a negative or something else that was not necessarily the opportune time.

So it wouldn't just be the funding that was received to release your 3.8 but were those stocks and what was actually liquidated? Was it an appropriate time to sell them and could you have done better? So just a bit if you could look at that and come back to us with that information that would be helpful?

**MS GAANEWE ADAMS:** Will do so.

**ADV SECHABA MOHAPI:** Thank you Mr Commissioner will do. Can I just ask? But are you saying that there could have been some stocks which had reached fair value and you could sell them without a problem?

**MS GAANEWE ADAMS:** Yes so typically that's what you would do first which is what I  
10 did with the Portfolio Managers that were in the office on that day. I think there were two other individuals there. We checked what could be sold off first. You check what would be liquid for you to sell in order to settle on the 21<sup>st</sup> December.

Then the second thing would be is it actually the right time for us to be liquidating those positions without unnecessarily creating losses for the client.

**MS GAANEWE ADAMS:** How does that relate to your attachment G3, because that seems to indicate from Dr Matjila that if I read it:

“Let's create some liquidity for Ayo by selling Anglo only if PSG agree to an extension.”

So I mean that seems to be quite specific now. I would agree your approach  
20 would be to look at your best option of what to sell, what to liquidate to, to get the best results but that seems to be an instruction.

**MS GAANEWE ADAMS:** Okay so this was the first instruction that was actually not sent to myself but to my other colleagues that I refer to in the stamen. So it was sent to Mr Leon Smith, Lebogang Molebatsi in his absence, Victor and Simphiwe Maphumulo.

Which is then and I cover it in the next emails that because I wanted to get the instruction myself I then checked if we could have another meeting with Dr Dan.

Because yes there was an instruction which Mr Maphumulo came to me with which I asked him to forward to me and with that I then sought to have a meeting with the people who would be role players in the liquidation with Dr Dan.

**ADV SECHABA MOHAPI:** Thank you let's proceed, paragraph 12.

**MS GAANEWE ADAMS:** "I asked my colleagues if we could all have a brief meeting with Dr Dan to ensure that we all understood the instruction. From my recollection present at the meeting was myself, Mr Leon Smith who was the Acting Head of Listed Investments, Mr Simphiwe Maphumulo who was the head of ...(indistinct) – who is the head of quants rather and Mr Emile Annandale who is the Head of Dealing.

10

If I recall well Victor Seanie may have been there as well. We had the brief meetings just outside the office and I then asked Dr Dan to kindly writhe the instruction on email and also copy my direct line managers, Mr Lebogang Molebatsi and Mr Fidelis Madavo who is the Executive Head of Listed Investments. Dr Dan sent the instruction via email as requested which said that we should create liquidity to settle the subscription of shares in Ayo. A copy of the email instruction is attached, marked as GA4.

20

Having received an instruction in writing I assigned the payment memorandum on the 19<sup>th</sup> December 2017 as the reviewer of the document. There was another related memorandum compiled to request an increase of trading limits on

our trading system to allow myself and another portfolio manager to load the trade on the system. I also signed the said document as a reviewer.

10 I phoned Dr Dan in the afternoon of the same day requesting him to give us an instruction or an indication that we can still go ahead with the settlement process even though the transaction or approval had not yet been ratified by PMC as I was still feeling a bit uneasy. He responded that I could write him an email which he would then respond to. The call was then followed by an email from me to him where I repeated the request. He responded through an email that we should proceed with the settlement process and PMC will be asked to ratify at the next meeting as most of the members were already on leave. A copy of this email is attached and can also be found in Annexure GA4.

I do not recall a transaction whereby the payment memo was signed before PMC approval.”

**MS GILL MARCUS:** Sorry can I take you to – just in relation to the payment and the authorisation through your Annexure GA1 and without going through them because you go through the deal process as agreed and the discussions. But it says at  
20 recommendation – this is signed of by yourself, Victor and Fidelis and Ernest Nisani and Brian Mavuko and then Matshepo More and finally by Dan Matjila okay.

If I could – and this asks to approve the payment of the 4. – roughly 3 billion in respect of the purchase of Ayo shares. This is dated the 19<sup>th</sup> December. So I’m just trying to understand the sequencing because you signed off on selling the instruction to create liquidity was also the 19<sup>th</sup>.

So at that point in time – what time did you sign off the 19<sup>th</sup> to get the liquidity and when would that liquidity have come into the PIC?

**MS GAANEWE ADAMS:** Okay so my first introduction to the transaction was around midday – maybe around 11:30, midday. Then when the email to – the first email to liquidate was forwarded to me around 12:25. By 12:40 we had managed to track down Dr Dan with my other colleagues to get him to sit down. Take us through the instruction and also write the email. So it was quite pressurised.

The day was quite pressurised so I don't remember exactly at what time did I then sign the memo. But before the memo was signed there was a sequence of events  
10 which were – you know telephone calls and meetings just trying to make sure that everyone who would be involved would be covered so to say and they all understood what had to be done.

More importantly they understood it from Dr Dan and not just from myself as the Acting GM at the time. So the selling of the shares would typically happen – everything happened concurrently.

So as we get the instruction then we load whatever that needs to be loaded and I think if I recall well from the emails that I got from the head of dealing, trading must have started around 13:00, 13:30 on the day.

**MS GILL MARCUS:** And if we look at the signing off from the Head of Legal Counsel  
20 which was pp'd by somebody else – Tshitshedi I think it is ...(intervention).

**ADV SECHABA MOHAPI:** It's W Tshitshedi, she will also be called to give evidence before the Commission.

**MS GILL MARCUS:** Okay but in her signing off she confirms that all conditions president have been met and accordingly recommend payment. But on the 19<sup>th</sup> there were no conditions president. The conditions president came after the payment on the

20<sup>th</sup> so how does Head of Legal sign off on conditions president that are not and say they there. Was that something that you were aware of that there were not conditions president at the time of signing?

**MS GAANEWE ADAMS:** So at the time of signing what I was aware of was that there is a transaction that I had literally just know about an hour ago. That there was a clear instruction that this transaction had to happen and the payment had to be affected and everything in terms of processes that could then be corrected would be done at a later stage.

10 In signing the memo what would typically happen is that the compiler or reviewer would then walk the memo - especially in a pressurised transaction such as this one. If it's not pressurised then you would typically ask the PA or one of the analyst to just walk the memo.

So I did not necessarily walk the memo to each and every individual that signed on that day. What I did – Victor signed and then signed after me and then I believe he then walked the memo. But you are correct that in terms of conditions president there was nothing that I was aware of in terms of any conditions because all I heard was the document that said that there must be payment made and Dr Dan was there and that the transaction would be regularised at a later stage.

So that is the information that I was operating with.

20 **MS GILL MARCUS:** And can you just clarify who drew up this memo? Was this something from yourself?

**MS GAANEWE ADAMS:** No it was drawn up by Victor.

**MS GILL MARCUS:** Victor.

**MS GAANEWE ADAMS:** By the time he came to me this was already ...(intervention).

**MS GILL MARCUS:** This was the memo.

**MS GAANEWE ADAMS:** ... was already done.

**MS GILL MARCUS:** Thank you and then ...(intervention).

**MS GAANEWE ADAMS:** I think the only change that I asked him to do was to put my name as the signatory instead of Lebogang's email because I was ...(intervention).

**MS GILL MARCUS:** You were acting.

**MS GAANEWE ADAMS:** Because I was acting yes.

**MS GILL MARCUS:** And then if we look again at the signators, you've got Brain Mavuko's having signed also on the 19<sup>th</sup> December that he confirms that there are funds available to cover the subscription for shares and accordingly recommend  
10 payment.

Again the time matters. If you sign this when did the actual funds flow in to be able to ensure that there was funds to pay this and therefore it would be very useful if we could know when this was signed.

Did you sign that there were funds before the funds flowed from the liquidation and when I am saying you it was Mr Mavuko who had to sign that. Do we know when this signing took place? As I said when the funds flowed, let's assume 01:00 or 02:00 pm or whatever it was when you had the funds. Was this signed prior to the funds coming in or with knowledge that the funds would be coming in?

Do you know at all?

20 **MS GAANEWE ADAMS:** I do not know because like I said I wasn't with the memo making everyone signed. But what I know is that during that time there were trades that were being executed in a very high pressured ...(intervention).

**MS GILL MARCUS:** But again in our investigations. If we could look at that? Because that would apply equally to Ms More who says funds are available and whether that

was in fact before funds were in or knowing only that you were selling or creating the liquidity that was required and then of course it is approved by Dr Matjila in total.

So for me the question here is all of this is done prior to any approvals of the 20<sup>th</sup> December. The funds are paid, there is no conditions president and you actually may or may not have had the funds in the bank at that point in time to be able to pay it away, as I would read this depending on when the creation of liquidity actually took place.

I think it would just be helpful for a time sequence to understand that and I appreciate Ms Adams that's not something that you would have been aware of. It's just  
10 trying to understand whether this was in fact done pre or post having the funds available and signed off where people are saying the funds are available.

**ADV SECHABA MOHAPI:** Thank you Mr Commissioner we'll make that evidence available. Okay let's proceed paragraph 17 Ms Adams?

**MS GAANEWE ADAMS:** "The transaction was loaded on the system on the morning of the 20<sup>th</sup> December 2017. The transaction was loaded in two parts as per the allocation spreadsheet that was sent by the broker via our investment administration finance to listed equities. One was for around R500 million and the other was for around R3,7 billion worth of Ayo shares that was loaded in two parts."

20 **MS GILL MARCUS:** And the 3,7 would have been the liquidity you had to raise?

**MS GAANEWE ADAMS:** That's correct yes.

"On the same day I then learned via email around midday that the office of the Company Secretary was trying to arrange an urgent PMC meeting for that day to discuss the transaction. A copy of the email is attached, marked as Annexure GA5.

The PMC meeting to approve the transaction was held on the day and Victor presented the transaction to the PMC. Permanent members of the PMC that were present on that from my recollection were Dr Dan and the Chief Financial Officer of the PIC, Ms Matshepo More. If I recall well Dr Dan was also meant to be on leave on the day but he was present at the meeting and dressed casually.

The majority of other members were made up of people who were in their acting capacities. The PMC deliberated on the risks to the transaction and how these could be mitigated. It was later resolved to approve the transaction with the proposed conditions president. A copy of the PMC resolution is attached marked as Annexure GA6.”

**MR EMMANUEL LEDIGA:** Question. Just to check one thing. The CEO was on leave and then he came back to work to sign documents. Like is that proper, could that sort of prejudice things if you know he is officially on leave but he signing documents and all that?

**MS GAANEWE ADAMS:** Yes – through you Commissioner. The CEO was apparently on leave and he did come back into the office even there was someone who was acting I would assume in his capacity as the CEO. So I think him being present just added to the gravity of the matter that this has to be done because he is there. He is present and he is – he is not saying no to giving us instructions.

He is not saying no to you know us having a meeting to say, can we actually go ahead and settle and liquidate and so on an so forth.

**MS GILL MARCUS:** And perhaps just to follow up on a couple of things in relation to that. Was given that – the memo that we refer to earlier in G1 was signed on the 19<sup>th</sup> and the funds were released on the 19<sup>th</sup>. Obviously this is something that having a

discussion about approval was that disclosed that the funds had already been paid way at that meeting?

And secondly that if there was an approval of conditions president – I'm not sure how you do conditions president. President means prior I would have understood it so if you do conditions president when you have already paid the money it's not exactly. So I'm assuming from the conditions president conclusion that the meeting was not aware that or an assumption could be that the meeting was not aware or was it aware that the funds had already been paid?

10 Although two people who had signed off – the CEO and the CFO were in the meeting, do you know whether that was disclosed at the meeting? That in fact you've already paid for this and therefore this is not an approval process, this is something else.

**MS GAANEWE ADAMS:** So yes the meeting was not aware. But the meeting was made up in the majority of people who were part of the processes and the happenings of the previous day. So Dr Dan I assume had signed, the CFO, myself, Mr Victor Seanie, Mr Leon Smith who was the Acting Head of Listed Investments, Ms Winnie Tshitshedi who was the Acting Head or rather legal counsel.

20 So there was a feeling that the people who were there or who were at least members of PMC had just taken part in what happened on the 20<sup>th</sup> and now to then have a meeting – this was then the perplexing part about what are we then doing at the meeting if what happened on the 19<sup>th</sup> and in fact on the 20<sup>th</sup> which is when we loaded the transaction, had in fact happened.

But it wasn't mentioned in the meeting, the fact that there was a payment memo that had been signed the previous day and from my side coming from a point where I literally jumped into a train that was moving at a very, very, fast pace. There is

a lot of information that I did not know and I was not party to. I probably took it that there were other discussions that had happened outside of me that made what was happening and the presentation of the transaction as it were okay.

