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HELD AT

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20

PROCEEDINGS HELD ON 12 AUGUST 2019

CHAIRPERSON: Good morning to everybody.

ADV SECHABA MOHAPI: Good morning Mr Commissioner.

CHAIRPERSON: This is the 12th isn't it, the 12th August 2019 the Commission is sitting to hear further evidence from Dr Matjila. Doc I think it's been long, it's two weeks but it feels long so I think maybe we should refresh our oath. So do you swear that the evidence you're about to give will be the truth, the whole truth, nothing but the truth, so help me God?

10 **DR DANIEL MATJILA:** [Vernacular spoken]

CHAIRPERSON: Thank you.

ADV SECHABA MOHAPI: Dr Matjila just by way of recapping ... (intervention)

CHAIRPERSON: Just give us a moment please. Yes thank you, you may proceed.

ADV SECHABA MOHAPI: Thank you Mr Commissioner. Dr Matjila just by way of recapping we're dealing with the Ayo transaction and we left off while I was able to take you through the process and that's in respect of the standard operating procedures and we've established
20 that there's a process that had to be followed and it's common cause that you as CFO signed the irrevocable subscription on the 14th December 2017 to subscribe for 4.3 billion worth of shares in Ayo's IPO is that correct?

DR DANIEL MATJILA: Commissioner let me just explain a small matter here so there is a sequencing. In the, there was a first on the 14th as I

said Mr Molebatsi came to me with the first completed subscription form which he was proposing a subscription of about 19 million shares in Ayo already signed and I said to him 19 million is too small it does not give us a strategic position, we will not be able to have influence in the company that we are putting money into and I said to him let's consider increasing it to about 4.3 billion which is what the company was raising and then he went back to complete the form and came back and I said to him I will co-sign with you if you are uncomfortable because you are acting as an executive head of listed investment you have authority but
10 if you are in doubt I will co-sign with you as a chairman of the PMC so that we can get ratification at the next meeting you know, and so I was signing as a CEO not as a CFO as well, I need to clarify that. So ... (intervention)

ADV SECHABA MOHAPI: Did I say CFO?

DR DANIEL MATJILA: Yes I heard you say CFO.

ADV SECHABA MOHAPI: My apologies I meant to say CEO.

DR DANIEL MATJILA: Ja so that is the sequence of events leading to the signing of the subscription agreement. So there is this, you know impression that is created that I signed the subscription form, I co-
20 signed the subscription form because Mr Molebatsi had already signed so giving him confidence that there will be ratification then I signed, co-signed and I think you can even see the signing, he signed the whole space and I signed underneath to make sure that his comfortable if you were to produce the document, the signed irrevocable ... (intervention)

CHAIRPERSON: You use the term ratification, who came up with that term was it you or was it Molebatsi?

DR DANIEL MATJILA: Yes it was me who came up with that term, I said to him we will be able to ratify at the next meeting Commissioner.

ADV SECHABA MOHAPI: Okay so just to confirm this was done, the signing was done before PMC approval?

DR DANIEL MATJILA: Yes, yes after we have attempted to get round robin resolution.

ADV SECHABA MOHAPI: Okay then you say the basis of your
10 authority to do so is that you're CEO and it also appears in paragraphs 441 to 443 of your statement?

DR DANIEL MATJILA: Absolutely.

ADV SECHABA MOHAPI: And in any event you said that you had authorisation under the DOA listed investments?

DR DANIEL MATJILA: As we explained I have the bigger authority to sign off on 3% to 5% of market cap of the listed equity portfolio but I haven't exercised that, I've always used the section 5 that is more inclusive it involves quite a number of other players but all of this is done on the basis that the critical work around valuation is done in line
20 with the PLS you know informing all the valuation and other work around the transaction that if that is done and the team is happy then I will be able to exercise that authority in a situation where we are unable to get meetings as we're supposed to.

MS GILL MARCUS: Sorry can I just ask for clarity then just as we're recapping the valuations were determined by using the PLS there was

not a due diligence of your own is that correct?

DR DANIEL MATJILA: It's a due diligence of our own, the PLS just contains information that informs the proposal, the process of ... (intervention)

MS GILL MARCUS: So you're saying there was a full due diligence by the PIC?

DR DANIEL MATJILA: Absolutely, yes.

MS GILL MARCUS: Okay we'll come back to that later. The second question you say you co-signed with Molebatsi, would he have been
10 able to proceed as you said he's acting head or he was acting as the head at the time, would he have been able to proceed without your signature?

DR DANIEL MATJILA: No that has happened in the past as I said ... (intervention)

MS GILL MARCUS: No in this circumstance would he have been able to proceed changing 20% to 29% of the Ayo transaction taking up the full ... (intervention)

DR DANIEL MATJILA: He would have.

MS GILL MARCUS: Se he could have and you need not to have
20 signed?

DR DANIEL MATJILA: Ja he could have, ja I didn't have to sign, quite frankly I didn't have to sign but because he was concerned that it's bigger than what he thought we could and so ... (intervention)

MS GILL MARCUS: So he had signing authority over billions as well?

DR DANIEL MATJILA: Yes.

MS GILL MARCUS: On his own?

DR DANIEL MATJILA: Yes.

MS GILL MARCUS: And the fact that it had not gone to the PMC would not have affected his ability to sign?

DR DANIEL MATJILA: It would have but concurring with me that I'll be able to get the PMC ratification at that point.

MS GILL MARCUS: So just for clarity then the co-signing was necessary because PMC had not taken place?

DR DANIEL MATJILA: Well ... (intervention)

10 **MS GILL MARCUS:** If PMC had occurred he could have spent without you signing?

DR DANIEL MATJILA: He could have, he could have, in fact ... (intervention)

MS GILL MARCUS: If the PMC had taken place?

DR DANIEL MATJILA: Even if the PMC had not taken place and ... (intervention)

MS GILL MARCUS: He could have signed on his own?

DR DANIEL MATJILA: Yes and I could have given him comfort verbally without signing that we will have a PMC and the next meeting to ratify.

20 **MS GILL MARCUS:** Just go back again you say you would have given him verbal comfort you would not have put it in writing?

DR DANIEL MATJILA: I wouldn't have put it in writing.

MS GILL MARCUS: Okay and so you can verbally say go ahead and there's no record of that if there was ever a dispute?

DR DANIEL MATJILA: Because all the information that requires us to

take that decisions is there.

MS GILL MARCUS: Yes but your verbal communication is adequate as far as you're concerned?

DR DANIEL MATJILA: Yes.

MS GILL MARCUS: Okay and then in terms of round robin resolution how often were you reliant on round robin resolutions?

DR DANIEL MATJILA: I can't give you statistics but ... (intervention)

MS GILL MARCUS: But it was quite common?

DR DANIEL MATJILA: We've done many round robin resolutions
10 Commissioner.

MS GILL MARCUS: How, what is the difference, how would you see the difference taking a decision by round robin and taking a decision in a meeting?

DR DANIEL MATJILA: Well round robin simply says that we probably are not able to meet in a meeting ... (intervention)

MS GILL MARCUS: Sure.

DR DANIEL MATJILA: But the information that is there it's enough to make a decision. Now in situations where people have issues in a round robin resolution they could send an e-mail to say I've got this
20 concern on this and this and this that's why can this be resolved. So they are still able to ask questions depending on whether they have access to technology to do so or not. So a round robin resolution simply facilitates a decision without being in one room. You may, well it's always ideal to be in one room you know because we can then eyeball each other and talk about things but in situations where that is

not possible round robin resolution is still effective.

MS GILL MARCUS: That's why I'm asking, it is effective but it should be used sparingly in my view not often because the difference is when you meet in a room as I would understand the purpose of a PMC or an investment committee or a board meeting, is to exchange views and ideas so that when you're listening to a person's presentation or argument you may well change your mind, you may see something that you did not see from the perspective that you're there and therefore round robin resolutions should only be in extraordinary circumstances
10 but you've indicated that they were frequently used?

DR DANIEL MATJILA: Well not in that way but in circumstances where it requires so. We've spoken last time we met about the volume of transactions that we go through.

MS GILL MARCUS: Sure.

DR DANIEL MATJILA: So relative to the volume of the transaction round robin resolution will be much smaller in percentage terms you know so ... (intervention)

MS GILL MARCUS: But I accept it's percentage times, but again percentages can be deceptive but you indicated that it was used, a
20 frequently used tool just now but I'm just asking for ... (intervention)

DR DANIEL MATJILA: Let's not use, Commissioner let's not use the word frequently, let's say it's used when it's necessary. I'm uncomfortable with the word frequently.

MS GILL MARCUS: Can we get a report on how often serious decisions above a certain amount, I mean this is 4.3 billion there's a

few billion Rand at stake in these, are decided by round robin and I can accept, I fully accept it's not always possible to get the full team around the table to take the decision but that is the purpose of having a meeting and the PMC etcetera so okay that's, I know I interrupted you but you were dealing with round robins and I wanted to just raise the issues around round robin there.

DR DANIEL MATJILA: Commissioner can we add that they also look at IC and other FIP's because it's not only PMC that does round robin resolution it has to ... (intervention)

10 **MS GILL MARCUS:** No that's why I said it's all of them.

DR DANIEL MATJILA: Yes.

MS GILL MARCUS: It should be all of those critical meetings that take decisions how often that is done by round robin, thank you.

ADV SECHABA MOHAPI: Thank you Commissioner will do.

CHAIRPERSON: But do I understand the position correctly that it's normally used where you can't put together the members of a particular committee that's supposed to deal with the matter?

DR DANIEL MATJILA: Absolutely you can't put together members of the committee in time to make a decision and so a round robin
20 resolutions becomes an easiest way of allowing everyone a chance to sign off on a transaction.

MR EMMANUEL LEDIGA: Just a quick follow up there, just in terms of the timing of the transaction it was like in December but have you had, and this caused so much pressures because the PMC's couldn't meet because people were not there, but have you done this kind of

transactions in December?