Also the fact that yes there was ratification that was spoken of which I had not previously seen or ever having been party to a ratification process. So I think at some point, I thought maybe at the end the CEO or someone would mention that oh in fact yes the transaction had to be heard for the benefit of other people who had never heard of the transaction just like myself.

But probably at the end then all of that would be sorted out. So I think in my  
10 mind that was what was happening in my mind as the meeting proceeded.

**MR EMMANUEL LEDIGA:** Question. Did you feel any pressure you know on this transaction like the others or as you say you just jumped into this fast moving train and there was no time to ask any questions.

**MS GAANEWE ADAMS:** Commissioner there was definitely pressure in that it's the 19<sup>th</sup> December. It's a big deal – it's a big transaction, it's R4,3 billion. There is a lot of stuff that has to be liquidated and what some would say a thin market. You know there is issue of increasing limits. So within that pressurised environment still trying to do what one perceives to be you know the right thing.

So there was definitely a lot of pressure in terms of the time that one had to  
20 make sure that the payment is honoured and that the trade doesn't basically fail in the market as it were.

**MS GILL MARCUS:** Do you recall who were the other members of the PMC other than the people mentioned so far Ms More and Dan Matjila, those who would not necessarily been part of the prior discussions of the 19<sup>th</sup> and earlier.?

**MS GAANEWE ADAMS:** Okay so if I refer to annexure GA6 which is the minutes of

the meeting of the 20<sup>th</sup> outside of the people who were privy to information on the 20<sup>th</sup> it would have been Mr Mohammed Nalla who was the Executive Head or Acting Executive Head of Research and Project Development and Mr Dudu Nzibande who was the Acting Head of Risk and Compliance and Ms Motshidisi Moloï who was the Acting General Manager for Externally Managed Funds.

**MS GILL MARCUS:** So those would have been the three people who were not aware?

**MS GAANEWE ADAMS:** Yes, the permanent members, the members of PMC were not, yes.

**CHAIRPERSON:** But I suppose you don't know whether they knew or didn't know  
10 about what had happened on the 19<sup>th</sup>?

**MS GAANEWE ADAMS:** I would not know, I did not know.

**MS GILL MARCUS:** And just to clarify is that if they were sitting in that meeting and these matters were not disclosed they would have not had full information?

**MS GAANEWE ADAMS:** Yes that's correct.

**MS GILL MARCUS:** So if it wasn't discussed and tabled in that meeting they would not have had full information?

**MS GAANEWE ADAMS:** That is correct.

**MS GILL MARCUS:** Okay thank you.

**ADV SECHABA MOHAPI:** Okay the last part of your statement?

20 **MS GAANEWE ADAMS:** Upon my return from leave in January 2018 I reported back briefly to Lebogang Molebatsi what had transpired on the 19<sup>th</sup> and 20<sup>th</sup> December and that he would obtain an appropriate update from Victor.

**ADV SECHABA MOHAPI:** Thank you Mr Commissioner that concludes the evidence of Ms Adams.

**CHAIRPERSON:** Ja I'm just concerned about whether or not the three people you

know Mr Nzimande, Nalla and Ms Moloï whether or not they knew about this because if they didn't one asks the question why were they not informed, you can't give an answer to that hey?

**MS GAANEWE ADAMS:** No, no Sir, as I had said I think even probably an hour before the meeting happened there was not even supposed to be a meeting you know such were the events of the day that this, there was a lot of stuff that was not, there were a lot of things that were not making sense including that fact as well and there could have also been on the parts of the people who knew that if the CEO is there and the CFO is there and other people know what had transpired and they're not saying anything then  
10 are you best placed to be giving out that information.

**CHAIRPERSON:** No I'm not blaming you for not mentioning it.

**MS GAANEWE ADAMS:** Yes.

**CHAIRPERSON:** I'm simply saying I'm concerned as to whether or not they knew because I'm trying to think in my mind what it amounts to if they didn't know and weren't informed.

**MS GAANEWE ADAMS:** Informed yes.

**CHAIRPERSON:** What that amounts to.

**MS GAANEWE ADAMS:** Okay.

**CHAIRPERSON:** And you are not able to give me an answer to that?

20 **MS GAANEWE ADAMS:** What, through you Commissioner, what it then amounts to is that whatever decisions or input that they would have had at the meeting would not have come from a point of full knowledge of all the facts at that point pertaining to the transaction.

**CHAIRPERSON:** Yes that is correct and what I'm asking myself in my mind is whether or that is fraud.

**MR EMMANUEL LEDIGA:** Just to check something if you can recall sort of which shares were sold or how many shares were sold to finance the Ayo transaction, can you recall the shares and the number of it?

**MS GAANEWE ADAMS:** We can provide the list but from the top of my mind what I remember it was Anglo.

**ADV SECHABA MOHAPI:** Mr Commissioner that would be part of the evidence we will still provide to the Commission.

**CHAIRPERSON:** Ms Adams thank you, thanks very much for your testimony and for your time. I may mention that you might be called back in due course and I hope you  
10 will be amenable to that when that time comes come. Thank you so far.

**MS GAANEWE ADAMS:** Thank you.

**ADV JANNIE LUBBE SC:** Thank you. Mr Commissioner it's not necessary for an adjournment the other people are ready can we just have a brief moment to rearrange the chairs?

**CHAIRPERSON:** Do you want us here or we can sit through it?

**ADV JANNIE LUBBE SC:** You're welcome it will take a minute. The next witness will be Candace Abrahams she's present and her evidence will be presented by my colleague Adv Khooe.

**CHAIRPERSON:** Your full names please?

20 **MS GAANEWE ADAMS:** Good afternoon Commissioner my full names is Candace Justine Bobby Abrahams.

**CHAIRPERSON:** Justine with an E at the end.

**MS CANDACE ABRAHAMS:** Yes.

**CHAIRPERSON:** Yes otherwise it will be Justin. Do you have any objection to taking the prescribed oath?

**MS CANDACE ABRAHAMS**: No Mr Commissioner I do not have an objection.

**CHAIRPERSON**: Right do you swear that the evidence you're about to give will be the truth, the whole truth, nothing but the truth, raise your right hand and say so help me God.

**MS CANDACE ABRAHAMS**: So help me God.

**CHAIRPERSON**: Thank you, you may be seated.

**ADV NKAISENG KHOOE**: Thank you Commissioner. Commissioner I'd like to just highlight that Mrs Abrahams' testimony basically will start with her zooming into the risk department which is quite important and throughout the evidence that we've heard so far there were a bit of confusion on who does what so basically what she's going to do is zoom into the mechanics of the risk department. She's going to deal with both Ayo and Sagarmatha and as well as – ja Ayo and Sagarmatha.

**CHAIRPERSON**: I just hope that we weren't confused.

**ADV NKAISENG KHOOE**: I hope so too Commissioner. Ms Abrahams am I correct that you have provided this statement?

**MS CANDACE ABRAHAMS**: Yes that is correct Mr Commissioner.

**ADV NKAISENG KHOOE**: Were you coerced by the evidence leader to give this statement?

**MS CANDACE ABRAHAMS**: No I was not.

20 **ADV NKAISENG KHOOE**: And is this statement everything, the information provided in the statement your input and nothing was added by the evidence leader without your consent?

**MS CANDACE ABRAHAMS**: That is correct Mr Commissioner.

**CHAIRPERSON**: Just give us a minute. Thank you I just didn't have a copy of the statement but I've got it now.

**ADV NKAISENG KHOOE:** I beg your pardon Commissioner?

**CHAIRPERSON:** I just didn't have a copy of the statement so I was still looking for one, I've got it now.

**ADV NKAISENG KHOOE:** Oh my apologies for that Commissioner.

**CHAIRPERSON:** You can proceed.

**ADV NKAISENG KHOOE:** You can start with paragraph 1.2 of your statement.

**MS CANDACE ABRAHAMS:** Thank you Mr Commissioner. The averments made in this statement fall within my personal knowledge unless the contrary is explicitly stated herein or appears from the context of this statement and they are moreover true and  
10 correct. Paragraph 2 my educational background, I hold BCom undergraduate degree majoring in finance and business information systems from the University of Natal Durban in 2002 and a Master of Business Administration from the University of Pretoria in 2015.

In terms of my employment history under paragraph 3 I have worked in the financial services sector since 2003 both in front office and middle office roles. I have occupied roles in the banking sector as a deal transactor and primary relationship banker. I have also occupied middle office roles in the development finance sector as a senior post investment associate and senior risk manager in credit risk. I currently occupy the role of Senior Manager for Enterprise Wide and Operational Risk at the PIC.  
20 I joined the PIC on the 30<sup>th</sup> January 2017 ... (intervention)

**CHAIRPERSON:** Sorry just for my benefit, front office, middle office, what's that?

**MS CANDACE ABRAHAMS:** Thank you Mr Commissioner, so in terms of front office that would a sales related role or an investment transactor type of role. A middle office role would typically encompass investment support functions.

**MS GILL MARCUS:** Sorry while you're doing it why don't you just cover back office as

well so that you've covered all three?

**MS CANDACE ABRAHAMS**: I'll proceed from point 3.3 ... (intervention)

**CHAIRPERSON**: The back office.

**MS GILL MARCUS**: The back office.

**MR EMMANUEL LEDIGA**: The back office ja.

**MS CANDACE ABRAHAMS**: Oh my apologies, so the back office would really be your finance functions an area that I have not worked in so from a front and middle office you really looking at deal origination in front office, putting transactions together to present to committees for approval and then the middle office role is really once  
10 transactions are approved it's the implementation thereof from a disbursement as well as from a monitoring perspective. The back office roles that I would typically elude to here would be really be the administrative tasks that would sit primarily within your finance function.

Thank you Mr Commissioner. I joined the PIC on the 30<sup>th</sup> January 2017 as a Senior Manager for Enterprise Wide and Operational Risk in the Risk and Compliance Department. I report to the Executive Head of Risk and Compliance or the EH who at the time was Mr Paul Magula. I have been occupying the role of Acting Executive Head for Risk and Compliance from the 6<sup>th</sup> March 2018. My role as a Senior Manager for Enterprise Wide Risk at the PIC this role entailed oversight of the PIC Corporation's  
20 organisational risks on an enterprise wide basis as well as oversight of the operational risk and business continuity management at the business unit level. In this capacity I'm required to monitor and report risks to the Information Technology and Risk Committee or the ITRC, Executive Committee or Exco, the Audit and Risk Committee or the ARC as well the Board from time to time.

In addition to the above it became apparent from instructions from my

Executive Head, Mr Magula, to perform additional activities that he expected me to also be responsible for oversight of safety, health and environment other words SHE and physical security. This was as a result of the absence of resources in these functions following the departure of the SHE manager which occurred before I joined the organisation. My extensive operational involvement in SHE matters ensued until about the third quarter of 2017 when the PIC appointed a service provider which entailed an onsite resource to assist with SHE management on a contract basis. This contract has since matured in December 2018. In my acting capacity of Executive Head of Risk and Compliance I have however through the recruitment process appointed a SHE officer  
10 who joined the team in October 2018 to fulfil these day to day duties.

I'll move on to the Department overview. The Risk and Compliance Department is a separate standalone Department that reports to the Chief Executive Officer of the PIC. The Department has primarily an oversight function providing second line of defence assurance to the PIC management and the Board. The Department provides the second line oversight of PIC corporate activities as well as for the assets under management of the AUM activities. This Department is led and managed by the Executive Head of Risk.

On page 5 I've just highlighted the functions that fall within the Department these include credit risk, market risk, enterprise wide and operational risk, regulatory  
20 compliance, static data management, performance attribution, mandate compliance, SHE and physical security. Regarding risk governance the Department reports to the Board, Board Committees, Exco and Exco Committees in accordance with the delegation of authority. A brief synopsis from 5.6.1 to 5.6.7 indicates the different functions governance reporting structures. The credit risk team reports to the Portfolio Management Committees for both Listed and Unlisted Committees. The fund

investment panels or the FIP's, the Investment Committee or the IC and credit risk related policies must be approved by the IC in terms of the delegation of authority.

Operation Risk reports to the ITRC, Exco, the ARC and the Information Communications Technology and Governance Committee or the ICTGC. Enterprise risk and operational risk related policies are approved by the ARC and the Board in accordance with the delegation of authority. The market risk team reports to the PMC Listed Committee and related policies are approved by the IC. In addition periodic reports by market risk to PIC clients are submitted through the PIC Client Relations Department. Performance and attribution reports to the PMC Listed Committee they also produce periodic reports to PIC clients and are also submitted through the Client Relations Department.

Mandate compliance also reports to the PMC listed and periodic reports are also submitted to PIC clients through the Client Relations Department. Regulatory compliance reports to the Audit and Risk Committee and the related policies are approved by this committee. The function regulatory compliance also reports periodically to the regulators such as the Financial Sector Conduct Authority. Safety health and environment reports are tabled to the ITRC as well as to the Social and Ethics Committee or the SEC. The SHE related policies are approved by Exco in accordance with the delegation of authority.

Paragraph 6 outlines my involvement in investment transactions at the PIC since joining the organisation. Within a very short time of joining the PIC, bear in mind I was a Senior Manager for Enterprise Wide and Operational Risk, my Executive Head further instructed me to assist him in managing the credit risk team by providing desktop reviews of their risk reports which are tabled to the various PIC committees which consider these investments. The practice was such that the risk analysts in the

credit risk team are allocated due diligence work on an investment after the investment proposal is approved by PMC1. The said committee would approve for the investment team to undertake a due diligence together with the investment support teams. The investment support teams included those from risk, legal and environmental social and governance or ESG. Whilst the investment support teams comprise of these two other departments my focus today is only on risk as one of the investment support functions.

Regarding my involvement in credit risk my Executive Head indicated that the team, being the credit team, is fairly new or not well experienced in presenting the reports themselves to these committees for investment consideration.

10 **ADV NKAISENG KHOOE:** I'd like to go back to that statement you just made, you said regarding my involvement in credit risk my Executive Head, that would be Mr Magula at that time am I correct?

**MS CANDACE ABRAHAMS:** That is correct Mr Commissioner.

**ADV NKAISENG KHOOE:** He indicated that the team is fairly new or not well experienced in presenting their reports themselves to the committees, now does it mean that they had recently been employed or what does that mean?

**MS CANDACE ABRAHAMS:** So if you look at our department our department is a very young department and some of the analysts in the team came through the graduate program as I understand. I also understand that there was a period in which  
20 credit risk in itself did not function for a while, some of the credit risk roles actually moved across to the Isibaya Department at the time when Dr Zulu Xaba was employed as the Chief Risk Officer and when he departed my understanding is that Mr Magula then moved across as the Acting Executive Head for Risk and there were only about two resources at the time if I'm correct. In terms of analysts there were no senior people in the team at the time and I also understand through my engagements with the

team that Mr Magula would present their reports on their behalf and they actually wouldn't attend those meetings. So at the time of my joining I understand that it was only a short period of time in which they had started commencing attending those meetings themselves.

**MS GILL MARCUS:** Sorry can I follow up on that and perhaps this is really for other information, what has come through in a number of witness testimonies is the relatively short period of time that people have been employed in a very complex organisation in essence whether we could get some information about the average tenure of the people who have been involved in these transactions so that we know whether you've  
10 been there 10 years, three years, five years whatever so that we know we've got a sense of the duration or the experience. It's not that I'm questioning the experience or the expertise I just think it's how new the teams are that have been involved in the transactions that are coming to the fore thank you.

**ADV NKAISENG KHOOE:** I'll arrange for that to be provided.

**MR EMMANUEL LEDIGA:** Ja question, a question, you know given that there are so many risks and of a various types do you think say within the PIC you could have somebody who's head of risk who knows all the issues you know from market risks to corporate risks, it risks and other risks, I mean do you think you could have a head of risks who would really be competent in all these areas?

20 **MS CANDACE ABRAHAMS:** Mr Commissioner if I would ask for the Commission to allow me to deal with that in section 11 later on as I talk through that?

**MR EMMANUEL LEDIGA:** Ja thanks.

**MS CANDACE ABRAHAMS:** Thank you Sir. I was therefore requested under 6.3, I was therefore requested to provide a desktop review of the reports that the analysts prepared prior their submission primarily with regards to layout and grammar of their

risk reports to enhance the professionalism in the presentation of these reports. In assisting in this capacity indicated above the Executive Head expected of me to sign off on these reports as a reviewer. It is on this basis that I commenced signing off the risk reports for the credit risk team as a reviewer whilst the Executive Head ultimately signed off for recommendation for the said reports.

I must also point out to the Commission that through my previous experience from time to time and where possible I would also go the extra mile to provide some guidance to the credit risk analysts in the compilation of their risk reports. This would be in instances where I may have had knowledge of the typical investment risks that  
10 may be pertinent to a particular transaction at hand which I thought should be fleshed out in the report. However, the extent to which I could provide this meaningful input was still limited due to not having been fully immersed in the due diligence process itself. I discuss the due diligence process and the role of risk in section 8.

In addition at no point in fulfilling these duties on ad hoc basis did I assume full accountability in the depth and breadth of the contents of these reports as this accountability remained with the Executive Head of Risk and Compliance. Also as a result of my participation in the credit risk function at PIC I was also instructed by my Executive Head to attend the Portfolio Management Committee meetings for Unlisted Investments as an invitee. However, he did not expect me to attend the committee  
20 meetings for the PMC listed Investments. In respect of the latter I assumed that the instruction for me not to attend the PMC Listed meetings would be due to the market sensitive nature of discussions in these meetings and also to preserve Chinese walls.

I only commenced attending PMC listed meetings after I was appointed as the Acting Executive Head for Risk and Compliance following Mr Magula's departure in late February 2018. In assuming the acting position I was appointed to act with full

delegation of authority and powers of the Executive Head for Risk and Compliance. This official delegation of authority to act is dated the 6<sup>th</sup> March 2018 and at the time was signed by the former CEO, Dr Dan Matjila.

**ADV JANNIE LUBBE SC:** Commissioner I've noticed that we've – it's one o'clock. I'm in your hands, we can continue and I would request a shorter adjournment for lunch if possible?

**CHAIRPERSON:** I was, without having consulted my colleagues, I was just wondering whether we shouldn't finish 6 at least?

**ADV JANNIE LUBBE SC:** I'm comfortable with that, thank you.

- 10 **MS CANDACE ABRAHAMS:** Thank you Mr Commissioner. During the period in which Mr Magula requested me to attend the PMC Unlisted Meetings as an invitee I never had access to the Board pack. The Board pack would contain all documents related to the items to be discussed on the agenda for the meeting. These documents are generally uploaded by a company secretariat prior to the meeting date for members to familiarise themselves with the content therein for deliberation and discussion necessary for decision-making. Therefore for the most part I would be attending the meetings and hearing matters presented for consideration only at the time of the meeting taking place and not having had prior time to read all of the content for consideration. Thus any input from me, if I had anything to contribute, would be limited
- 20 to me hearing the representations made by the various teams at the time of the meeting taking place. Therefore this limited the extent to which I could provide meaningful input over and above what I would have given in the compilation of the risk reports.

My Executive Head instructed me to refrain from speaking at these meetings but rather to communicate through him and on e-mail as I was required to carry my laptop computer to these PMC Unlisted meetings therefore if during the deliberations by

the committee on the various investment considerations if I felt that an important question or comment on the merits of the deal or risk related or otherwise should be tabled I would do this through e-mail communication to Mr Magula. At the discretion of the Executive Head he would then himself decide whether or not to put these comments or questions to the committee in relation to the matter being discussed.

In 2017 I updated the credit risk template to improve upon the layouts however the bulk of the content remained fairly the same. This was around May 2017 however up until recently being on or about December 2018 the risk reports did not make a clear distinction on whether or not the reports were prepared either on a  
10 desktop or on an onsite due diligence basis nor did they make a clear distinction on whether the risk rating applied to the risks reported on were on an inherent or residual risk basis. The rating of risks was something that came up in several committee meetings by the members of those committees such that the members found themselves disagreeing with or questioning the basis of the risk ratings applied. To this end I felt it was therefore necessary to review the template again that we had previously adopted.

Around September or November 2018 I prepared an initial draft template based on the common questions raised by the committee members as well as my own view of the additional disclosures that may be necessary to reduce the level of  
20 ambiguity in order to assist the committee in their decision-making. A fundamental amendment to the template was the inclusion of the two risk ratings being the inherent risk rating and the residual risk rating. A standardisation of the approach in arriving at these ratings has also been incorporated into the template to demonstrate consistency in the reporting from the credit team. The standardisation of the approach that we've adopted in the new template is also aligned with the enterprise risk management

framework of the PIC. This template was workshopped with the credit risk team for their inputs as well as to incorporate any other aspects that they may deem pertinent based on their experience in conducting their due diligence exercises. We commenced adopting this template in December 2018 on transactions going forward not retrospectively. The enhancements to the risk templates are included as annexures herein namely annexure A1 which speaks to the May 2017 template and annexure A2 which speaks to the October 2018 template.

**CHAIRPERSON:** Yes thank you, I think it's time to take the adjournment. Mr Lubbe two o'clock or is that too long?

10 **ADV JANNIE LUBBE SC:** That's fine, thank you Mr Commissioner.

**CHAIRPERSON:** Yes, we'll adjourn until two o'clock.

**INQUIRY ADJOURNS**

**INQUIRY RESUMES**

**CHAIRPERSON:** Ms Abrahams, can I remind you you're still under oath?

**MS CANDACE ABRAHAMS:** Yes, Mr Commissioner.

**CHAIRPERSON:** Thank you.

**MS GILL MARCUS:** Thank you, Mr Commissioner.

**ADV NKAISENG KHOOE:** Thank you, Mr Commissioner. Ms Abrahams, before we took the break you had just spoken about the templates that you introduced in  
20 December 2018 that are attached to your statement as Annexures A1 and A2. Can you briefly speak about those annexures?

**MS CANDACE ABRAHAMS:** Thank you, Mr Commissioner. If I can direct you to Annexure A2, which is the October 2018 template? I think the key things to highlight in terms of our risk report for the purposes of reporting to the committee is we've added in additional items to our report which we feel is necessary for the committee when

considering the investments. On page 2 these relate to specifically indicating the type of due diligence conducted by the team, either being a desktop or onsite, which would also speak to the speed at which the team may have had to put the risk report together. We've also included a section in terms of investment-process compliance which speaks to both mandate as well as our own internal guidelines and policies in terms of whether this transaction meets those investment-process criteria. On page 3 we also emphasise upfront credit-risk enhancements that may be embedded in the transaction, and then we also indicate the strength of those credit-risk enhancements, if any. And then also on page 7, which is something that has come up quite regularly as the issue

10 of reputational risk in terms of when should a transaction be referred to the Social and Ethics Committee for consideration given the presence of a reputational risk. So what we've done also there is just to flesh out the different types of reputational risk that you would expect to see in the transaction and where, within that particular transaction, the reputational risk that the team is highlighting points to either in the form of politically exposed persons or if not if it's impropriety allegations and whether those allegations have been concluded and the outcome thereof. And then finally, towards the back of the document, on page 12, we also give, in our concluding risk opinion, a bit more detail in terms of the risk exposure level for the key areas within the report itself in dealing with either the investment process, whether the process has been fully

20 complied with. If it's not complied then it would require the team requesting a deviation from a particular guideline or process that would need to be tabled to the committee for consideration. We also indicate the different levels of risk in as far as governance, reputation, financial, business risk, which speaks to the commercial aspects of the deal and it helps the committee get a sense of when we give our overall risk rating of transaction why we are saying the particular transaction may be low, medium or high.

Thank you.

**ADV NKAISENG KHOOE:** Thank you Ms Abrahams. You can continue on paragraph 7.

**CHAIRPERSON:** Your question?

**ADV NKAISENG KHOOE:** Sorry.

**CHAIRPERSON:** Your question.

**ADV SECHABA MOHAPI:** The template in the B1 template, it's far different to the templates which one has seen before. Would you say this is a substantial, like, improvement, an improvement on the past ones which we have seen?

10 **MS CANDACE ABRAHAMS:** Through you, Mr Commissioner, Annexure B1, which I will come to later, gives – are really examples of the type of aspects of the due diligence that the team would look at.

**ADV SECHABA MOHAPI:** No, A2, sorry.

**MS CANDACE ABRAHAMS:** Oh, A2.

**ADV SECHABA MOHAPI:** I wanted to say A2. A2.

**MS CANDACE ABRAHAMS:** So if you compare A1 with A2, the areas that I have indicated were not on the previous template, so it wasn't necessarily explicit to the committee whether an area under the investment process such as if it was a Funda funds transaction whether the Funda funds guideline was adhered to or not. It would...

20 It also wasn't explicit in terms of the credit risk enhancements regarding tangible or intangible security that would be available to the transaction to mitigate some other type of risks. And also, it also wasn't clear, most importantly from page 5, in terms of the risk rating, so from page 6 onwards we indicate an inherent risk as well as a residual risk and that – and the residual risk would be derived from the comments made in relation to the mitigants presented. And we've also given an indicator in terms of how

we view the strength of that mitigant and on page 5 it gives the team a consistent approach in terms of how they arrive at a particular residual risk in relation to what that that inherent risk would originally be and what the strength of that control would be in relation to that risk.