DR DANIEL MATJILA: I cannot recall, ja I cannot recall. It may have been the first one you know, but I guess the evidence leaders can check but it's ja ... The very recent one that I can remember is Ayo.

MR EMMANUEL LEDIGA: Was the one and it was a big money transaction you know.

DR DANIEL MATJILA: Yes.

MR EMMANUEL LEDIGA: Because if the PMC meeting of 6 December I think happened I mean things could have been different isn't it?

10 **DR DANIEL MATJILA:** That's true, that's true ja and the 13th probably because we tried to get the 13th as well and most importantly we tried to get the round robin resolution on the 14th to try regularise the signing that still couldn't work until we met on the 20th.

MS GILL MARCUS: Sorry just one other question in relation to that, you do indicate in paragraph 430 that from time to time you would sign a round robin resolution before other required signatories have signed it. Would that not have been read as a signal of approval from you?

DR DANIEL MATJILA: It requires the signature of everyone.

20 **MS GILL MARCUS:** Sure but I'm saying if I get something signed off before anyone else has signed from yourself it signals a different question that you are actually saying I'm happy with this. I'm not saying it's a negative or a positive I'm just saying the fact that there's a signature when it comes to me already gives me as a member of that committee, whichever one it is on a round robin that you have already approved it, that's the way it would be read yes?

DR DANIEL MATJILA: I'm a member of the committee.

MS GILL MARCUS: Sure, sure.

DR DANIEL MATJILA: And my colleagues the way we've worked all along sees me as a member and not necessarily as CEO when it comes to this sort of matters. They do question me, they do challenge me and they are free to do so and they've done so in the past so I don't see why signing before everyone else as a member becomes a problem.

CHAIRPERSON: I don't think it's a problem but it's just a matter of, let me use the term perception, it's signed already by the CEO.

10 **DR DANIEL MATJILA:** I think it's misplaced Commissioner, we've worked with the team for years and that's what we've done in the past. I've signed resolutions at some stage and they say but we're not comfortable with this and you know and again it's this issue of saying I'm powerful which I have a fundamental problem with because it's still there, I can see it in the background coming again and again you know. I was just performing my job as a CEO of the PIC leading people.

CHAIRPERSON: And we accept that, we're going to accept that.

DR DANIEL MATJILA: Except that I'm not powerful right, is that what the Commissioner is saying, I'll happy if you say that.

20 **CHAIRPERSON:** No, no I'm saying I accept what you say that you were not powerful *etcetera*.

DR DANIEL MATJILA: Thank you Commissioner, you've made my day.

MR EMMANUEL LEDIGA: Just another question in terms of the follow up, the pressure to do this transaction in December, and I know they have given some reasons you know Ayo, but was there any way sort of

in which the ANC Conference at Nasrec had any bearing on doing this transaction in December, this issue was raised somewhere that there was some pressure to complete it because there could be change of the factions or leadership in the ANC?

DR DANIEL MATJILA: Ja I heard this I think it's in the Commission that from where the PIC was sitting that's not true. I think for us the value proposition was around the Sasol contract which will then give the real impetus to the project. The ANC Conference we never even thought it's part of, it could be part of the risk you know, maybe risk
10 should have highlighted that there is this conference and you know ...

MR EMMANUEL LEDIGA: So there was no pressure from you ... (intervention)

DR DANIEL MATJILA: From the PIC ... (intervention)

MR EMMANUEL LEDIGA: The PIC, Mr Molebatsi, you from outside forces to complete this transaction?

DR DANIEL MATJILA: That's true Commissioner.

MR EMMANUEL LEDIGA: Okay.

DR DANIEL MATJILA: The only pressure would have been on the timelines that we had to meet, nothing other than that.

20 **MR EMMANUEL LEDIGA:** Okay thank you.

DR DANIEL MATJILA: That I'm aware of.

CHAIRPERSON: At last Mr Mohapi, carry on.

ADV SECHABA MOHAPI: Thank you Mr Commissioner. Dr Matjila you also say that you signed the irrevocable subscription form on the 14th December on the strength of recommendations that you received from

Ms Taukobong from ESG, Ms Abrahams from Risk and Ms Setshedi and we know that Ms Abrahams denies that she gave you.

DR DANIEL MATJILA: Look Commissioner all I can say is that my colleagues were under pressure and I've seen it in this Commission some people who testified here who we worked closely with who had changed completely in their tone in how they talked about me so you know I'm not surprised if some of them were, are not comfortable or uncomfortable saying yes we were called because once you get associated with Ayo you get suspended. People were scared including
10 Mr Molebatsi who we communicated via WhatsApp at some stage and he said to me look he's under so much pressure you know that he's going to be suspended, he may face a suspension and his first prize is to protect himself so it was more about self-preservation more than anything else. So I'm not surprised but that doesn't change the fact that work was almost completed and therefore a decision could be taken including the appraisal report. If you look at the appraisal report of the 14th Seanie actually lifts up the ESG score of 44 you know, he wouldn't have guessed that there is a 44 score he would have gotten it somewhere else you know so ... (intervention)

20 **ADV SECHABA MOHAPI:** But as far as you are concerned Dr Matjila, and you say this in paragraph 431 of your statement at page 154 that you telephoned these people on the 13th December so as far as you are concerned and it's not something you would have lightly forgotten that you've spoken to people and they've given you the recommendation to sign?

DR DANIEL MATJILA: Ja I mean I wouldn't be, if they say they deny that I haven't telephoned them I don't have much to say except that I recall confirming with them that the reports are almost ready and that's what I was told so ...

ADV SECHABA MOHAPI: So the point I'm establishing is that you spoke to them and you wouldn't be mistaken as to whether or not you have spoken to them?

DR DANIEL MATJILA: Look I'm not sure, I mean if they say I haven't spoken to them it's quite difficult for me to say maybe I didn't speak to
10 them or maybe I spoke to them, I can't remember it was, for me it was such a straight forward matter that you know I never thought that it will raise an issue that no I wasn't called. But I can only you know conclude that it's got to do with the pressure that was at the PIC.

ADV SECHABA MOHAPI: So the basis of calling these particular people you know Ms Taukobong ESG, Ms Abrahams Risk and Ms Setshedi Legal, what was the basis of calling these particular people because they weren't directly involved with the, I mean these are different people from those that are mentioned by Mr Seanie as people who were directly involved with the ... (intervention)

20 **DR DANIEL MATJILA:** Ja I normally deal with the executive heads and acting executive heads to confirm certain matters because they are in charge of those areas. So I wouldn't call a junior staff member you know necessarily unless really it's on some other matter that requires me to talk to them you know directly but I normally check with the senior person responsible for that area.

ADV SECHABA MOHAPI: So in relation to Ms Setshedi Dr Matjila what as the basis, she wasn't acting legal executive head until the 15th December so on what basis would you have spoken to her on the 13th if that what you are saying is that you communicate to executive heads, on what basis then would you be speaking to her?

DR DANIEL MATJILA: I'm not sure but I thought she was acting at that time.

ADV SECHABA MOHAPI: No that's incorrect.

DR DANIEL MATJILA: Okay no, well she's very senior in legal as well,
10 she's acted several times, maybe I wasn't aware that she wasn't acting at that point.

ADV SECHABA MOHAPI: Might I with the permission of the Commission hand up a, and Dr Matjila will confirm that there's a circular by e-mail that's usually done people are acting correct?

DR DANIEL MATJILA: Ja.

CHAIRPERSON: Are you suggesting that the people whom he phoned were not heads of those departments, is that what you're suggesting, you Mr Mohapi?

ADV SECHABA MOHAPI: Mr Commissioner my question to Dr Matjila
20 was on what basis did he speak on the 13th the people he mentions in paragraph 431 and he says no, he doesn't speak to junior staff he speaks to executive heads. Now my question is Ms Setshedi wasn't executive head until two days after the 13th so it can't be correct that she had been executive head and she wasn't either working directly on the due diligence, we know that Ms Sasa Fako was working on the due

diligence.

CHAIRPERSON: But he doesn't, if I understood last time, he doesn't deny that he spoke to certain people let's say the ones that you mentioned on telephone or over the telephone does he? Dr Matjila you don't deny that you did speak to them?

DR DANIEL MATJILA: Ja I recall speaking to these people Commissioner you know, my colleagues, I mean these colleagues of mine ... (intervention)

CHAIRPERSON: You spoke to them in respect of Ayo?

10 **DR DANIEL MATJILA:** Yes just to check how far they are with the, as I said with the different reports.

CHAIRPERSON: Yes.

DR DANIEL MATJILA: Ja so if Ms Setshedi was not acting at that point then it's a mistake I shouldn't have called her it would have been probably Mr Nesane who was in charge of that.

CHAIRPERSON: So it may be someone else?

DR DANIEL MATJILA: But I mean Ms Setshedi is very senior, she's acted on a number of occasions so it could have been a mistake.

20 **ADV SECHABA MOHAPI:** My point is a simple one Dr Matjila and that is the answer you gave in relation to why you spoke to those specific people and this was also on the back of the question you wouldn't easily forget who you spoke to firstly but also Ms Setshedi hadn't been involved in this deal so he(sic) as far as this deal is concerned only started acting on the 15th December and only then started really getting to grips of what had been going on in the deal. So on what basis would

she ... (intervention)

DR DANIEL MATJILA: Ja Commissioner it's very important I mustn't be treated as superhuman being here that I can't forget things you know, I think that's incorrect. I am a human being I also forget. I remember calling these people if they say I made a mistake then I will accept that it's a mistake but I called someone to check if all these reports are ready, that's all I can say about this Commissioner.

CHAIRPERSON: So in respect of Setshedi you might as well have made a mistake there?

10 **DR DANIEL MATJILA:** Yes but if ... (intervention)

CHAIRPERSON: If she wasn't of, is it a he or a she?

ADV SECHABA MOHAPI: It's a she.

DR DANIEL MATJILA: She.

CHAIRPERSON: If she wasn't the person, if she says she was not the person that you called then you would be making a mistake?

DR DANIEL MATJILA: Yes.

CHAIRPERSON: Yes.