**ADV NKAISENG KHOOE:** You can continue.

**MS CANDACE ABRAHAMS:** Thank you, Mr Commissioner. I'm on page 9, paragraph 7, detailing additional duties and responsibilities:

10                   “Over time, particularly during the 2017 period, my duties and responsibilities under Mr Magula’s leadership expanded further by assisting with other activities, *inter alia* such as assisting him with the written updates for the Risk Department as input to the CEO’s quarterly report to the board, standing in for him in committees where he was not able to attend such as EXCO, the Audit and Risk Committee or the Social and Ethics Committee. In some of these instances these were without any formal delegation but rather on instruction at a short notice. In some of these instances I would be requested to attend these meetings without having sight of the agenda or the information that would have been tabled to that committee in respect of risk.”

20                   7.1.3:

“Signing off of documents or memos on his behalf where the Executive Head of Risk and Compliance were required to sign off, preparation of the departmental budget for approval by Exco as well as assisting with reviews of policies, in particular in the market and credit risk areas. The activities outlined in section 6

and 7 above...”

I beg your pardon.

10 “The activities outlined in section 6 and 7 activities are over and above my duties and responsibilities of that of the Senior Manager Enterprise-wide and Operational Risk, which in itself were enormous given that there were only two resources up until October 2018, myself included, to manage these functions for operational risk. There was also one instance on or about April 2017 where I was instructed by my Executive Head to directly participate in a three-day due diligence exercise for an investment considering (*sic*) outside of the country. The instruction came very late in the day from my Executive Head with the expectation to travel with the due diligence team the next morning to Tanzania to undertake a due diligence exercise. For this due diligence I did not have the opportunity to do any prior due diligence preparation work. I received due diligence-related information from the investment team members involved overnight and on the first day of the due diligence engagement. I had to play catch-up on the mechanics of the deal whilst also – whilst the due diligence was

20 underway. Following from this DD exercise I had to prepare and present a risk report which formed part of the investment consideration documents for the PMC Listed to consider for approval.”

**ADV NKAISENG KHOOE:** Sorry, can I stop you there? Did you get a chance to watch Mr Magula’s testimony yesterday?

**MS CANDACE ABRAHAMS:** Yes, Mr Commissioner.

**ADV NKAISENG KHOOE:** He testified yesterday that there was a period where he was sidelined and juniors were chosen to interact with the CEO directly. Is that correct? Is that true?

**MS CANDACE ABRAHAMS:** I can only think of one incidence that he referred to, which was around the 2<sup>nd</sup> of February 2018 board meeting.

**ADV NKAISENG KHOOE:** That's fine. Thank you.

**MS CANDACE ABRAHAMS:** “Whilst I personally felt that the extent of my responsibilities had expanded quite rapidly in 2017 I did not raise this with the Executive Head as I could tell that the department in general was quite stretched and accepted these instructions to mean that I am assisting the team and supporting the Executive Head overall in achieving its objectives. I often felt overwhelmed by the extend of these additional responsibilities before me, wearing various hats across the different risk disciplines on any given day. However, I never explicitly raised this with my Executive Head as I believed this would disappoint him and could reflect poorly on me.”

10

**MS GILL MARCUS:** Sorry, can I ... (intervention)

20 **CHAIRPERSON:** (Indistinct). Oh, ja.

**MS GILL MARCUS:** Sorry. I just wanted to ask whether... Because you said you didn't raise it, but if I looked at the tone of the statements you've read so far it indicates your – very clearly a sense of being overwhelmed and rushed about and not doing things. Was there any particular reason why, other than being disappointed, you did not raise it? Because it's not – what it reflects is a lack of resource for the task at hand and

how would you deal with the question, or what is your view of that question, of sufficient resources to do the job effectively and in the manner that you would want to do it?

**MS CANDACE ABRAHAMS:** Thank you for the question. Through you, Mr Commissioner. I think the reason why didn't raise it is because from where I was sitting I was a little bit confused because throughout that period Mr Magula indicated, as he indicated yesterday, that he was blocked from adding capacity to the team and I also understand that there was a moratorium on positions in terms of advertising but during that year I did see positions being advertised in other departments and I couldn't understand how come other departments except for Risk are advertising and employing  
10 additional resources to their various departments. It was not a conversation that I had with him directly given the level between us as a senior manager and him being the Executive Head, so I just continued following on the instructions that he gave me and I tried my best inasmuch as there were multiple tasks before me. So sometimes some of these requests would come on a whim. He would come and say you need to submit this memo tomorrow or you need to table this to this committee on the day of actual submission, which put us under immense pressure. Even though we were under-resourced a little bit of structure could have also helped in us managing many of these various tasks and these balls that we were juggling in the air.

**ADV SECHABA MOHAPI:** Just a question. To be clear, are you indicating somehow  
20 that maybe there were issues with the department in terms of leadership? Or are you saying that the department was suffering in some sense because it was blocked in terms of hiring people? I just want to be clear there.

**MS CANDACE ABRAHAMS:** Through you, Commissioner. I think the latter is a definite obvious in terms of Mr Magula being blocked, but regarding the leadership part, I don't know if I can truly answer that question fully because, you know, one would have

to assess how come other Executive Heads have the ability to make a request to the CEO and get a nod in terms of recruitment.

**ADV SECHABA MOHAPI:** And, you know, are you aware that he was under pressure and he had a poor relationship over time, you know, with the CEO?

**MS CANDACE ABRAHAMS:** Yes, I was aware of that. He did indicate to me on occasions that he's under siege, that was the term he would use, and I did also witness occasions when he would get a call either from the CEO himself or from the CEO's PA. He would panic, and you know, and I think that fear that he had, you know, sort of instilled it in me in terms of what happens on the seventh floor, you know, if you get  
10 called you should be afraid.

**ADV SECHABA MOHAPI:** So on balance, would you say the problems at Risk Department were more sort of – more about people at the top or within the department itself, on balance?

**MS CANDACE ABRAHAMS:** On balance I think that the department has never been given an opportunity to really demonstrate its capability and I cover that in section 11 when I talk to the structure of the department. Because at this stage it would be unfair to make an assessment of the capability of the department when you look at the actual skills on the ground and the level of the skill that's within the department currently.

**ADV NKAISENG KHOOE:** Sorry, you may continue.

20 **MS CANDACE ABRAHAMS:** Thank you Mr Commissioner. In section 8 I'll be covering, as requested by the commission, the processes regarding, in particular, the Credit Risk management function:

“Credit Risk serves as an enabler for management decision making in the investment process. The function is responsible for, amongst others, independent risk assessments of investment

considerations, evaluation of the creditworthiness of a counterparty, recommending optimal risk mitigation strategies where identified as well as commenting on the alignment of investment considerations with internal criteria and guidelines and client mandates. The primary activity of the function includes risk assessment of investment considerations for new investments, follow on and/or restructured investments.”

Restructured investments would be those deals that are in distress and referred to workout.

10            “The team also participates in due diligence for investment considerations. In general the credit analysts would therefore participate in onsite due diligence exercises as well as meetings arranged and led by the investment teams. The credit analysts would perform their independent assessments based on their own understanding of the transaction at hand, receive and assess external information from the respective investee company and any other external due diligence report that would have been shared with them. The outcome of the due diligence exercise and assessment of all of this information culminates in a final risk

20            report. The risk reports are compiled by the risk analysts that participate in the due diligence process and these reports are signed off for submission by the compiler, the reviewer and the Executive Head of Risk. There were also occasions where credit risk analysts would perform desktop due diligence work and prepare their risk reports. In most instances such desktop

assessments would be as a result of either the nature of the transaction or when the request for a risk report is made on a short notice basis in relation to the PMC meeting that the investment team intended to table a decision. The sign-off of these risk reports to the various committees do not automatically constitute an implied recommendation by Risk to approve the deal itself as the content of the risk report, in some instances, will flag various risks and propose mitigants for the committee to consider. In addition, there could be areas of concern that emanate from the other investment support team reports. The committee has the authority to approve or decline transactions. The Executive Head's sign-off for recommended means that he gives the go-ahead to submit. The conclusion of the risk report is limited to the extent of disclosures made to the risk analyst either internally or externally during the risk assessment."

There was a question posed regarding where does credit risk begin and end in the investment process. So 8.4 speaks to that. But before I get to 8.4 I just want to point out that before PMC1, as the commission has heard, there is another step before this and it's called the deal-screening process for the – within the unlisted space.

20 Within the deal-screening process the fund principles and the investment, associated principles, will present very high-level proposals looking primarily at mandate fit and appetite and whether it fits within a particular sector or strategy within PIC's investment strategy. So the deal – the purpose of deal-screening is to get the go-ahead to proceed to scoping, which is PMC1. However, the risk analysts are not part of that process. The members of the deal-screening committee primarily comprise of the PMC members

themselves and the fund principles that present to those committees. So if I start at

8.4.1:

“The investment teams present deal-scoping reports to PMC1 for approval to go to due diligence on the identified potential investment opportunities.”

In addition to the approval for due diligence this approval is also important for PMC1 to approve because there is also costs associated with a due diligence exercise in the form of external reports from service providers, which I have in the annexures, I will speak to it later, as well as travel related to the transaction as well, if

10 the investment is outside, you know, of Pretoria.

“Once the investment opportunity is approved by PMC1 the Executive Head for Risk and Compliance will allocate a resource from the Risk team to work alongside the deal team. At the same time resources from other investment support teams, being Legal and ESG, will be allocated by their respective heads. The allocated risk resource will receive a copy of the scoping report presented to PMC1 either by the Executive Head or by the deal team main member to familiarise themselves with the transaction. It is important to highlight that the Risk team is very small and

20 comprised of one senior risk analyst and two risk analysts to service both listed and unlisted investment considerations up until August 2018 wherein an additional risk analyst was employed. The deal team will lead and coordinate the due diligence exercise. The DD exercise varies from transaction to transaction. However, it broadly incorporates the following: Onsite visits to the business

premises of the underlying investment or the prospective assets that the investee company is acquiring; engagement meetings with the sponsor and/or management of the underlying investment; and where there is travel involved a memo will be prepared by the deal team for approval, which will include the investment support teams, being Risk, ESG and Legal. In order to carry out their duties effectively the risk analysts will prepare their own DD preparation notes for information and clarification on certain aspects of the transaction that has been identified having read the investment team's scoping report as well as any other information received prior to the DD itself. The investment teams are required to share all information at hand pertaining to the transaction with all the investment support teams. In some instances, depending on the confidentiality requirements surrounding the transaction, documents pertaining to the transaction are shared via controlled access in a virtual data room with the PIC teams involved in the due diligence. Some virtual data rooms only allow access for a limited period of time and also limit, in some cases, access to viewing rights only. This in itself can result in the supporting documentation not being available after the fact during normal internal audit processes which can result in audit findings for the team. Where the risk analyst requires further assessment or information on a particular aspect of the transaction they will refer this request to the sponsor or investee company management via the investment deal teams.

The information that the risk team would typically obtain and assess includes, as outlined in Annexures B1 and B2, financial statements from investee companies, external due diligence reports received, example being commercial and due diligence reports, a legal due diligence report, a valuation report, a market study report, *etcetera*.”

The scope of the DD reports are outlined in Annexure B1 and B2 in the statement just to give the commission a sense of the type of aspects that the team would cover in conducting their risk assessment and compiling their risk report.

10           “Once complete, the risk analysts will table the assigned risk reports to the respective committees. The risk analysts also presents their report to the respective committees and may field questions posed to them by the committees from time to time. The process followed for submission to the respective committees is through the company secretariat department, who upload all submissions onto the BoardPAC system. The risk analysts’ involvement ceases once a final decision is made by the committee, either approve or decline. Upon approval the transaction moves into the legal and execution stage by the Legal

20           Department. Upon decline the investment team will liaise with the sponsor in this regard. Once the legal and execution process is concluded the disbursement process commences. Amongst the other Executive Heads that sign off sign-off by Risk during the disbursement process is for the Executive Head of Risk and Compliance only and does not involve any analysis or otherwise

by the risk analysts. The Executive Head for Risk for Compliance's sign-off occurs after the following has been done:..."

This is obviously after the transaction has been approved and legal agreements have been executed, so we follow from 8.12.1:

"Investment Operations' compilation of the disbursement file and agreements, including receipt of confirmatory letters that all conditions precedent are met or waived; sign-off by EGS, Legal and Investment teams involved in the execution stage; sign-off by the respective Head in Investments."

10 Mr Commissioner, I just need to emphasise that the disbursement process that I've highlighted in 8.12 refers to the disbursement process for the unlisted investments. I have also been requested by the commission to speak to specific investments, in particular Ayo and Sagarmatha. Ayo Technologies ... (intervention)

**CHAIRPERSON:** Sorry. Sorry. I think we've got sufficient information about Ayo. We'll go through that paragraph ourselves. I think we can jump that and go on to Sagarmatha.

**ADV NKAISENG KHOOE:** Mr Commissioner, if I may, there are a couple of issues that she wanted to address in the Ayo matter as far as her part was concerned. If Mr Commissioner is agreeable can she just raise them without going through that whole  
20 section on Ayo?

**CHAIRPERSON:** Yes. Yes.

**ADV NKAISENG KHOOE:** Thank you.

**CHAIRPERSON:** You can pick out those that you think we'd like to know.

**MS CANDACE ABRAHAMS:** Okay. I just want to highlight to the commission that at the time that the Ayo transaction was done Mr Magula was still in the employ of PIC so I

was still operating in the reviewer capacity, if I can call it that. And then also, I signed off as reviewer of that risk report on or about the 15<sup>th</sup> of December. At the... But I just want to point out, in 9.1.5:

“At the time that the risk report was signed off it did not strike me that the risk analyst, being Tshifango Ndadza, who had also primarily participated in the compilation of the final risk report had not included his name and his signature to the report. Upon reflection, this is not the norm as the analyst is generally the compiler of his or her risk report and would sign off on this basis. Further to this, the compiler is also the person to present and speak to the detail of his or her report when representation is made to a committee. My understanding also is that Mr Ndadza, being the senior of the two co-compilers, and not Ms Mazibuko, being the graduate, had presented the report to the committee on the 20<sup>th</sup> of December.”

I will skip to 9.1.7. At the time of signoff of the report I was not privy to nor aware of the following which has since come to light, that the irrevocable undertaking or subscription agreement had been signed prior to the meeting of the 20<sup>th</sup> of December 2017. And that the disbursement memo was signed prior to the meeting of the 20<sup>th</sup> of December 2017. Regarding disbursement processes, I am familiar with the disbursement processes for unlisted investments. Since my acting role in March 2018 and then also just to highlight, to date I have never been involved in any of the internal disbursement processes for transactions in the listed portfolio and therefore have no knowledge of nor would have been in receipt of any documentation for disbursement signoff for the Ayo Technology transaction. And I think that also would speak to the Executive Head

as well, because during this period that I have been acting, I have never been requested to sign off in that capacity. I also hereby state that even during the time of PIC preparing its report and presentation to the Standing Committee on public accounts being SCOPA, which took place on the 6<sup>th</sup> of December that I was not aware of these issues highlighted in 9.1.7 above. This information only came to my attention through internal audits investigation that was conducted in December 2018, after presentation to SCOPA in relation to the irrevocable subscription. I became aware of these issues and the actual investigation itself on the 12<sup>th</sup> of December 2018, wherein I was instructed via email the day before on the 11<sup>th</sup> of December 2018 by the Executive  
10 Head of Human Resources to make myself available for an interview with Internal Audit. The Head of Internal Audit and the Acting CEO were copied on this email to me, which I have included as Annexure D. I just want to highlight that the interview with Internal Audit took place on the 12<sup>th</sup> of December 2018. And I was briefed on the SCOPA investigation and questions were put before me to answer, as well as requests for information such as email correspondence in relation to this transaction. All of this information I have since provided to PIC, Internal Audit. I became aware of the said disbursement memo discussed above during the televised testimony made by Mr Victor Seanie at the PIC Commission of Inquiry on the 30<sup>th</sup> of January 2019.

**ADV NKAISENG KHOOE:** Mr Commissioner at this point I would like to hand up a  
20 document which was been given to me by the evidence leader from the JSE dated 19 December 27 regarding IO.

**CHAIRPERSON:** Yes, thank you.

**MS GILL MARCUS:** Can I raise a question or not? Thank you for that document and perhaps I don't know whether you want it read in.

**CHAIRPERSON:** You need to read it in.

**MS GILL MARCUS**: Can we ask where that you read it into the record and then I will have some questions after that?

**MS CANDACE ABRAHAMS**: I shall do so. Thank you Mr Commissioner. It is dated 19 December 2017. Your reference, Dr Daniel Matjila. It says JSE Limited. It is to the attention of Anneline De Bruyn and it says: Dear Anna-Lee, undertaking to JSE to subscribe for shares in IO Technology Solutions Ltd. In paragraph 1: The Public Investment Corporation acting on behalf of the Government Employee's Pension Fund hereby confirms to the JSE that it has irrevocably committed to subscribe for 19 ...

**ADV NKAISENG KHOOE**: What is that?

10 **MS CANDACE ABRAHAMS**: 99 782 655 Ordinary shares in IO Technology subscription shares at an issue price of R43,00 per share and for a total issue consideration of ...

**ADV NKAISENG KHOOE**: What is that?

**MS CANDACE ABRAHAMS**: 4 Billion 290 600 – No, 290 654 165. I am sorry I am also not good at maths on listing, to take place on Thursday 21 December 2017. Due to a liquidity issue only 500 million of the subscription consideration will be available on listing. The balance of the subscription consideration will be available on Friday the 22<sup>nd</sup> of December 2017. In this regard the PIC has today liquidated certain positions held by the GEPF and will have the requisite funds available on Friday the 22<sup>nd</sup>  
20 December 2017 by no later than 14:00pm. The PIC hereby irrevocably commits and undertakes to the JSE that it will pay the balance of the subscription consideration directly to IO Technology on Friday the 22<sup>nd</sup> December 2017. Thereafter IO Technology will instruct its transfer secretaries, Link Market Services South Africa Proprietary Limited, to ensure, to issue the subscription shares to the GEPF on Wednesday the 27<sup>th</sup> December 2017 as an allotment fee of payment. The PIC hereby irrevocably

confirms to the JSE that it is for committed to subscribing for the subscription shares at the subscription consideration that it will ensure that the above is implemented in manners set out in the above letter. Yours faithfully, Daniel Matjila. And it is signed, Chief Executive Officer.

**MS GILL MARCUS:** Thank you very much. And then perhaps to the evidence lead and not to you Ms Abrahams, because I don't think this is your responsibility to reply to. But I would want to refer you back to the memo where you were discussing earlier with Ms Adams. And if we looked at that memo which is GA1 in her testimony and go back to the signing and the approvals, we have got an approval by Ms More on the 19<sup>th</sup>/12  
10 that funds are available. And yet this letter is saying on the 19<sup>th</sup> that there are no funds available and that the funds will only be available on the 22<sup>nd</sup> after the liquidation of certain shares in the creation of liquidity. Would you be able to perhaps find out the status from Ms More as to her knowledge of the funds being available, when clearly the letter to the JSE indicates that they are not?

**ADV NKAISENG KHOOE:** We will find that out Mr Commissioner. We will follow it up.

**MS GILL MARCUS:** And perhaps also the implications for the meeting of the PMC on the 20<sup>th</sup>, because therefore the information to the PMC and we heard earlier that maybe some of the members did not have full information. Now this information and if this is what was tabled there was a question that – and we don't know what was said at that  
20 meeting because it looked from the information we have had so far that the developments or the events of the 19<sup>th</sup> were not conveyed to that meeting. And therefore part of the follow-up investigations would need to be whether that meeting in fact was fully informed and able to take an appropriate decision, given this information.

**ADV NKAISENG KHOOE:** We will follow it up Mr Commissioner. Thank you. You may continue.

**MS CANDACE ABRAHAMS**: Thank you Mr Commissioner. I will move to 9.2 on Sagarmatha. And I will start on 9.2.3. This investment was tabled to the PMC Listed Committee for approval on or about April 2018. The transaction presented by the deal team to the Committee was such that through their own assessments of the investment evaluation the team made a recommendation to invest in the IPO el be it at a pro-patio price much lower than the asking price in the IPO pre-listing statements, amongst other CPs. In so doing this would ultimately to my mind render the offer unattractive to Sagarmatha for PIC to subscribe in the IPO. Whilst the investment was within the PMC listed's delegation of authority for approval, the transaction was however referred to the

10 Investment Committee as well. The deal team presented the similar investment case and recommendations to the Investment Committee in respect of the proposed offer price being the ...[indistinct] intrinsic value. The Investment Committee made it clear to Management that the approval was well within the mandated authority. Amongst other things the Investment Committee members however did comment and expressed their concerns regarding whether or not Sagarmatha would utilise some of the IPO proceeds towards expunging some of the obligations to the PIC in the unlisted investments portfolio with regards to the independent news media transaction. I will move to

20 Section 10, paragraph 10 regarding human resources and remuneration concerns. Due to my personal experience there is no clear and transparent approach in the manner in which remuneration is calculated and determined for staff. In my experience through my acting capacity as the Acting Executive Head for Risk and Compliance, and thus as an Exco member, my input into the determination of annual salary increases, short term incentives and long term incentives, collectively referred to herein as remuneration, ends after the Exco for balance score card moderation which deliberates and makes decisions on the final balance score card scores for staff. This deliberation and

decision at the Exco BSC moderation, excludes moderation of the Exco members themselves. I am not privy to nor am I consulted or given an opportunity into the actual calculation and determination of remuneration for staff that report into the Executive Head for Risk and Compliance function. Whilst I am required by the Human Resources Department to sign off remuneration letters for staff as the Executive Head for the department, this remuneration in my mind is already predetermined. The letters addressed to each staff member outlining the remuneration are compiled and printed by Human Resources department and then are sent for my signature. The timing of the signing of these letters itself would render me unable to give input therein as the letters  
10 are in my experience circulated for signature about a day or two before actual payment into staff bank accounts is made. This therefore would infer ...

**CHAIRPERSON**: Sorry. Does this mean you are required to sign a letter that informs an employee about his remuneration adjusted or not adjusted without you having had an input?

**MS CANDACE ABRAHAMS**: That is correct Mr Commissioner.

**ADV SECHABA MOHAPI**: Lets just check that is that part of the policy of the PIC that this happens this way? Or not?

**MS CANDACE ABRAHAMS**: Mr Commissioner in terms of the practice this is what I understand how it is done and I understand that I have been through one round of this  
20 process having acted for 12 months. And there has been a lot of questions about how does HR arrive at particular short term incentives or long term incentives, by Executive Heads themselves in Exco. And you know if I recall the assurance that we have been provided with, is that the process via the HR policy is audited by Internal Audit. And Internal Audit themselves has said that we audit this process every year. The extent to which they audit pre and post I do not know what the answer is there.

**ADV SECHABA MOHAPI**: Thank you. Thanks.

**MS CANDACE ABRAHAMS**: Okay so I was on 10.4 and I was speaking about when the letters were being circulated. Because the letters are circulated a day or two before funds reflect in the bank accounts, this would also infer that the payroll process would have already been concluded. As I understand that the processing of payroll payments requires about five to seven days for the Human Resources department to process before funds reflect in the staff bank accounts. The subject of remuneration is a bone of contention generally amongst staff. And there is very little congruency in my view in the practice relative to what is communicated in general by the Human Resources  
10 department. In my experience the HR department has communicated widely that regrading and salary adjustments then are conducted to ensure that staff are remunerated at the midpoint of their grade. During my acting period staff within my own department have indicated to me that after having approached the Human Resources department to see the pay scale of their particular grade, they established that they are remunerated below the midpoint of the pay scale. I would also like to highlight to the Commission that in regards to remuneration for the Risk and Compliance department, my level of input has been further muted. This is as a result of an Exco that took place addressing regrading in December 2018. Whilst I was on official leave, annual leave from this date, I felt it was important, an important meeting to attend as it affected the  
20 department that I oversee. And I went into the office specifically for this meeting. However, when the meeting was about to commence, the Executive Head for Human Resources indicated to the meeting that this meeting is for pure Exco and not ACTIS citing that ACTIS were conflicted. My colleague and I who was also acting at the time were excused from this meeting. To date I have had no correspondence from HR regarding any regrading decisions if any for my department. And I just want to also

indicate Mr Commissioner, post my signing of the statement there was another sitting at Exco last week regarding the same subject. And I was again asked to be excused.

**ADV SECHABA MOHAPI**: Ja let us just check, okay.

**MS GILL MARCUS**: No, go for it.

**ADV SECHABA MOHAPI**: Acting role, I mean doesn't it come with all the delegations and all the powers you know that one gets?

**MS CANDACE ABRAHAMS**: That is correct Mr Commissioner. In fact you know this occurred in December and again now this year. And following from the normal BSC Moderation Committee which Exco moderates the final scores of the organisation. We  
10 did have about three attempts at sittings for regrading and the regrading was meant to address those people who were not regraded in 2017. And in those sittings I was not excused from those meetings. In as much as a decision and an outcome was not reached, I was party to the discussions not just for the other departments but for my department in particular.

**MS GILL MARCUS**: If I could ask you just in relation to – obviously that relates to your department and your ability to give a real assessment of how staff have worked, rather than something, but what about your own circumstance? Is there an engagement, an interaction with you, your seniors, a proper assessment of the work done and a discussion with you about what remuneration or changes you get as well as bonus and  
20 so on? Is there actually an engagement or how do you receive that information if any?