ADV SECHABA MOHAPI: Thank you Mr Commissioner. Can we then move on to the question of signing the irrevocable subscription form?

20 You are quite well versed with the implications of signing an irrevocable subscription in paragraphs 458 to 459 of your statement you in fact also explain the rationale for it being irrevocable correct?

DR DANIEL MATJILA: Yes.

ADV SECHABA MOHAPI: And so you were well aware of the legal implications of, as CEO, signing the irrevocable subscription form?

DR DANIEL MATJILA: Commissioner I think the form is very clear, you know it's irrevocable. If you read it, it says that I whoever irrevocably undertake to perform certain things, so it's legal, it's doing the transaction and I'm well aware of that so is Mr Molebatsi and all the other members of the team that are involved in IPO's. The whole team understands that IPO's once you've signed that form then it's irrevocable.

ADV SECHABA MOHAPI: Yes so but to the outside world once they see and you've signed as CEO and really it's the CEO signature that matters most because to the JSE, to Ayo that is the signature that matters most.

DR DANIEL MATJILA: Yes because I'm an authorised signatory but it doesn't mean that there are no other authorised signatories including Mr Molebatsi who was Acting as the Executive Head of Listed Investments with full authority to sign on behalf of the organisation on matters that are within that delegated authority.

ADV SECHABA MOHAPI: Yes and we'll come back to the DOA, the delegation of authority, but you, I take it as CEO of a 2 trillion asset manager would appreciate that the CEO and executive management doesn't have authority save for what it's given by the delegation of authority, is that correct?

DR DANIEL MATJILA: That's correct.

ADV SECHABA MOHAPI: So you don't have any authority beyond what the delegation of authority gives you?

DR DANIEL MATJILA: Yes as far as I understand the delegation of

authority to mean.

ADV SECHABA MOHAPI: Ja so one must in your position as CEO confine yourself to the limits of the delegation of authority and when doing whatever you have to do in discharging your duties do so with duty of care and it's a fiduciary responsibility correct?

DR DANIEL MATJILA: That's correct.

ADV SECHABA MOHAPI: When you signed the irrevocable subscription though as you've also reiterated this morning, you weren't exercising authority which you say you enjoy under you mentioned

10 8.1.2

DR DANIEL MATJILA: That's correct.

ADV SECHABA MOHAPI: You had been exercising authority as you normally would do where you require PMC approval.

DR DANIEL MATJILA: That's correct.

ADV SECHABA MOHAPI: So I just want us to get this clear, the distinction between exercising authority to approve because you have been given the authority to do so by the delegation of authority which is mutually exclusive from approving or ja approving with the hope or with the intention to get it ratified by PMC.

20 **DR DANIEL MATJILA:** It's not about hope really.

ADV SECHABA MOHAPI: What is it about?

DR DANIEL MATJILA: It's about being ratified by PMC.

ADV SECHABA MOHAPI: So would you be sure that it would be ratified?

DR DANIEL MATJILA: Yes.

ADV SECHABA MOHAPI: Okay. Were there any other deals where approval or ... (intervenes)

DR DANIEL MATJILA: Nope.

ADV SECHABA MOHAPI: IPO's.

MR EMMANUEL LEDIGA: Just to talk about a point about the calls which were made to the three departments and all that? I just wanted to check something because it's quite important that those three people say they were not called, Dr Matjila said he called them. Are there call logs in the PIC? Is there a way in which maybe Dr Matjila can proof
10 and say this are the calls I've made and the matter get closed? Were you phoning them from your cell phone or from the work phone?

DR DANIEL MATJILA: I don't remember it could have been the work phone. I can't remember what I've used ... (intervenes)

MR EMMANUEL LEDIGA: So ... (intervenes)

DR DANIEL MATJILA: But most of the time I would use work phone. I'm not sure if the calls are I mean there's a call log.

MR EMMANUEL LEDIGA: Yeah.

DR DANIEL MATJILA: The one thing I know is that the calls that are recorded from outside especially in the dealing room. That's where you
20 record calls but normal conversations within the organisation I don't think those are recorded necessarily.

MR EMMANUEL LEDIGA: Yes but the call logs could show that at least there was this call made to this number without the voice and all that.

DR DANIEL MATJILA: Most probably you'll get many of those and they won't necessarily lead you to say we're discussing AYO.

MR EMMANUEL LEDIGA: Ja.

DR DANIEL MATJILA: I'm sure my PA will have put me through as well so there is a- I'm sure I think they can check that.

MR EMMANUEL LEDIGA: Yes Advocate Mohapi, maybe there are call logs and it could show he called them and then at least that issue is dealt with. Will you come in to that issue?

ADV SECHABA MOHAPI: We can do that Commissioner but I think the point I was simply making in relation to Ms Setshedi was Dr Matjila's answer was the reason he spoke to her was she had been acting
10 Executive Head and through that circular she hadn't been through proof of that circular she hadn't been until the 15th. So that's all I was trying to demonstrate.

MR EMMANUEL LEDIGA: Yes and that could be a mistake that maybe he thought she was in an acting capacity but I think one of the key things is just to see. We got two groups saying they didn't get the call, he said he called them. And it's quite critical because that actually made him to proceed with that transaction. So if there are call logs that would help us in clearing this issues beside the Winnie Setshedi issue. Ja, is that clear?

20 **ADV SECHABA MOHAPI:** It's clear, thank you. Thank you Commissioner.

MR EMMANUEL LEDIGA: Okay.

DR DANIEL MATJILA: Commissioner as I said before Winnie Setshedi is very senior, she has acted several times and she was familiar with the matter. Maybe that's why I called her instead unaware that's she's

not acting but she's very senior and familiar with the matter.

CHAIRPERSON: But could you call someone below the Head of the Department?

DR DANIEL MATJILA: Yeah very senior people ... (intervenes)

CHAIRPERSON: And would you get the answer that you wanted?

DR DANIEL MATJILA: Yeah very senior people that will be leading a certain transaction like Ms Taukobong for example, she's heading up the ESG Listed but there's someone above her that will be Executive Head Rubeena Solomon. So sometimes we do chat to very senior
10 people.

Mr Molebatsi is a GM, he's got a senior person above him that's Executive Head of Listed but we talk a lot directly with him on various matters because he's a I would an expert in that subject matter. So it happens quite a lot but below it's very rare that I would ask for opinion on a matter without going through someone senior first.

CHAIRPERSON: And Ms Abrahams?

DR DANIEL MATJILA: Ms Abrahams was acting I think, she's Head of Enterprise Risk Management in the organisation, very senior as well and she's done quite a few presentation to the PMC's and IC on Credit
20 Risk matters or Risk reports, very senior as well.

CHAIRPERSON: Was it necessary for you to contact them by the way just or could you have signed without speaking to them?

DR DANIEL MATJILA: No, what was very important to know if the reports have got any negative findings that may stop the transaction that was the basis of the conversation. Because then it gives one

confidence that the transaction could be ratified under those circumstances. It was very important for me to check that there is no negative findings that may stop the transaction from proceeding.

ADV SECHABA MOHAPI: Alright, thank you Mr Commissioner. Now Dr Matjila I find your answer about ratification interesting that you were sure that you would obtain PMC ratification and this is why. Ratification by implication means acting without authority and seeking the person who's got proper authority to endorse what you've done without authority. So for you to answer that you were sure of
10 ratification is interesting. Would you like to comment on that?

DR DANIEL MATJILA: The reliance on any decision to do an investment is placed on the valuation which is the due diligence on valuation ESG, if there are any negative findings on ESG that one would be concerned about, legal report as well as risk report. Those reports, once they- there are no issues and they are supported by those departments then the transaction goes through. Those are the experts that will advice the committee on whether to proceed or not to proceed and once they all agree then the transaction it's a done deal.

ADV SECHABA MOHAPI: Ja so are you saying that you are assured of
20 ratification because of this recommendation that ... (intervenes)

DR DANIEL MATJILA: Yes.

ADV SECHABA MOHAPI: So are you saying that PMC wouldn't deliberate the reports and appraisal as they are presented? Because I thought the PMC is a deliberative body ... (intervenes)

DR DANIEL MATJILA: Ja.

ADV SECHABA MOHAPI: A decision making body, it doesn't rubberstamp.

DR DANIEL MATJILA: Ja.

ADV SECHABA MOHAPI: It would have to consider still the merits of the deal.

DR DANIEL MATJILA: The critical issue here is it's an IPO that we're dealing with. It's an initial public offering which is controlled by the regulator the JSE by means of a PLS all the information as we explained before, we are at pains to explain what the PLS is about and
10 what the IPO is about. So all that information is contained there unlike other investments where we have to search for information from all over and verify it ourselves.

Then it's a different matter because then we have to debate, there is no authority that says all the aspects have been covered you can go ahead and do a transaction on that basis that is the PLS. So there is a difference IPO, PLS fairly straightforward because there is a regulator and it's get- there are technical aspects that are approved on the quality of the information that's going to be used ... (intervenes)

ADV SECHABA MOHAPI: Except ... (intervenes)

20 **DR DANIEL MATJILA:** Versus when we do our own due diligence, then we have to get deep into understanding and probe into matters until we are all satisfied that all issues have been covered and that takes place through the different teams and then they will then present their proposal to us. The same way as an IPO but we will then probe one or two things for explanations and clarity.

ADV SECHABA MOHAPI: Ja. Except of course in this case the PIC had been using draft PLS pre-listing statements.

DR DANIEL MATJILA: I accept that.

ADV SECHABA MOHAPI: There's been an inherent and that is that it's possible it will change and there could be further iterations of that document.

DR DANIEL MATJILA: Ja.

ADV SECHABA MOHAPI: So it becomes ... (intervenes)

MS GILL MARCUS: Sorry. Sorry to interrupt on that.

10 **DR DANIEL MATJILA:** So it becomes an academic ... (intervenes)

MS GILL MARCUS: Sorry to interrupt on that. But just in relation to that Dr Matjila, just now you said that you actually did your own due diligence. So you ... (intervenes)

DR DANIEL MATJILA: I did?