**MS CANDACE ABRAHAMS**: So I joined in January 2017, which meant that – and the year end is March, which meant that I would not have been eligible for a short term incentive for the 2016/2017 year. So my first encounter regarding performance appraisal would have been in 2018. Ordinarily it would have been with the Executive Head in my capacity as Senior Manager for Enterprise Wide and Operational Risk.

However, at the time I was already acting and reporting directly to Dr Dan. The process is such that and it goes for staff as well, you will grade yourself, rate yourself based on what you believe you have achieved from a performance rating perspective and your manager will also rate you. And then thereafter for staff it will got to the Exco Moderation Committee. For myself, I think because I was wearing two hats and because I was reporting to Dr Dan, Dr Dan sat with me and we went through my balance score card. There was a little bit of deliberation. He explained to me where he agrees with certain ratings, because there is a bunch of waitings on the BSC itself and I was satisfied with the score that he gave me. In relation to whether my score translated into the SCI that I received, that was never discussed with me. So I am going to just proceed to the last paragraph of my statement today. And I think, sorry Mr Commissioner there was a question raised earlier regarding competency levels across all the different risk disciplines for an Executive Head. I will try and cover it through the statement itself, but if not I will also add if that is okay. It has always been my belief that the department has been under capacitated ...

**MS GILL MARCUS**: Sorry, just give us the paragraph reference.

**MS CANDACE ABRAHAMS**: It is 11.1 on page 18. It was always my belief that the department was under capacitated in order to effectively execute its duties and responsibilities. However, I was not privy to the actual approved structure to understand the level of under capacitation until I was acting. During 2017 there was a request by Exco indicating that the organisation could not fill all approved roles and that each Department Head should review and prioritise critical roles.

**MS GILL MARCUS**: Sorry, was there any reason given for that?

**MS CANDACE ABRAHAMS**: Sorry Mr Commissioner, there could have been a reason at Exco, however Mr Magula was still in the employ and would have been privy to that

information. 11.3. I became aware of the department's approved structure across all of the functions after I received the approved structure from Human Resources. As it stands the total approved positions is 51. The current head count stands at 22 and this includes two administrative roles, leaving 29 positions vacant and resulting in a capacity rate of 43% and a vacancy rate of 57%. In my view critical to the functioning of the department is the appointment of aptly qualified and skilled professionals at the General Manager level and the Senior Manager level. And these positions in terms of the GM and SM level are within the approved structure. At the General Manager level within the department there have been no resources during my tenure. Whilst the structure reflects that there should be three GMs within the department and these would be for General Manager, for Enterprise Wide and Operational Risk, General Manager for Investment Risk which would cover both Market and Credit Risk, as well as a General Manager for data programming which would cover static data management and performance and attribution. Besides the three GMs, my apologies Mr Commissioner, there was also a Head of Compliance role that was not filled until we recruited towards the latter part of 2018 and that position has been filled. I have no knowledge as to whether these roles were occupied in the past, in past times before I joined the organisation. At the Senior Manager level since my joining, there have only been two Senior Managers within the department including myself out of the total of six Senior Managers across the different functions. My understanding is that whilst the positions are approved within the structure, permission to recruit and advertise through the HR department must first be sought by the CEO through a signed memorandum. Under my leadership as ...

**ADV SECHABA MOHAPI:** Just a check, just a question. So if those sort of roles are approved, are they budgeted for? Is there a budget for those roles for that particular

year because then you can fill them then if they are budgeted for?

**MS CANDACE ABRAHAMS**: Sorry Commissioner those roles are budgeted for as far as I understand. And in fact during the last round of the budgeting period when the Finance department was preparing the budget as part of the Corporate Plan, they included the budget assuming full capacity when calculating the sustainability ratios etcetera.

**ADV SECHABA MOHAPI**: So meaning that there is nothing stopping you from filling this positions there?

**MS CANDACE ABRAHAMS**: Other than a signature.

10 **ADV SECHABA MOHAPI**: A signature.

**MS CANDACE ABRAHAMS**: On a memo.

**ADV SECHABA MOHAPI**: From the CEO?

**MS CANDACE ABRAHAMS**: Yes, so I understand that this structure was approved some time ago. It is not as if this was a recently approved structure. And obviously you don't fill 10 roles at once, because you can only advertise and interview so many people at any given stage. So like to give an example, last year we covered, we employed six, we filled six positions that were vacant. Four of them were external and two of them were internal appointments. But even those positions we had to get a memo signed off before we – well let me put it this way. HR was not comfortable to  
20 advertise those roles without me obtaining a signed memo. I will skip over to 11.7. At the current capacity level the department is still over stretched and under resourced with managerial skills to oversee day to day functions and duties of the rest of the team. The extent of the capacity constraints is also evident by the previous Executive Head stretching resources across the functions. An example of this would be myself fulfilling additional duties as already expressed earlier in my statement in Section 6 and 7.

There was also some confusion amongst staff fulfilling duties that they were not mandated to do. An example of this refers to a Senior Market Risk Analyst executing credit risk duties and also a credit risk analyst fulfilling market risk duties. This practice was in existence from before I joined the PIC and continued in this fashion until the CEO sent me an instruction via email, the email is included as Annexure E, to remedy this situation. Leading up to the email instruction I was not aware that this practice was in fact improper until the Executive Head of HR brought it to my attention that there was nothing in writing or approved that allowed the – if I can call it in inverted commas, swapping of roles and responsibilities between a Credit Analyst and a Market Risk Analyst that were in practice before. The CEO's written instruction to this end followed shortly from the Executive Head of HR's revelation. Whilst the remediation of these ...

**MS GILL MARCUS:** Sorry, just dealing with that remediation, because the question of remediation I would assume would require additional people? Or just reverting the people back to their original roles? So that you remain with work undone?

**MS CANDACE ABRAHAMS:** That is essentially correct, but I think what HR was pointing out to me is that, if you are employed to, if you are hired to fulfil compliance function, you should not be undertaking operational risk work for example. Because that is not your area of speciality in the sense that that is what you were hired to do based on your skill set.

20 **MS GILL MARCUS:** You know I think that's correct. But that assumes that there is somebody to fill the other areas that are not then being attended to otherwise you have ...(indistinct) the examples that you used – a market risk analyst using credit risk.

So move market risk analyst back to market risk who does credit risk? So that's why I'm asking in the remedying or the remedy of that what was open to you?

What was possible to fix it that ensures that a credit risk analyst was a credit risk analyst and was in place?

**MS CANDACE ABRAHAMS:** So through the Commissioner. Perhaps my statement wasn't clear. At the time there was a market risk analyst employed who was undertaking credit risk work. Simultaneously to that there was a credit risk analyst undertaking market risk work.

So I had to then swap them around and that essentially the remediation and it did not necessarily add any additional capacity on either side but it was a requirement to regularise the roles in terms of what they've been employed to do and also it has an  
10 impact on the BAC as well because at the end of the year if you are employed in a particular area how then do you get the benefit of being compensated for doing other work which one could argue is ad hoc here.

"Whilst the remuneration of these respective roles has been undertaken by me following the instruction from the CEO. This was not well received and was viewed with scepticism by one of the affected parties. The affected party in question was the Senior Market Risk Analyst who was unhappy with my instruction to discontinue executing credit risk duties and to resume market risk duties and viewed it negatively as removal from executing the credit risk duties would result in not having the privileges associated with the  
20 credit risk role.

These include travel both locally and internationally as well as receipts of subsistence and travel funds whilst travelling on DD. I must highlight that prior to the written instruction from the CEO there was suspicion and concern not only at a management level but also amongst staff in general. But the said Senior Market Risk Analyst was allegedly party

to leaking of PIC information in relation to controversial investment transactions that were in the media. The suspicion and concern ...(intervention).”

**CHAIRPERSON:** Sorry, sorry, who was this person?

**MS CANDACE ABRAHAMS:** I beg your pardon sir?

**CHAIRPERSON:** Who was this person that you refer to 11.13?

**MS CANDACE ABRAHAMS:** Tshifango Ndadza.

**MR EMMANUEL LEDIGA:** Can you explain further there – can you explain further. You are say in the person was – they were saying he was leaking some information.

10 Which one? Which information?

**MS GAANWE ADAMS:** So the suspicion ...(intervention).

**MR EMMANUEL LEDIGA:** Ja continue I think – continue.

**MS CANDACE ABRAHAMS:** “The suspicion and concern stem from the fact that there were PIC risk reports in the hands of the media and in all instances these reports were all compiled by the same analyst within the Risk And Compliance Department being Mr Ndadza. As the head of the department at the time I viewed this in a serious light and so did Mr Ndadza himself as his personal reputation within the organisation was being brought into disrepute. However I was doubtful as to whether he was responsible for leaking the said reports himself as I could not establish a motive as to why a staff member at his level would do so.”

20

I think it’s also important to highlight to the Commission that as indicated earlier in my statement our risk reports are submitted and tabled to various committees and these documents are uploaded into the board packs system. So anybody who has access to a particular committee pack would have access to these documents as well.

So it would be unfair to say that the person who prepared their own report would be the one to leak it when there would be more than ten other people who would have access to those and other documents.

“I must highlight that for the most part Mr Ndadza’s skill and capability is in my opinion not in question. Whilst working as a risk analyst in credit he conducted good risk analysis which is reflected in the risk reports that he produced as well as in his conviction when he presented his reports. However given the situation I made a decision on my own to limit and reduce the amount of credit risk work to Tshifango to try and understand whether the leaking of his of his reports was coincidental to the controversial nature of the investment transactions which he was a party to in compiling those risk reports.

I did not communicate these reasons to him which lead to his feeling of being disenfranchised by my actions. His level of discontentment under my leadership escalated after I instituted the CEO’s instruction to swap the roles of the two analysts. Regarding capacitating of the department ...(intervention).”

**MR EMMANUEL LEDIGA:** Just a question. I mean do you think he was targeted somehow with this kind of changes which you asked for?

20 **MS CANDACE ABRAHAMS:** Do you mean internally?

**MR EMMANUEL LEDIGA:** (No audible answer).

**MS CANDACE ABRAHAMS:** It’s very difficult to say with certainty and I think Mr Magula himself also testified yesterday where he himself was also you know considered a suspect and I think because of the fact that every report that went out into

the media that unfortunately was a report that he had worked on because he had worked on those particular transactions.

I don't know if because of that coincidence it was presumed but from where I was sitting I needed to satisfy myself and he was also very uncomfortable with the atmosphere in terms of how people were starting to view him so I decided to remove him from that.

Not completely but so at the time when I made the decision there was still some due diligence work that was allocated to him but I did not going forward allocate new work to him because I needed to establish that out of the four analyst in the team  
10 why is it only one person's reports going out.

Is it in relation to the deal itself and its coincidental or so if I am allocating other complex transactions to other risk analysts would these then also end up in the hands of the media. I specifically did not inform him of my intentions or the reasons why I allocated less work to him. Because at the end of it when I would have been satisfied that to say to him you know what this is not you, it would have given him also some comfort that I did not have any influence in his actions whilst I was you know assessing this thing on my own.

“Regarding capacitating of the department it is my view that the managerial level being the GM's head and SM's within the department is critical to  
20 ensure good governance and comprehensive oversight of risk reporting to the various committees indicated earlier. These roles would ideally drive the development annual review for approval and adherence to policies procedures and guidelines across the various functions within risk.

Admittedly the department continues to find itself having repeat audit findings of outdated policies and other audit findings raised by internal

audit relating to the comprehensive nature of output. It is my view that without these requisite managerial roles overseeing the analyst and also filling those analyst roles – without these being in place to support the executive head and oversee these direct reports the department will continue to struggle to be fully effective in executing a second line of defence role and to be fully effective assurance provider to the first line of defence management and the board.”

Thank you Mr Commissioner.

**MR EMMANUEL LEDIGA:** I just want to check that the question which I asked about  
10 the super risk role versus maybe risk roles within the various divisions and all that – if you could?

**MS CANDACE ABRAHAMS:** I understand that there has been through the commission about an optimal operating model for PIC and it was intimated that there should be a head of credit – I think it was Ms Beswick that raised it. That there should be a head of credit within the different areas within PIC being PE, private equity, listed, unlisted, etcetera and properties

I do think that there is a level of specialisation that is required within risk across the different functions. If you just take the areas within market risk versus credit risk, versus enterprise risk. Those are very specific risk disciplines and you cannot  
20 move somebody day to day fulfilling those functions because they are so specialised and I also think that – so you need some level of specialisation and in having that you also need senior people to oversee the team which is a big gap that we have at the moment.

So from where the Executive Head is sitting having the right skills sets at the right levels within the department I do believe that the Executive Head would be

sufficiently capacitated to manage and oversee the department. So to give you an example.

Right now I'm wearing two hats however a lot of my time is spent in the Acting Executive Head capacity. With that responsibility I'm also a member and an invitee to several committee meetings. Those committee meetings can span up to a full business day. In some instances because there is so many of them it could be three days a week.

So what happens when I'm sitting in a board room for two or three out of five days a week and the analyst who are executing the work don't have somebody on the  
10 floor to really oversee the day to day stuff. So it creates additional pressure for them and for me as well having to review things after hours.

They also have their own families ...(indistinct) because they committed to their work they will wait for me. I sometimes have to disengage in a meeting to review their work, you know electronically just so that they can meet a deadline as well. So I do believe that if that department is capacitated appropriately. It doesn't even need to be a hundred percent. I have done my own estimation that even if we get to 75 or 80 percent it will make a world of a difference in terms of the quality of the output that would come from that department.

**MR EMMANUEL LEDIGA:** Thank you very much ja, thanks.

20 **ADV NKAISENG KHOOE:** You testified that you have been acting since March 2018, am I correct?

**MS CANDACE ABRAHAMS:** That is correct Commissioner.

**ADV NKAISENG KHOOE:** And for how long are you supposed to act? Is it open ended?

**MS CANDACE ABRAHAMS:** I started acting in March 2018 and I think at the time it wasn't a planned transition given Mr Magula's suspension and from where I was sitting as well I did not expect to act for so long you know – to be here today as well.

I think that I've been acting now for 12 months and as far as I understand one should not be acting for more than 12 months in an acting capacity especially at this level. However I do find myself acting post 12 months in this role.

This has been raised – I have raised this with the Audit and Risk Committee as well. I do think that for the organisation as a whole an important role such as this should have a permanent incumbent capable to execute and have the resources at  
10 their disposal to bring some source of – not just governance but I think also some assurance to our stake holders such as our clients and to the market in general.

**MS GILL MARCUS:** Can I ask a question in relation to that and perhaps it' not only for Ms Abrahams but it's also for the team. I think it would be very useful to get because a lot of the references are to acting positions. If we can have a comprehensive indication of who has been acting in what position and for what period of time - not just Ms Abrahams.

And secondly whether there is not some labour legislation. I have a recollection and it may be inaccurate but once you've acted for six month continuously there is an obligation to actually appoint you if you are continuing to hold that position  
20 or to deal with you fairly that you actually running that job in that capacity.

So if we could get some clarity in that regard but certainly the number of people in acting positions is of great concern and then the duration of those people acting. Then the third element that I would like is that in all the witnesses that we have seen or in many of the witnesses that we have seen come forward the tenure at the PIC tends to be fairly short – two, three.

Therefore what – two or three years – and therefore what is the overall length of service because it's not just about length of service it's knowledge of experience, handovers, the legacy matters, history matters. You know what is the average duration of term of office in those positions?

Not just in acting but generally. There seems to be a very short turnover – I mean a very short period of occupation of those positions that we've seen so far. Two, three years seems to be pretty much the case. So I think just that information for the commission would be very helpful.

**ADV NKAISENG KHOOE:** Will do that, thank you. Ms Abrahams have you been paid  
10 in that capacity or not?

**MS CANDACE ABRAHAMS:** I have not been remunerated for acting. I had a conversation with the Human Resources Executive last year. There was a little bit of and fro in terms of the explanation. Initially I was told that I would be remunerated after six months of consecutive service, back paid and monthly thereafter.

When it came to round about October and nothing had come to the fore I approached him again and he said to me that I misunderstood. That the policy in fact is that I will be remunerated – I qualify to be remunerated after six consecutive months of acting.

20 However I will be remunerated after 12 months of acting consecutively or when my acting period terminates. Whichever comes first and to date I have not been remunerated.

**ADV NKAISENG KHOOE:** Thank you Commissioners that is the testimony of Ms Abrahams.

**CHAIRPERSON:** Yes thank you – is it Adams hey?

**MS CANDACE ABRAHAMS:** Abrahams.

**CHAIRPERSON:** Ms Abrahams thank you very much for your testimony. Thanks for the time that you took off to come and testify before us. Thank you.

**MS CANDACE ABRAHAMS:** Thank you Mr Commissioner

**CHAIRPERSON:** Thank you.

**ADV JANNIE LUBBE SC:** Mr Commissioner we ready to proceed with the next witness. If you'll just give us a minute to rearrange the chairs.

Thank you Mr Commissioner the next witness is Mr Alvin Edgar Schiel and he is present and ready to take the prescribed oath.

**CHAIRPERSON:** No objection to taking the oath?

10 **MR ALVIN SCHIEL:** I have no objection Sir.

**CHAIRPERSON:** Do you swear that the evidence you're about to give will be the truth, the whole truth and nothing but the truth, raise your right hand, so help me God.

**MR ALVIN SCHIEL:** So help me God.

**CHAIRPERSON:** Thank you. You may be seated.

**ADV JANNIE LUBBE SC:** Thank you Mr Commissioner. Mr Schiel is it correct that you have prepared your own statement?

**MR ALVIN SCHIEL:** Yes that is correct.

**ADV JANNIE LUBBE SC:** Nobody asked you from my legal team to insert anything into this statement against your will?

20 **MR ALVIN SCHIEL:** No none of that.

**ADV JANNIE LUBBE SC:** Can you then please proceed and can I place on record Mr Commissioner that I've agreed with the witness that his evidence is in two parts, the first we'll be dealing with the rental of the building and his second part of the evidence will be the HR part of the witness statement and we'll deal with that tomorrow morning.

**MR ALVIN SCHIEL:** Okay thank you Mr Commissioner. My name is Alvin Schiel in

terms of qualifications and work experience I have a BCom management qualification with a distinction in management I achieved this in 2005. I've been employed in the construction and property sector over the past 14 years and I have what would be considered a cradle to grave experience in relation to property investment having done from building, lease negotiation *etcetera*. I have been employed at the Public Investment Corporation since 2010 and I currently occupy the position of Development Manager in the property division a position held since 2012. I'm also currently the longest serving member within the property division at this time.

As a Development Manager I'm responsible to support the property asset  
10 management team in the growth and redevelopment of the property portfolio of our  
respective clients. So far all my projects, current and past have been on behalf of the  
GPF. This would include defining the scope, appointing the required professional, that  
is the architect, project manager, engineers, quantity surveyors *etcetera* and thereafter I  
lead this profession team to prepare detailed designs in line with the approved scope  
and based on the final designs to prepare a viability or feasibility which forms the basis  
for approval by asset management through the normal approval structures of our  
delegation of authority.

On the approval of the feasibility it is my responsibility to coordinate the  
actual construction and related activities including but not also limited to leasing and  
20 the coordination of that marketing strategies, tenant fit outs *etcetera*. Broadly, the key  
performance areas of a Development Manager is to ensure that the yield that was  
approved at a feasibility stage is achieved through careful management of the budget  
while ensuring the development progresses as scheduled to ensure contractual  
occupation and opening dates are achieved. There's also special focus on the quality  
to ensure the development performs well over the long term.

A crucial part of this role is regular reporting into the asset management team with a special focus on updates on construction program, progress as well as pertinent financial information including spend to date, leasing updates and financial forecasts. These reports are critical for timeous risk management related to refurbishment or development projects.

Under section 2 I want to make the Commission aware of a declaration at this time and it should be noted that I'm currently facing a disciplinary process that commenced on the ... (intervention)

**MR EMMANUEL LEDIGA**: Just a question.

10 **MR ALVIN SCHIEL**: Apologies Mr Commissioner.

**MR EMMANUEL LEDIGA**: Mr Schiel just a question in terms of developments that you do for the PIC do you do direct property you know on behalf of the GEPF through the PIC and do you also help with developments with other core partners when you develop buildings?

**MR ALVIN SCHIEL**: Thank you. Through you Commissioner yes that's correct I work in the directly held property space so properties that we manage and develop directly on behalf of GPF with our internal team as opposed to unlisted or indirectly held property. So how we would typically do developments in the cases of existing buildings within the GPF's name we would redevelop those assets or develop new assets as and  
20 when would be suitable in terms of the investment strategy for that particular property. We also then engage in various deal structures around new developments particularly where these developments are brought in by outside parties where we then often co-develop with them and you'll see later in my submission I discuss one of these co-development arrangements specifically which is becoming a more typical way of operating in the environment that we currently are in.

**MR EMMANUEL LEDIGA:** So to sort of redevelop V & A Waterfront as part owner you would participate in that too is that so?

**MR ALVIN SCHIEL:** Almost, the V & A sits in a different entity and because it's such a big vehicle it sits with its own management team in place so it's viewed more as an indirect type of thing. The developments where we are directly involved are more new developments and tend to be smaller in scale, so for example some of the properties that are held like that within Paretta(?) for example has its own board and operates on its own the same with V & A. I operate on directly held properties not held within structures like that.

10 **MR EMMANUEL LEDIGA:** That's clear, ja thanks.

**MR ALVIN SCHIEL:** To my declaration it should be noted that I'm currently facing a disciplinary process which commenced on the 15<sup>th</sup> Jan 2019 and this related to the irregular appointment of a contractor on one of the developments that I oversee. I will expand on this matter in detail in the second part of my submission on HR practices at PIC. The reason however I specifically raise it now is to dispel any notion that the first part of my evidence at least is that of a disgruntled or an aggrieved employee. as I on more than one occasion attempted to present the evidence that I will now present and prior to me being charged.

20 Given that the whistleblower's process was highly compromised as already confirmed by other employees and witnesses I did not consider the official channels an option. The first attempt to provide this information was to the Attorney General's office directly by talking to some I knew at the AG's office and this was in September/October 2017. But after consideration and noting that they had not made a finding despite what I felt was a clear violation and which a relatively simple audit process should have picked up given that in my assumption a transaction with a value of more than R350

million would at least garner some scrutiny I decided to continue to sit on the evidence.

**MS GILL MARCUS:** Sorry just for clarity it's the Auditor General?

**MR ALVIN SCHIEL:** Yes, yes Commissioner. I again attempted to provide the evidence when a mail regarding the Budlender investigation and the e-mail address for providing information was circulated to staff this was on the 11<sup>th</sup> September 2018 and the e-mail I refer to is attached and you will note from the content of that I was advised to wait for this Commission and it was felt that the evidence fell outside of the scope of the investigation of the Budlender Report and so I was advised to wait for this though not yet having a chair and not yet having a terms of reference it was at that time  
10 already announced. In short I would like the Commission to consider the evidence that I'm about to present with this background in mind.

Fruitless and wasteful expenditure. The background to this is that one of the projects that I was responsible for was the Menlyn Maine Central Square development. It's a R1.4 billion mixed use development consisting of 30 000 square metres of retail and 12 000 square metres of office space. It was developed in one of the structures as we discussed in a co-ownership structure with Menlyn Maine Investment Holdings and GPF. As PIC we represented the GPF. As PIC we represented the GPF and as the assigned Development Manager I was involved with the project since 2014, it was completed in March 2016. I apologise I think that should be March 2017.

20 This is the building ... (intervention)

**MR EMMANUEL LEDIGA:** A question, can you please tell us who is in Menlyn Maine Holdings, who are the people there?

**MR ALVIN SCHIEL:** Chair I'm not exactly sure of how the structure of Menlyn Maine Investment Holdings is comprised, what I can say is that they have the rights for the whole Menlyn Maine development and as such we had previously acquired two

properties within that scheme and as part of the development of that scheme and the build out the Central Square Shopping Centre and office building were then decided as a strategic investment within that and through various deals being structured we then bought into that scheme in lieu of our investment in it and so I'm not aware of the details of that but we own 50% as GPF.

**MR EMMANUEL LEDIGA:** We can ... (intervention)

**ADV JANNIE LUBBE SC:** Mr Commissioner I can get the necessary information, I will provide it to the Commission.

**MR EMMANUEL LEDIGA:** Alright but just to check could it be these large companies,  
10 Growth Point or whatever or it's just private individuals?

**MR ALVIN SCHIEL:** No, no it's not one of the big funds as such they're a relatively newly established around this precinct and have only a few assets from my understanding at this time.

**MR EMMANUEL LEDIGA:** Okay, alright thanks.

**MR ALVIN SCHIEL:** This is the building that currently houses the PIC office which is number 1 Central Square. As a PIC employee and the GPF's representative on the project I was directly involved in the negotiation of the offer to PIC as well as the associated fit out project of the PIC's office space. It should be noted that in terms of my role as a Development Manager I was acting as a GPF representative although a  
20 PIC employee. That is I was responsible to look out for the interests of GPF and PIC Corporate was responsible to look out for the PIC related interests so it's just a hat's scenario and it can be confusing. So the way I set out this agreement is through the eyes of the GPF.