MS GILL MARCUS: You said just now that you did your own due diligence as well, you didn't just rely on the PLS, you did your own due diligence earlier this morning.

DR DANIEL MATJILA: No.

MS GILL MARCUS: Yes.

20 **DR DANIEL MATJILA:** No.

MS GILL MARCUS: Yes, you did you said so.

DR DANIEL MATJILA: I said due diligence on the PLS. I never said we did due diligence outside of the PLS.

MS GILL MARCUS: Well, you just said you did due diligence but if you meant that you did a due diligence on the PLS then I would like to

come back to that when Advocate Mohapi is finished.

DR DANIEL MATJILA: That's fine.

MS GILL MARCUS: Okay.

ADV SECHABA MOHAPI: Thank you Commissioner.

MS GILL MARCUS: On this matter though before we move off this matter.

ADV SECHABA MOHAPI: Oh, thank you Commissioner. But of course the other problem with having already signed the irrevocable subscription Dr Matjila and you will have to accept that you've already
10 then bound the PIC. So whatever processes would be in futility after that, once you've signed the irrevocable subscription. You accept that?

DR DANIEL MATJILA: Ja, that's what it is I mean irrevocable is commitment that you will invest.

ADV SECHABA MOHAPI: Yes. So put option for instance wouldn't really ... (intervenes)

DR DANIEL MATJILA: I think I was again at pain to explain what an IPO, the difference between an IPO and a normal transaction were if you are investing alone and therefore you can call all kinds of conditions. IPO you don't do that because the PLS is standard that it
20 must be applied by everyone else as it is. If you don't want to invest or you don't like what you see in the PLS, you simply don't invest. Because you are unable to put conditions but you can put conditions post or even undertaking post the investment.

ADV SECHABA MOHAPI: Another point on ratification is ... (intervenes)

MR EMMANUEL LEDIGA: Can I talk a bit about the PLS and the forecast there, just the forecast in terms of the numbers the revenues and the profits. I mean some companies actually don't accept those numbers willy-nilly on the PLS and they actually do their own forecast and say this company will do that. Then why did the PIC just accept these numbers from GT from Grant Thornton and just say this is the revenue figures, this are the profits. We'll just put the PE number and come with the value.

MS GILL MARCUS: Sorry before you reply Dr Matjila, can I add to
10 your question? Because you then said you did a due diligence on the PLS.

DR DANIEL MATJILA: Ja.

MS GILL MARCUS: But before we come to this I want to just go back first of all to Ms Abrahams and then come back to this if that's okay. Because Ms Abrahams in her testimony said;
At the time of the sign off of the risk report on about the 15th of December I was not privy to nor aware of the following which has since come to light. One that irrevocable undertaking was subscription agreement had been signed prior to the meeting of the 20th of
20 December and two that the disbursement member was also signed prior to the meeting of the 20th of December.

So the question that you consulted with Ms Abrahams if there'd been something else, she was clearly saying to us that she was not aware of where things were at.

To come back to this question of the due diligence on the PLS in

addition to my colleagues question there is having heard the testimony in this Commission where the actual value was manipulated from 2.3 billion up to the 15 to 20 billion that Dr Survé wanted and ended up with 13 billion. The question that you say it's an IPO but you took all the offering. That was or the 29% was the entire offering that was on the table and you paid the price as said out in this manipulated outcome of pricing that the question was in terms of a movement from 2.- if you had done a due diligence on the PLS, did you look at the question of the ownership of the BT 30% and that you it had a valuation
10 of 1 billion attached to it and yet already back in August there was a letter from BT that this was not part of the transaction, that there was no agreement on it.

Did your due diligence on the PLS uncover any of the issues that have been raised in this Commission by the people involved, Mr Malick Salie, Mr Hardy, Mr Nodwele about the manipulation of the information in terms of setting out the PLS and that the PLS in fact was grossly misleading?

DR DANIEL MATJILA: Ja.

MS GILL MARCUS: What in terms of having heard all of that and that
20 you did a due diligence on the PLS, what did you find or did you concur? And it relates back to the pricing.

DR DANIEL MATJILA: Ja.

MS GILL MARCUS: Also sorry, if I could it was then said that the shares was oversubscribed but none of the other participants in the subscription got any shares and they were all related party entities. In

your due diligence of the PLS and your interactions with Sekunjalo over the matter, did you look at who the related parties were?

DR DANIEL MATJILA: Ja.

MS GILL MARCUS: And whether that was in fact why did the PIC take all 29% of the shareholding when there were another billion rand worth for related parties that simply didn't get any shares. What were you aware of and these are the critical issues if you did a due diligence on the PLS that has shown to be grossly misleading.

DR DANIEL MATJILA: Okay. Commissioner, hindsight is perfect sight.

10 **MS GILL MARCUS:** No, the due diligence was on the PLS at the time.

DR DANIEL MATJILA: Yes, we do uncover how to uncover that the numbers have been manipulated in the PLS. How is it possible? It's only until when people came, people who actually worked on the same PLS that they gave us, who never even raised these issues with my team. By the way, I don't do the due diligence, I have a team that does due diligence and they advise me on their findings and make recommendations to me. So it will be very difficult for me or for my team for that matter to pick up all of these things if people are conniving in creating this nice looking PLS and say here we go, Grant
20 Thornton has signed on all of these and so on and so forth, we are happy with the numbers the valuation is 14.8 billion.

When those people who came to this Commission didn't tell my team before that there are issues. We are picking up this, we are being pressurised and so on and so forth, we could have acted differently. We could have definitely acted differently. These people who came to

this Commission from AYO and AEEI, Corporate Finance are the ones who worked on this PLS that was given to the PIC to make an investment based on.

So to expect us to sniff all of these things in the PLS that numbers have been stretched etcetera, it's a huge ask. Perhaps that question should be directed to my team to understand how they arrived at the 43 that they recommended to the committee I mean for us to the PIC to subscribe. I'm just a CEO, I'm taking advise from technical experts that says this transaction is worthy of pursuing because the price is
10 right and it's got prospects and so on. It's in their report, that's what they told me.

MR EMMANUEL LEDIGA: Ja.

DR DANIEL MATJILA: But again they wouldn't have known if they were not told that numbers are being manipulated.

MR EMMANUEL LEDIGA: Ja, just to follow up. Some companies actually look at the PLS isn't it and they shave off maybe 20% 25% of the earnings and say this is what we think is the picture. Because they normally think that the PLS have got a lot of cream attached to it. So what do you think of that?

20 And second question is that, has the PIC changed their forecast in previous IPO's when they look at say the Vodacom listing in East Africa. Have you previously look at PLS's and change the forecast and say, we don't think this is a good forecast and all that?

DR DANIEL MATJILA: Commissioner, it's a right question to direct towards the team that advises, I can't do all of that. I'm merely a CEO,

I was merely a CEO and I believe in my team. I trust them because you can see in what we've delivered in terms of returns. You can see how we outperformed the JSE. This is the same team that put together all of this in form factor module and all of that have you, they do all of that. They do sensitivity analysis, they do and arrive at the figure that they are comfortable with so I wouldn't say- I wouldn't believe if someone to me they didn't do the sensitivity analysis, they haven't checked best case, the worse case and the medium case.

They do all of that and AYO wouldn't be an exception. They
10 did it in Sagarmatha and said but this price is R7 versus whatever number because they did do the analysis intense analysis. So I trust them. Once they say we can do something, I have no doubt because we've done quite well because of their advise.

MR EMMANUEL LEDIGA: Okay. So you aren't aware that maybe forecast have been changed before in previous IPO's and all that, are you aware in a way?

DR DANIEL MATJILA: You mean the prices change and what Commissioner?

MR EMMANUEL LEDIGA: Forecast, the forecast in PLS?

20 **DR DANIEL MATJILA:** Yes.

MR EMMANUEL LEDIGA: Yes. Simply two year three year forecast. Some companies actually look at them and say there's a blue sky amount there and they actually shave them by 20 25%. Are you aware if the PIC has done that before looking at the PLS and saying we are not happy with this forecast and we are going to change our stuff

internally.

DR DANIEL MATJILA: I think I mean knowing my team they would have done sensitivity analysis before arriving at a decision. They would have done a sensitivity on any IPO whatever, they would do it.

MR EMMANUEL LEDIGA: Okay. Alright ja.

MS GILL MARCUS: Sorry, just to follow up on a couple of things. If one looked at the question of independent media which we've discussed previously Sagarmatha and AYO. The pricing has been based on what will be a high pathetically if this happen that happens
10 everything has been determined by what may happen and you determined a price in that regard for all three items.

Obviously independent media has not worked out. AYO equally has been shown to be very questionable, Sagarmatha you had as far as I understand a deal with not accepting the side deal but had agreed baring the question of the JSE withdrawing it that you would pay R39 plus per share. On all of them ... (intervenes)

DR DANIEL MATJILA: That's not true.

MS GILL MARCUS: They were based on ... (intervenes)

DR DANIEL MATJILA: Commissioner, that's not true. I'm not going to
20 accept that.

MS GILL MARCUS: What was not true?

DR DANIEL MATJILA: We've not done Sagarmatha.

MS GILL MARCUS: No, I know you didn't do Sagarmatha.

DR DANIEL MATJILA: Because the price was too high. My colleagues said the price is R7.06. PIC price was R7.06 not R39

MS GILL MARCUS: So you based your Sagarmatha decision not to proceed on the basis that the price was too high ... (intervenes)

DR DANIEL MATJILA: Absolutely.

MS GILL MARCUS: Not because the JSE pulled the deal?

DR DANIEL MATJILA: Absolutely.

MS GILL MARCUS: Right. And the letter that reflects your discussions with Dr Survé about coming closer to the R8 that would give you a side deal, you said that you were not part of that.

DR DANIEL MATJILA: That was the proposal that he sent to us and
10 was rejected because it didn't work in the PLS.

MS GILL MARCUS: Can we get a letter copy of the rejection because all we have in our file is the discussion where you're passing on this information as part and parcel of what should be considered. So it would be very good to get a rejection letter to say, Dr Survé we have seen this. We are not proceeding with it.

DR DANIEL MATJILA: Commissioner, there wouldn't be a rejection letter because the transaction was not done.

MS GILL MARCUS: Where was it decided not to be done, which committee?

20 **DR DANIEL MATJILA:** The IC pushed it back to PMC ... (intervenes)

MS GILL MARCUS: Management, yes.

DR DANIEL MATJILA: They said it's within the delegated authority of the PMC and we said because the price- we are not getting the price of R7.06 we can't proceed.

MS GILL MARCUS: Okay, I would just like to see a record of that

because that's different from the information. I'm not saying it's right or wrong, I'm just saying its different form the information that we have which is the letter from yourself to your team talking about an R8 offer by Survé. Not a rejection of it ... (intervenes)

DR DANIEL MATJILA: It was an email by the way Commissioner.

MS GILL MARCUS: It was an email.

DR DANIEL MATJILA: Ja.

MS GILL MARCUS: Correct. So that's what we have and therefore if that was settled in the manner of saying we're not going ahead with
10 that would be very useful for us to see. So if you have a copy of that as saying, we are not proceeding on that basis that would be very helpful because otherwise we only have part of that information.

DR DANIEL MATJILA: Yes. Commissioner, this matter has been brought to my attention here I think it's the IC meeting of that will be DD58, IC meeting of the 23rd of May 2018 where the IC expressly says they don't approve the transaction to participate in the listing as the price is way above the intrinsic value of R7.06. It was us reporting back to IC.

ADV SECHABA MOHAPI: But was that before or after the JSE had ...
20 (intervenes)

DR DANIEL MATJILA: We declined it before the JSE, it must have been around the same time if I recall. It must have been around the same time that the JSE withdraw but we had already taken a decision that we are not proceeding.

MS GILL MARCUS: Is that DD58.2? DD58.2 or 58 ... (intervenes)

DR DANIEL MATJILA: Ja.

MS GILL MARCUS: Because that's dated 25th of January 2018.

ADV ALEXANDER ROELOFSE: No, it's the one that dated the 23rd of May 2018. It's the very last page before part 3 begins.

MS GILL MARCUS: I can't see- oh 23rd of May, what's the date?

ADV ALEXANDER ROELOFSE: 23rd of May 2018.

MS GILL MARCUS: 2018, okay. 23rd of May 2018 but all of this discussion and Sagarmatha was being done earlier.

ADV ALEXANDER ROELOFSE: Yes.

10 **MS GILL MARCUS:** Okay. And when did the JSE pull the, say you couldn't proceed? Do you have that date just so that we clarify the dates and sequence.

ADV SECHABA MOHAPI: My learned friend Mr Monnahela who works on the deal says it was April 2018.

MS GILL MARCUS: Can we just get clarity on that because if this is 23rd of May and the JSE pulled it in April, then there's just a sequence in question thereof of the timing of this? And this the record, the minutes actually say, furthermore the listing was withdrawn by the JSE. So this has to be post the JSE listing?

20 **DR DANIEL MATJILA:** No, the PIC declining the transaction was probably around the same time but we had already taken a decision not to invest when we heard that the JSE has pulled the plug.

MS GILL MARCUS: Okay, I'm just going by the minutes that you referred to because that is 23rd of May ... (intervenes)

DR DANIEL MATJILA: This would have been ... (intervenes)

MS GILL MARCUS: And that indicates that the listing was withdrawn by the JSE as part of the information in that decision.

DR DANIEL MATJILA: Ja. We'll get the listing as well as the minutes because this was a report to the IC. These are minutes of the IC meeting that happened earlier. We'll check the dates Commissioner to confirm.

MS GILL MARCUS: No, I'm accepting what you are saying. I just think that it would be very helpful for our records to show the sequencing of that decision making around Sagarmatha.

10 Coming back to the question if I could on AYO, if Mr- and the point that you making about not knowing when people are misleading you in this regard perhaps emphasizes the question for overdue diligence and the requirements for thorough due diligence and meetings of committees to deal with it.

 But Mr Salie said in his evidence that at this meeting with Mr Survé and Mr Abdulla;

 And in our presence Dr Survé phone Dr Matjila and among other things told Dr Matjila that he would discuss the draft PLS that had been prepared for AYO with him.

20 That was the first thing and then the second question is that were you aware notwithstanding the other participants that Mr Salie said that in with the closing off on the 15th of December he stated;

 By that point I had not engaged on any other investors other than the PIC and union members around the AYO listing.”

 This is two days before the closing off. So PIC was taking up the whole

amount and were you aware of that?

DR DANIEL MATJILA: No, I wasn't aware even though ...[intervenes]

MS GILL MARCUS: So the 29%, you were not aware that the 29% was the full offer?

DR DANIEL MATJILA: The 29% was the full offer that which we normally do.

I mean, if we want to subscribe for the full offer we'll allocate the full offer or we'll subscribe for the full offer and whoever does the allocation will decide how much they allocate to us.

10 So we were always intent on taking the biggest size of the transaction, that has always been our intention.

MS GILL MARCUS: So ...[intervenes]

DR DANIEL MATJILA: Now to be allocated full amount, we were okay with that because under normal circumstances you will get over-subscription and not necessarily get allocated what you want, it may have been less but doing less would have put the PIC at a position of disadvantage.

MS GILL MARCUS: Sure. But again the pricing that my colleague has raised around the hypothetical, if this happens, that happens, that happens and then the pricing determined at that level, as I understood from Ms More as well as yourself you did not interrogate that pricing. That, to you, was *bona fide* even though it was hypothetical.

20 **DR DANIEL MATJILA:** Commissioner, again, we have experts that does the work, they are employed to advise us. These are CFH(?) the holders, these are chartered investment analysts, professionals in their

own right that advise us because we can't do analysis and also run a big operation like the PIC, it will be impossible.

MS GILL MARCUS: I understand that but if you take the example on the pricing, that the growth in income projected for shareholders would grow by 7 985% or 81 times higher, did that not ring a bell in signing off on the investment?

DR DANIEL MATJILA: Commissioner, I'm advised by my colleagues that this transaction can be done. I mean, we've said it on a number of occasions that they said they recommend an investment because they
10 would have done all the work.

MS GILL MARCUS: But what I'm asking is that in your discussions around it and you get numbers like that, you're a numbers man, if you look at it and said the price – the profits in 2019 would be 36 times higher than in 2017, a 2 628% growth.

In reality the profit was 195 million for 2018 which was an actual loss of 31 million because the entire profit emanated from the interest earned on the Ayo funding – fund raised by the PIC, that's the outcome.

DR DANIEL MATJILA: But the key transaction that has not been
20 concluded here is the BT and moving the BT customer base onto the platform.

MS GILL MARCUS: But that was never part of it, that in August already was something that Ayo knew was not on the table, there was a letter from BT saying this is not part of the transaction and that you're misleading and even on the PLS they said it was misleading, a letter

from BT saying this is not part of the transaction. Were you not aware of that?

DR DANIEL MATJILA: My colleague would have advised me to do that, I can't remember that.

MS GILL MARCUS: Can I just then because obviously having heard all the testimony but in your 229 page document before us, right, you haven't referred at all especially in this part of the Ayo transaction to the fact that you were not aware of any of these things and we have listened to your presentation on Ayo, as it was, without any question
10 from you in your testimony about saying with the things that have come to light, how do you feel about that now? That doesn't reflect in your statement at all.

DR DANIEL MATJILA: But it doesn't mean we can't discuss it because ...[intervenes]

MS GILL MARCUS: No, no, that's a different – that's what we're trying to do now.

DR DANIEL MATJILA: This statement was worked on for a long, long time. You've seen almost what, 40 witnesses?

MS GILL MARCUS: 70 something ...[intervenes]

20 **DR DANIEL MATJILA:** So it was very important for me ...[intervenes]

MS GILL MARCUS: But Malik Salie was in May. Malik Salie came in May.

DR DANIEL MATJILA: It was very important for me to make sure that I put things that I believe I should tell the Commission and those things that will be raised in the Commission that I am not able to cover

in my statement I can always deal with them here.

MS GILL MARCUS: I accept that.

DR DANIEL MATJILA: I have been here, this is the twelfth time I am sitting here in front of the Commission, assisting the Commission in doing its work.

MS GILL MARCUS: I appreciate that.

DR DANIEL MATJILA: I am being helpful, I'm not like hiding anything. That Malik Salie and other statements, I'm not responding to them, doesn't mean that I'm not prepared to respond to them. I am
10 here to respond to them.

MS GILL MARCUS: No, I accept that, I accept that, all I'm saying is that it's interesting to me that there was no reference to that at all but I take it and I mean Malik Salie and the others were in May, we are now in August.

DR DANIEL MATJILA: You know, really it's a reason. I thought let me put whatever I can put in my statement and I am happy to deal with things that came up around May or so in this Commission.

MR EMMANUEL LEDIGA: Just to talk about some of the, you know, figures a bit and I know you might say the team is working on it and all
20 that but just to put it on the record.

I mean, the Ayo figures, you know, the 2017 revenue figures were 478 million and then there was a forecast 2018 to R4.4 billion, that is like ten times the amount.

Then the forecast for 2019 was R7.7 billion, you know? I mean, from 478 million, 4.4 billion for 2018, 7.7 billion for 2019. in

terms of the profits, 13 million for 2017 for Ayo, 750 million for 2018 and then 1 billion, 1.051 million, R1 billion.

I mean, these kind of figures surely should have rung some bells, that you can't have a ten times growth in revenues where you're still going to negotiate transactions, you haven't done due diligences on the transactions, surely sort of professionals should have seen that there was a lot of blue sky in these numbers?

DR DANIEL MATJILA: My professionals were happy, they said this can be done. That's what I was advised. It's in their documents, it's in
10 their memos, they say this can be done.

MR EMMANUEL LEDIGA: Ten times?

DR DANIEL MATJILA: Yes, that's what they told me, that can be done.