On or about August 2014 or let me start with this is the negotiation with PIC.

On or about August 2014 the FSB at the time now called FSCA which occupied Block B

of Riverwalk Office Park which is adjacent to the highway on Garsfontein off ramp, indicated to the PIC that they needed additional space at the office park. The Riverwalk Office Park which comprised of three blocks along the highway, Blocks A, B and C are 100% directly held GPF buildings. So to that end the PIC properties team began formal discussions with PIC Corporate which at the time occupied three floors in Block C of Riverwalk Office Park. The intent was for PIC to consider an office relocation to accommodate the FSB's growing space requirements which at the time occupied more square metres than PIC.

I will now below set out in a chronological summary the process that followed which culminated in the PIC relocating to Menlyn Maine Number 1 Central Square. I have provided a detailed chain of events with all the supporting documents to the evidence leader but for this purpose I will touch only on pertinent facts related to the matter.

The relocation of the PIC Corporate Office was approved in principle at the 18 August 2014 Exco meeting. On the 5<sup>th</sup> October 2015 Exco was informed that the offer to lease was received, this was in relation to Menlyn Maine. In line with the details as set out in the submission entitled Menlyn Maine Central Square West Tower the building was initially called the West Tower it was later changed to Number 1 Central Square, this was the PIC offer and at the time this process spearheaded by Ms Petro Dekker. A revised offer following this meeting was signed by Dr Dan the CEO on the 20<sup>th</sup> January 2016 and the offer was countersigned or accepted by the landlord on the 12<sup>th</sup> February 2016. At this time the offer is now irrevocable.

At a meeting of Exco on the 2<sup>nd</sup> February the committee is informed that the anticipated move date will be between September 2016 and December 2016. Further, the landlord would be doing the fit out on behalf of PIC Corporate as a turnkey solution.

At this meeting it was resolved by the Exco that the CFO, Ms More, and the Executive Head of Corporate Services, Ms Dekker, would be responsible for the officer interiors in terms of the look and feel *etcetera*. On 18 May 2016 the Executive Head of Corporate Services, Ms Dekker, leaves the employ of PIC and she's never replaced and so from this day on the CFO is directly responsible for the look and feel as per the meeting of the 2<sup>nd</sup> February 2016.

On 13 June 2016 Exco is again reminded that the target date of occupation will be no later than December 2016. On 27 June 2016 I met with the CFO, Ms More, to review the budget and proposed layout plans. These were approved by herself and  
10 this decision was communicated to the project team responsible for the fit out. By this time we are already running slightly behind schedule on the timelines that we had communicated to PIC for information acquired to make the December move date. Between June and September 2016 numerous meetings are held and correspondence sent in an effort to get the information flow resolved from PIC Corporate. The slow release of information is now having a direct impact on the occupation date of the PIC office.

On September 16<sup>th</sup> 2016 I once again highlight to the CFO the extreme pressure on the program requesting the release of information on the critical path of construction no later than Monday 18 September 2016 to have any chance of  
20 occupying the building in time. By the end of 2016 it is now an accepted fact, or November 2016 should I say it's now an accepted fact that the PIC will not make the lease commencement date of the 1<sup>st</sup> Jan 2017. So just as a note the intention was for them to move in December to be in occupation by the time the lease commenced on the 1<sup>st</sup> January. As we are now by this time 10 weeks behind program and the builders' holiday is around the corner.

In a mail dated 29 November 2016 the CFO berates me for putting the PIC office move committee chairperson under pressure to make certain decisions required to be able to proceed with construction which had basically come to a halt at this time due to a lack of information required. The CFO further confirms that IT is not in a position to confirm when they will be ready to move but that according to her it won't be before March or April 2017. Following the exchange referred to above Menlyn Maine Investment Holdings ops to get their development manager, so they have a counterpart position of my position in their structure to engage with the CFO on the PIC Corporate fit out. A meeting is then held between the Development Manager of Menlyn Maine  
10 Investment Holdings and the CFO on the 29<sup>th</sup> November 2016. A summary of the points discussed is included in an e-mail to the CFO on the 1<sup>st</sup> December 2016 and this includes that the targeted move date would be the 1<sup>st</sup> March 2017 as well as that the third floor which would previously be left as a white box, so as in it would not be fitted out with furniture *etcetera* it would just have a ceiling in basically which was created for expansion was now to be fitted out and so in essence it meant that plans that were previously approved were no revised to include additional work and this was in  
December 2016.

It was also then discussed that PIC would be interested in leasing the second floor which had all along been excluded from their lease and excluded from  
20 their offer. It should also be noted that this area was never considered as even with expansion in terms of the targeted organogram this space according to our estimations would not be required. The CFO further indicates that she personally wants to approve much of the actual furnishings and fittings even though these form part of the look and feel and sample boards previously approved by herself. These were prepared by the appointed interior architects who were a multiple award winning team of Boogertman &

Partners Interiors in their own rights specialists in the field.

As of January 2017 the CFO communicates directly with the Development Manager for Menlyn Maine Investment Holdings and no longer engages the PIC Properties team in any form. All subsequent decisions taken by the CFO are communicated to the Menlyn Maine Investment Holdings Development Manager which in turn informs the co-ownership of the decision. So just as a point of clarity because it is a co-ownership structure the co-ownership which has GPF representatives as well as Menlyn Maine Investment Holdings representative meet on a monthly basis as a board of sorts to discuss and approve things related to the project and this meeting is then called the Central Square co-ownership meeting which you'll see reference to later on. Decisions made during this time include the decision to employ a different interior design team to complete the work initially assigned to Boogertman & Partners Interiors. It is understood that this firm is handpicked by the CFO and that based on their profile the PIC was their first large project.

Among the results of the decision is a finishing pallet that has two distinct and clashing design themes as opposed to the original single design and colour scheme. This also results in an increase in costs but more significantly long delays in terms of the program at a time when PIC is already liable for rental in terms of the offer they had signed.

20 **MR EMMANUEL LEDIGA:** Is it possible to get the name of this new design company?

**MR ALVIN SCHIEL:** It would be possible Chair.

**ADV JANNIE LUBBE SC:** It will be provided with the other information Mr Commissioner.

**MR EMMANUEL LEDIGA:** With the other information okay, alright.

**MR ALVIN SCHIEL:** As a result of the slow decision-making and repeated changes

made the original occupation date of the 1<sup>st</sup> January 2017 per the signed offer of the 10<sup>th</sup> December 2016 was missed. As the delays are as a result of PIC not managing the move process effectively they were liable for rental as of the 1<sup>st</sup> Jan 2017. At this time the CFO was negotiating with one of the directors of the Central Square co-ownership and directors of Menlyn Maine Investment Holdings to conclude the final lease agreement including the additional space that the CFO had now opted to take up in December 2016 that is, rather 2017. The Central Square co-ownership meeting minutes reflect how PIC was effectively excluded from the PIC Corporate process and they are in the file of information provided.

10           As at the Central Square co-ownership meeting of 26 April 2017 PIC Properties is still not aware of the lease terms agreed to in detail. And when I say PIC Properties I mean obviously then us as the GPF representatives within this development. The Menlyn Maine Investment Holdings Director involved with the negotiation with the CFO does however confirm to the meeting, and I quote:

          “The rental for the first three months January to March 2017 has been recouped at an attractive interest rate.”

The exact details of this recouping were not shared but given that it was recouped the PIC Properties representatives on the Central Square co-ownership board were comfortable that the correct action had been taken on behalf of our client the GPF. The  
20   lease was subsequently or in fact signed on the 3<sup>rd</sup> April 2017.

          Despite the occupation certificate for the office building being achieved on the 31<sup>st</sup> March 2017 all employees reported to the new office on the 3<sup>rd</sup> July 2017 for the first time. All of this or all the while this put the GPF at risk who had in turn already committed to the FSB to provide space at Riverwalk to them by January 2016. It also resulted in a loss of turnover income for tenants in the centre below the offices as

Menlyn Maine so this also ended up an indirect loss to the GPF.

Point 4, how the fruitless and wasteful expenditure was buried. Given that PIC occupied the building six months later than they had originally contracted double rental payments for the period of the six months should have been picked up for the period of January to June 2017. These payments should have been flagged as fruitless and wasteful expenditure given that the delays resulting from the contractual obligation for PIC lay squarely at their own door. It is in relation to this fruitless and wasteful expenditure that my evidence relates.

I knew all along that it had occurred but it was unclear how exactly it was not  
10 flagged or seemed to have been missed. As part of this Commission's investigation a copy of the final lease was provided to myself to review given my intimate knowledge of the initial negotiations and the actual project and development to try and identify why the potential finding of fruitless and wasteful expenditure was not made previously.

Under 4.4 is a table that sets out the basic summary of the difference between the offer that was signed on the 10<sup>th</sup> December 2015 and the actual lease which was signed on the 3<sup>rd</sup> April 2017. I'd like the Commission to note that the content is commercially sensitive in terms of the detail but what is significant if you look at the differences column is that you will note that the area occupied by PIC from the original approved area grew by 1 986 square metres. The rate that was paid was or that was  
20 agreed on the offer was R11,67 more than the original offer. The balcony areas also grew by taking additional space. The parking area or the parking bays increased by 68 bays and particularly noteworthy is that though the offer was signed at an escalation of 8% the revised offer was at 8.38%.

So based on the above it can be assumed that the fruitless and wasteful expenditure directly related to moving in six months later than originally agreed

translated to a minimum wasteful expenditure of just under R17 million. For the period of January to March 2017 this was hidden by changing the occupation date from the 1<sup>st</sup> January 2017 to the 1<sup>st</sup> April 2017 while at the same time agreeing to a higher rate per square metre overall and a higher escalation rate. This meant that PIC did not make payment for the lost period specifically and so you would not see a double rental as it is but pays the Central Square co-ownership for the period of the lease including interest so as to disguise the actual payment and it is this that the Director previously referred to as the attractive interest rate. And so from a GPF perspective the money was recovered but from a corporate perspective obviously it was a PFMA issue.

10                   It should be noted that the amounts set out above excludes the following additional amounts which relate to space never occupied since we moved into the building. That relates to more than 200 parking bays to the tune of about R1.5 million to date as well as the additional area that was taken but never occupied and which we are liable for to the tune of roughly R2.8 million. The minimum wasteful expenditure therefore related to this lease and late move at least R21 million excluding VAT and I round off these numbers. These amounts relate only to the actual lease agreement and do not take into account the possible costs related to the switching of the interior designers, the late design changes which would also require further information to be able to quantify. So this is based purely on the lease numbers not costs related to the  
20 fit out.

It is my understanding that the seriousness around these allegations could form the basis for criminal procedures in terms of the PFMA and it is for this reason that I have been cautious to provide it until this time.

**ADV JANNIE LUBBE SC:** Mr Schiel what is the position with the rental of the building that you previously occupied?

**MR ALVIN SCHIEL:** Mr Lubbe we occupied two buildings in the Riverwalk Office Park and so the FSB did take the building that was owned by GPF and we occupied another space within the adjacent property which is owned by Atterbury to my knowledge and to my knowledge that lease expires at the end of this month.

**ADV JANNIE LUBBE SC:** So since the moving of the PIC to the new premises have the PIC been paying rental for that building?

**MR ALVIN SCHIEL:** I would believe that would be the case Sir.

**ADV JANNIE LUBBE SC:** Mr Commissioner that concludes this part of the evidence on the movement to the new building. As agreed we will proceed with the second part  
10 of his evidence relating to the HR matters tomorrow morning.

**MR EMMANUEL LEDIGA:** I just want to check one thing there, these delays were they what one would call innocent delays or you know just you know some negligence or whatever or there could be something deeper than this?

**MR ALVIN SCHIEL:** Through yourself Commissioner in my personal opinion these delays were completely avoidable. By the time Ms Bekker the operational plan for the move was effectively already in place and that was as we've mentioned in May. So actioning of that plan just required somebody literally to do it. The teams involved in doing it were all specialists. To give you an idea, and we'll talk about it in another case, on a much smaller space we were able to do a fit out from scratch in about eight weeks.  
20 So the almost eight months prior to the move should have been sufficient time to conclude a move like this.

**MR EMMANUEL LEDIGA:** But you are saying this was just normal or what can I say, I'm trying to find a word but I'm battling Judge, ja were these just normal things which could happen to any project and all that?

**MR ALVIN SCHIEL:** No Chair, there was no special events or special issues related to

this, it was related to the actual decision-making process somebody just needed to signoff plans, approve principals and the evidence that I've handed in shows that the information was there, it was just a lack of decision-making that led to the delays.

**MR EMMANUEL LEDIGA:** Okay thanks.

**ADV JANNIE LUBBE SC:** Thank you Mr Commissioner.

**INQUIRY ADJOURNS UNTIL 13 MARCH 2019**