MR EMMANUEL LEDIGA: Ja, that's ...[intervenens]

DR DANIEL MATJILA: And I have no reason to doubt them because they've done a sterling job at the PIC.

MR EMMANUEL LEDIGA: Ja, I've been in this industry for a long time, I've never seen such blue sky being accepted, I mean, you know? Ja, I mean, ten times – transactions haven't even been bedded down and
20 they just accept it. Your professionals, they just accept it.

DR DANIEL MATJILA: Ja, that's what I was advised, Commissioner.

MR EMMANUEL LEDIGA: Alright. Okay, thank you.

MR SECHABA MOHAPI: Thank you, Commissioner. Dr Matjila, just going back to the question of ratification and it's common cause you've accepted that the idea of seeking ratification from PMC was yours,

correct?

DR DANIEL MATJILA: Yes.

MR SECHABA MOHAPI: I just want to go back to the evidence of Mr Seanie and – because this is a permeating theme throughout, you know, Mr Seanie, Mr Molebatsi, Ms Gaaeniwe Adams and Mr Varghese’s evidence that you assured the team – and this is something that also helped progression in the deal, that ratification would be sought subsequently.

DR DANIEL MATJILA: Yes.

10 **MR SECHABA MOHAPI:** So I just want to go through some of this evidence. In paragraph 62 of Mr Victor Seanie’s evidence he says the following:

“Before 8.30 on the morning of 14 December 2017 Dr Dan told myself and Lebogang Molebatsi that PIC would subscribe for 4.3 billion worth of Ayo shares in Ayo’s IPO.”

This timing is based is based on evidence from a text message. Then he says the following:

20 “To effect this, Dr Dan signed the Ayo irrevocable subscription agreement and instructed Lebogang Molebatsi to co-sign as Lebogang was the acting executive head of listed investments at the time in Fidelis Madavo’s absence.”

Then he also says:

“The subscription agreement was signed before 11.44 as Dr Dan’s personal assistant scanned and sent it to me at 11.44 on 14 December 2017.”

Then he says the following:

“I thought signing the subscription agreement was highly irregular because I had never seen it happen before and PMC had not yet approved the Ayo transaction.”

Then he goes on in paragraph 63 and this is the last part I’m reading:

“We raised our qualms...”

And these are the qualms he mentions in brackets.

“Due diligence incomplete, lack of PMC approval.”

These are the qualms they raised and he goes on to say:

10 “About entering into the Ayo transaction but Dr Dan overruled us. In an informal meeting I attended around the day of signing the subscription agreement Dr Dan said...”

And he says, he’s paraphrasing. I will use my authority as CEO to sign the Ayo subscription agreement and have the decision ratified at the next PMC meeting. So that’s Mr Seanie’s evidence.

Then just moving on to Mr Molebatsi’s evidence, on the same question of ratification. He says in paragraph 35 of his statement:

“Dr Dan Matjila had discussed with me on the 13 December wherein:

20 35.1 Dr Dan stated that the IPO date cannot be moved.”

Okay? Then he in the last sentence of that paragraph he says:

“He instructed that the team keep to the original transaction timelines.”

In the following sub-paragraph:

“Dr Dan informed me that he had a discussion with the

executive heads of legal, risk and ESGT.

He stated that none of the executive heads are expecting the due diligence reports from their departments to come with adverse recommendations given the work that was done up to that point.”

Then in relevant part, the next sub-paragraph:

“Dr Dan informed me that due to the closing date of the private placement being on the 15 December, he is instructing that the subscription form be signed.

10 In other words, he asked me to sign as executive head listed. (p.p. for Fidelis) and he will sign as the approver of the transaction.

This would have been sent to me sometime on the afternoon of 13 December 2017.

Dr Dan stated that PMC will be asked to ratify the transaction at the next sitting of the committee.

Dr Dan explained that as CEO and Chairman of PMC who confirms that ratification can be done, implying that it would not be a breach of PIC policy.”

20 So just skipping paragraph 36.3, he says:

“The discussion with the CEO...”

And this is – he is talking about why he felt he could p.p. and sign for the Ayo subscription form.

“The discussion with the CEO provided reassurance, firstly that as Chairman of PMC and CEO of the firm he can provide

guidance on what needed to be done to meet the IPO deadline. He seemed very confident that there is nothing untoward in the signing of the subscription form if we were to take it to PMC for ratification.”

And in the subsequent paragraph:

“It was clear in my mind that I could not sign the form in my capacity as general manager given the level of responsibility of that role.

10 However, I was unsure whether the executive head could do so. Even though there was a DOA in place I felt it important and a duty of care to get input from Fidelis on this matter given his experience at the PIC.

In that discussion Fidelis explained that the CEO is “a higher power” than him and that he would not go against what the CEO had instructed.

20 I had no knowledge then, nor do I have it now, of a policy that contradicted what the CEO said, that is that transactions cannot be entered into by the CEO and ratified by PMC although I was aware that ratification was not the normal way that other IPO transactions were done.”

Then I won't read it into the record but in paragraphs 36.6, 36.7, 36.8, that same theme of ratification is clear and also, Ms Gaaeniwe Adams as well in paragraph 9 of her statement says:

“He mentioned that...”

And she's talking here about Victor Seanie.

“He mentioned that the former CEO of the PIC, Dr Daniel Matjila, had said that payment for PIC’s participation in the Ayo IPO should be effected and the process would be ratified at the next PMC meeting.”

So that is just to demonstrate that ratification was an idea that came from you and that is was a panacea, it was a cure of what they perceived to be erroneous or something outside process and they were given assurance that ratification would be sought and they then derived comfort and assisted in getting the deal done, is that correct?

10 **MS GILL MARCUS**: Sorry, before you respond, Dr Matjila, I think there’s just one sentence that would be useful from the paragraphs you’re quoting, which is paragraph 36, which is again Mr Molebatsi and he says:

“But I had no basis to doubt his integrity and I did not want to be accused of insubordination towards the CEO.”

So it’s a question then of saying were you being told what you thought would actually be – not give consequence to Mr Molebatsi.

CHAIRPERSON: I hope you’re not confused.

20 **DR DANIEL MATJILA**: I’m confused because it looks like we’re rereading statements from different witnesses that were done a long time ago but anyway, Commissioner, I think we were at length in explaining, you know, we went to length explaining, you know, the issue of ratification and the basis of doing it, you know, that, you know, the team was comfortable.

Victor Seanie, if you look at the investment proposals or the

appraisals, whether you're looking at the 13th or the 14th what's done subsequently, they are recommending a transaction and I don't know who forced them to make these recommendations. They even mention that ESG score, as I said, it's 44, it's a laggard(?) which is a problem but that will be solved later on, you know?

Mr Molebatsi himself says that – confirms, I think it's paragraph 36.2, that you've just read out, he confirmed with risk, legal, that reports were ready – were not ready, not signed but did not have any material findings that could stop the transaction. He confirms that
10 and so did Mr Seanie as well, you know, so Mr Molebatsi was the acting executive head of listed investments with full authority to sign in terms of the delegation of authority.

The fact that he say he wasn't sure I'm sure it's another matter. I mean, probably he felt that way now that he was in front of the Commission, he was coming to the Commission, but at the time when we were doing the transaction, he didn't show that concern, he didn't come across as somebody that's worried.

His only worry – you must remember that he had already signed one form, already completed that he showed me, signing for 19
20 million.

So I said to him well, increase because what you are signing is so small that we're going to have a problem, this is a – this is an investment holding company, this money is going to be spent and we have to have a say in how it's spent in building the portfolio and there's an impression, by the way, in the market out there that PIC has lost

money.

I don't believe PIC has lost money because the last statements that I saw showed me that the 4.3 billion is still there and earning interest.

We just need to deal with it somehow, we can – I have recommendations on how to deal with that.

But the fact that I want to drive home or stress here, Commissioner, is that I just didn't understand the behaviour of my former colleagues.

10 It shocked me actually when they appeared before the Commission saying what they said, that they were being forced to do things, etcetera, etcetera, when they had written memos on this transaction telling us that they are in support, it can be done.

Mr Molebatsi coming to me with a signed form of 19 million and I said to him no, no, let's subscribe for more because this is small. That's when he said but 29 is a little bit too much.

I said but that's strategic position that we need to take if we have to, you know, to control this.

20 And he signed and I co-signed with him on the basis that the meeting will ratify – and I've explained that the meeting would ratify on the basis that the key reports are not negative about the transaction.

These are reports from experts, you know, who once they have recommended a transaction, it will go through. We have attempted to do round robin resolutions without fail and with fail, of course, we didn't succeed in doing those round robin resolution to regularise this.

But I was confident on the basis of the information that I have that we could subscribe and ratify at the next meeting where we are able to form a quorum.

You know, so ratification is not an idea, we do have a number of ratifications that we've done post transactions. We've done Isibaya transactions, we've done – I think it's the CIPLA transaction where there was ratification after - the subscription agreement was signed a long time ago, I think it also ACC(?) I think it's ACC where we did ratify the actions.

10 So ratification is not new, you know? We've done in IPOs, we've done it in book builds and other transactions.

So the basis of doing that is because the key departments are in support of the transaction and therefore under those circumstances it can be done and I was confident that it will be ratified on that basis, Commissioner.

MR SECHABA MOHAPI: So ratification was assurance given. That's the point of my reading to you the evidence. Was the assurance that you gave to the deal team and other staff members that gave them comfort to assist in the deal? Are you prepared to accept that?

20 **DR DANIEL MATJILA:** They are not given comfort to accept the deal, they've recommended the deal.

The only step that had to be done was subscription which I authorised on the basis of a ratification. So they were not forced to do the deal, they have done the transaction, they have done all the analysis and make recommendations.

The only point that was left, Commissioner, was to sign a subscription before PMC which was not possible to put together and therefore I undertook to call a PMC to ratify the transaction.

CHAIRPERSON: How do you understand this ratification situation? Let us postulate that you sign, as you did in Ayo, you signed the subscription certificate, as you did, and the PMC that was supposed to ratify says no, we're not ratifying. What would happen?

DR DANIEL MATJILA: Well, then we'll have to sell the shares, which is not an optimal strategy.

10 **CHAIRPERSON:** Do you ...[intervenes]

DR DANIEL MATJILA: We're bound, yes.

CHAIRPERSON: PIC would be bound by the certificate?

DR DANIEL MATJILA: Absolutely.

CHAIRPERSON: That it [inaudible] signed.

DR DANIEL MATJILA: Absolutely, yes, yes.

CHAIRPERSON: So it couldn't get out of it.

DR DANIEL MATJILA: Yes.

CHAIRPERSON: You would have to accept the shares and sell them.

DR DANIEL MATJILA: It's because it's irrevocable. Once you
20 subscribe it's irrevocable and therefore signing, it's a done deal.

CHAIRPERSON: And you could sell at a loss? That's quite possible.

DR DANIEL MATJILA: If you're under pressure to sell at a loss but remember, the recommendation says this is a long term investment that's going to, you know, change the landscaping, the ICT sector. So we are looking at it from a long term investor perspective.

Even now we are not – I don't think PIC should be selling at a loss, you know, because the bulk of the investment is cash that they could actually, you know, intervene and apply it efficiently.

This is an investment holder – if it was a different investment where you literally get into buying an asset at that point, it's a different ballgame, there you commit and monies go, but where you have control and even put conditions to say if you are going to buy something, more than 10% of the market curb, you must come to shareholders.

10 Then it means shareholders are in charge of how you build a portfolio. That's why I'm saying that money's there, it's a matter of how it's applied going forward. It's not lost, the share price that you see of R8 or whatever, does not reflect the value that is sitting in the company actually. It reflects the noise and the hype and all the negative reports around Ayo, you know, as opposed to the intrinsic value that's sitting in the company.

20 So one of the key bases here was that this is an investment where money is not disappearing, the shareholders are still in control of directing how it should be spent, that's the big difference between that and a normal company where you'll just subscribe and get shares and they all get into the company and gone, you know?

So this is slightly different, it's an investment holding company where you're still going to build a portfolio, so there's a fair amount of control over the cash.

MR EMMANUEL LEDIGA: But then, I mean, BT as a big anchor of that company, you know? What's going to happen if they can't transfer it

into Ayo and other transactions that followed from BT because it was a key anchor of this strategy.

DR DANIEL MATJILA: I think that's where a restructuring may be required, now. And the 29% becomes very handy under those circumstances because then you are able to put together, you know, a package to solve the problem and new governance processes to be able to protect and still spend the money a lot wiser and I'm sure if that intervention is made, BT will come to the party as well because it looks like, according to the testimony from the other witnesses, there is a
10 discomfort in the other players, the other shareholders in this transaction from BT's side.

So the 29% gives PIC a huge leverage to actually turn the company around and even brand it into something that will be attractive to the likes of BT going forward. So that money is not lost, it's there, from the last time I saw the balance sheet.

MR EMMANUEL LEDIGA: Ja, but the PIC is going to court, you know, it's asking its money back.

DR DANIEL MATJILA: I think it's a sub-optimal approach, you know? I mean unless the law has been broken somewhere and the JSE
20 has not done its work in approving this PLS, the basis of which an investment was made, so the unwinding of that, surely they are doing their own investigation around the PLS because who were fed with the PLS? We use that as a basis to invest.

So if there are issues around that PLS there has to be a way of unwinding that position especially now that the cash has not been

spent as far as I could read the numbers.

MR EMMANUEL LEDIGA: Okay, thanks.

MS GILL MARCUS: Just stay with that cash not being spent at the moment because my understanding from it is that the funding raised from Ayo was placed with related parties by and large to earn interest and that in reality, if one looked again at an ongoing query that one would have, is that if you looked at the reporting of Ayo it was the 195 million reflected as profit from 2018 is an actual loss of 31 million as the entire profit emanated from the interest earned, which was 226
10 million which is PIC money placed with related parties such as 3 Laws Capital where 400 million was in and out I think more than once.

The income statement reflects a profit of 144 million as being from continuing operations. Is this a question again of misleading – you say you looked at the annual financial statements recently, which is also in the Ayo 2018 financial statements.

The AFS says the group's asset base increased from 282 million to 4.671 billion which includes the capital raising from the listing.

But this is also a question, the entire increase was attributable
20 to the monies raised from the PIC and therefore the question for me is, did you – have you or did you at the time query how the capital raised was being used as per the conditions post which includes the put option which was then set at half the price, R22 a share from 43 and, if I recall correctly, for a period of three months only?

DR DANIEL MATJILA: Ja.

MS GILL MARCUS: And it was only put in place much later. So, for the three month period, it's now what – I don't know what it's currently priced, it went down to R3 and I think it was back at R9, so there's a lot of fluctuation in the price but it means the conditions post were also note implemented effectively.

What steps did you take in relation to seeing that this transaction actually met the conditions post given that you could not do them for the reasons you explain, conditions prior conditions precedent.

- 10 **DR DANIEL MATJILA:** What is important here is that we are dealing with an investment holding company. And you are right Commissioner most of the cash that is sitting on the balance sheet is from the list in the IPO. PIC has put certain conditions. Put options obviously would have been difficult and I have explained that, that you cannot have a put option in a company that is IPO'ing. Technically it is impossible. You have to get that from elsewhere. That is why ongoing negotiations, contracted negotiations within the NEI to try to get a put option out of them were difficult. And with time running out probably 3 months towards the anniversary of the fund, I think it must have been late, 2018 or so we
- 20 could get something on the put option. I mean even the IC was getting very frustrated in the fact that we are unable to get a put options, and it would not be surprising, because it would be hard to get a put option from IO, is impossible because it is an IPO. But my argument here is that there is an embedded put option in the company itself because of the cash that is sitting there. And that cash as I have said can be realised a

lot more efficiently because PIC is in control, almost in control within 59 percent. So there could be an easy intervention for the PIC to say let us call an AGM, let's make these changes that gives us control over the face of the company. That can happen very quickly in a most elegant way and as I have said it can even bring back BT into the stable and have a much better run company going forward. You know I still believe in the strategy, I still believe in the strategy alongside BT as a strategic partner and bringing the whole platform of BT onto IO but clearly it requires a much better working relationship, a much more strategic relationship with

10 BT going forward. And I think PIC is sitting in a strong position to be able to do that, and the sooner they act the better because then they can safeguard the cash going forward. Insofar as financials of, the latest financials are concerned it is not surprising it is interest that make that such shown as profits, that is left in the profits or the company because of that 4.3 billion you know. Now that has been placed in the manner that it has been placed with different banks. That is something that obviously can be dealt with by the PIC through interventions on the board so that they are able to direct the money for the benefit of-of the company. And I have been placing money with related parties. It is not appropriate and

20 the PIC has part of the conditions that there has to be a related party policy to deal with the conflict of interest policy again which will include conciliated parties as part of the conditions post, the investment. I am sitting in a difficult position because I was told to leave on the 23rd otherwise I would have dealt with most of these things.

MS GILL MARCUS:: But let me just ask you on that question because

this would not have been the first time there would have been the first time there would have been a related party question in an investment. Did you not have a policy on investing monies raised with related parties? Was there no policy in the PIC.

DR DANIEL MATJILA: No the policy has to be with the company. We have not, we have not, ja we have crafted ...[intervenes].

MS GILL MARCUS: But even then for the PIC ...[intervenes].

DR DANIEL MATJILA: How to deal with related, you mean in as so far as exposure is concerned?

10 **MS GILL MARCUS:** Sure but it is, when you make an investment don't you have in terms of standard PIC approach what your policy is towards any funds or investment that you have in relation to related parties. Yes of course it needs to be part of the company itself but you are making the investment. Have you got no policy about related party dealings?

DR DANIEL MATJILA: No we have not developed that policy at that point.

MS GILL MARCUS: No policies at that point?

DR DANIEL MATJILA: No.

MS GILL MARCUS: Thank you.

20 **ADV SECHABA MOHAPI:** Doctor Matjila the fact that you have signed the subscription agreement, PIC was now in it and they could not get out of it, even if PMC said no, we are not giving ratification.

DR DANIEL MATJILA: Commissioner I think you right, that could be, but that would be the chance of that happening would be remote in my experience, very remote in my experience.

ADV SECHABA MOHAPI: What would be remote? That ratification.

DR DANIEL MATJILA: That, that PMC will say no to ratification, that will be very remote.

CHAIRPERSON: No that I, I can understand, but I am looking at your mind at the time that you have signed knowing that PMC has not approved. So in your mind you would have had a situation where, whether or not they don't ratify wherein.

DR DANIEL MATJILA: No that is not, that is not the idea. I mean if you look at people who were involved in this are mainly from the PMC.
10 People just involve who is getting request for-for round robbing and resolutions and so on and so forth, they are all part of the PMC. So none of them has said that they have reservations around this. None of the-the key, what I call experts in this have not said that they are uncomfortable with transaction. So I did not see any risk, otherwise if, if there were indications that certain areas are uncomfortable I would have acted differently. I have never acted against the recommendations of the team.

CHAIRPERSON: So do I understand you to be saying I was absolutely certain that ratification will be granted.

DR DANIEL MATJILA: In my 15 years that I have worked at the PIC I
20 was absolutely certain. Absolutely.

CHAIRPERSON: And in, you-you, I think you did mention previously that people who sat on the PMC would have known that you have already signed a certificate.

DR DANIEL MATJILA: I believe so Commissioner as I have explained the correspondence including, that included the signed subscription

agreement, and the fact that it is an IPO that we were not doing for the first time, you know so all of that you know I believe they knew. I have a strong believe that they all knew.

CHAIRPERSON: My difficulty though is that the meeting that was supposed to ratify appears not to have been to ratify but rather to improve, and the fact that a certificate had already been signed was never revealed although you say you believed reasonably that they would have known about it.

DR DANIEL MATJILA: I think, I mean that matter was raised by internal
10 auditors as we have explained, because I didn't see any, the effect of approving posts the transaction and ratification we have had the same effect especially in an IPO. Because IPO's are, they have got set deadlines, they have got a clear timetable as to when things happen you know. So once you-you have a meeting to discuss a disbursement and PMC on top of that, then it is clear that the deal has been done, because disbursements means that we are now paying. That is how I understood it, that we are now paying. An asset has been bought. PIC has been committed and therefore we have to pay at that point. You know so, that is, ja that is all I can say.

20 **ADV ISAAC MONNAHELA:** Okay can I further ask. Could it be I mean in that meeting on the 20th December you know watched this and said the form has been signed and there were not happy to raise the issue and say this a, this is a, we are here to sort of ratify this transaction, not to approve it, I mean do you think that people maybe were scared to say that to say no-no Doctor Matjila we are here to sort of ratify this

transaction not to approve it, because they knew that you had signed a form already and, is that possible that they were scared to tell you that.

DR DANIEL MATJILA: I am not sure what scares them, I am still, I am ...[intervenes].

ADV ISAAC MONNAHELA: Because I trying to ...[intervenes].

DR DANIEL MATJILA: People are saying they are scared and I really do not know ...[intervenes].

ADV ISAAC MONNAHELA: The culture of fear, you know the culture of fear which prevent that.

10 **DR DANIEL MATJILA:** Ja I do not understand that, I am still shocked because most of the things around, around cultural fear you know especially from the team that I work closely with, you were said in this commission. Not in my face which is strange because ...[intervenes].

ADV ISAAC MONNAHELA: Ja.

DR DANIEL MATJILA: Excuse me. I believe I had a great relationship with them you know. Very collegial in nature and they could challenge me, they could tell me whatever they wanted to tell me, but I do not know, but maybe, maybe the pretty low matter might have made me change into something else, I don't know, and you know, I don't know really but all
20 these years that I have worked with most of them we have never had any challenging, opening up on matters.

ADV ISAAC MONNAHELA: Yes, yes. You see because I find it hard that with the disbursement they would probably know that this is a done deal alright, but then in that particular meeting why did they not say, no-no-no this is a ratification, it is not an approval. So I am just trying to

understand and I probably agree with you that they probably did know that this deal has been done you know. But why didn't they raise that in the meeting when you talked about approval. This is ratification. Were they scared to raise the issue or not.

DR DANIEL MATJILA: I have no idea why quite frankly. I cannot answer for that, as I am saying I am surprised.

CHAIRPERSON: You see Doctor Matjila you were in that meeting and you knew that this is not an approval meeting but a ratification meeting. You knew that you had signed the certificate that is why you wanted
10 ratification and the disbursement document had already been signed. And the question is, I did ask you this question before, why then did you not correct the meeting and say no-no people this is not an approval meeting but a ratification meeting, particularly if you believed that everybody knew by then that you had signed the form.

DR DANIEL MATJILA: Commission I, maybe I should have done so, but I never thought it was going to be a problem until it was raised by internal audit. I did not see any-any problem with that really. To be honest I thought approval ratification in an IPO would be similar because IPO's are special as I say. Once you sign an irrevocable that everyone knows
20 because you are dealing with disbursement, then in fact it is more or less the same you know.

CHAIRPERSON: And as far as you are concerned there was nothing untoward with the process from risks etcetera, except for the fact that they had not been an PMC or a PMC 1.

DR DANIEL MATJILA: Absolutely Commissioner, as I have explained I

was comfortable with the fact that the work has been done, in terms the key things I need to look at in making a decision of that nature have been done, and we have made attempts to get the PMC together but without much success and responding to time pressures we had to do, deal with the issues the way we dealt with on the basis that we regularise the process at some stage at whatever PMC we can get at a later stage, so I did not see anything wrong at all. And on the basis that the risk in terms of the asset itself, you know investing in this kind of asset is different from a normal asset as I have explained that the case is to be spent and
10 the shareholders have control over how it is done.

CHAIRPERSON: And you accept the fact that you have signed a subscription certificate at least one leg of the process not adhere to, that is PMC 1.

DR DANIEL MATJILA: Commissioner PMC 1 I have explained that in IPO's it is not necessary. In the sense that we are not spending money. What is very important here is that we have hired professionals, people like Victor Seanie who are a chartered financial analyst and also representatives. They have authority to perform certain functions and they cannot be straight jacketed by processes where literally in state of
20 being pro-active they have to sit and wait for a PMC 1 to be called when the information is in front them, that they can perform. So we, I mean the organisation has been successful because we have allowed to be creative and freedom to test ideas and do things and be pro-active you know so I was shocked when I was told that one of the allegations against Mr Seanie is that he instructed ESG Legal and Risks to start working on their

reports before PMC 1. The standard operating procedures were not designed to straight jacket people. They were simply designed as a guide to say these are the steps and in instances where it is not necessary to do so and can be justified it does not have to follow standard operation procedures as they are, but there are certain steps that cannot, especially PMC 2 that cannot be compromised, but PMC 1 depending on whether we are spending money or we don't spent money that can be not done with, not comply with.

CHAIRPERSON: Would someone have to give them instructions to do
10 what they should do? Investigations?

DR DANIEL MATJILA: Yes I would have expected that Fidelis Madavo because he was the one leading the investment would have given them the go-ahead to start the process and that is my understanding that he gave them a go-ahead to start the process of analysis.

CHAIRPERSON: Would a ratification of the facts that PMC was sidelined, no side lined might be a wrong term was not complied with, that step was not complied with, would that require ratification?

DR DANIEL MATJILA: We do, we do. We do and I think there are-there
20 are proposal to that effect, I think that there are combinations that be waved in the same way as it happened with, I think which is one or two transaction, CIPLA is one of them if my memory serve me well and African Rainbow were a step, PMC 1 step or prejudicing step was been waved formally by the committee through a round robin resolution.

CHAIRPERSON: Are you saying that you are recommending that that step be by passed. You say there are recommendations to that effect. Are you recommending that they be bypassed.

DR DANIEL MATJILA: Depending on whether ...[intervenes].

CHAIRPERSON: And off course the follow-up question would be, if it may well not be necessary at certain stages then why recommend now?

DR DANIEL MATJILA: Sorry Commissioner I am losing you there now, I am trying to.

CHAIRPERSON: I am losing my voice. I was asking whether if PMC 1
10 was not complied with, if that step was bypassed would ratification for that omission be necessary. And I thing you said yes and then you carried on.

DR DANIEL MATJILA: Yes Commissioner.

CHAIRPERSON: And now later on you said something about the recommendations that is a suggestion of that PMC 1 maybe done away with.

DR DANIEL MATJILA: Oh no-no. Sorry Commissioner I was making example of other transaction where PMC 1 was ratify by post.

CHAIRPERSON: Yes.

20 **DR DANIEL MATJILA:** I think PMC 1 will remain. It is only ratification under certain circumstances and has to be clear that what those circumstances are. The main one being the fact that if money is not going to be spent and there is information available, as it is the case in an IPO then PMC 1 is not necessary. But at the same time I am sure the issue is going to be what have we learned from, are you in particular in

terms of the PLS reliance on that, you know based on what we know now according to the other witnesses you know what does it mean under those circumstances. So the processes may have to be adjusted to also include the learnings from the IO transaction.

CHAIRPERSON: One last question the aspect from me, there was no ratification, was there?

DR DANIEL MATJILA: I think the ...[intervenes].

CHAIRPERSON: For missing out on PMC 1.

DR DANIEL MATJILA: There was a round robbing resolution on the 13th
10 again, I think the 13th of December, so there was, so ja the 6th could not
happen but the 13th there is a memo to that request. The waiver as well.

MS GILL MARCUS: Sorry to stay on the question. Given your
assumption because it must be an assumption that everybody knew,
surely when you come everybody knew that there had been an irrevocable
signed and the payments authorisations had been done prior to the
meeting. Surely if you sit at a meeting like that, somebody who is the
chair and I think if I recall correctly Miss More was in the chair, who
knows that she had also signed and she said she did not, she was not
validating it she was just saying the money is there in her testimony. The
20 question for me would be surely at the start of meeting you set out the
purpose of the meeting, where a meeting as PMC to approve the IO
transaction in which an irrevocable has been signed, the finance has
been authorised and we here to approve that. Was that, you were present
at the meeting. Why would that not have happened given the

consequence to individuals including Victor and in Victor's testimony he says;

"I was very shocked to have been handed a suspension notice, this is very unexpected as I am very small player in the bigger schemes of things the PIC and in respect of the IO transaction".

And yet he was suspended on the basis of not disclosing and of starting the due diligence without being authorised by a PMC 1 to do that, so his
10 suspension has been an outcome of a non-disclosure by yourself and Ms More at that meeting, to say this is where we are at, we have had these reports this is what the situation is, and that is all the more important. If we go back to your paragraph 245, 246 in your testimony where you are dealing with Miss Mathebula and you-you indicate there that;

"When asked I stated to the board that my view was that the matter was a whistle blower allegation and should be treated as such".

We are talking now about the e-mails not about the IO.

20 "However it is worth noting by this commission that Ms Mathebula was very much involved in the approval process of the MSD application etcetera. She knew quite well due process was followed in approving this application, but chose not to disclose to the board that due process was followed. Miss Mathebula's non-disclosure

above and her testimony before this Commission in which she launched a scolding attack to the PIC board in the manner in which the allegations were handled portrait her clearly as one of those who gave credence. She has an alliance with Ms Zulu”..

You, it mattered to you that there was a non-disclosure. I am not questioning this, I am saying to you it mattered to you that there was a material non-disclosure, and yet when it comes to the PMC, you say well I
10 assumed everybody knew and yet that material non-disclosure about decisions that had been taken prior to the meeting has had consequences for a whole range of people including Victor Seanie and the knowledge. Why would as CEO and Ms More as chair and CFO chosen not to disclose, even if it was a point of emphasis or clarity to say let’s bear in mind that we all know that this is an IPO, this is what has been in the state, therefor we are not ratifying not approving.

DR DANIEL MATJILA: Ja.

MS GILL MARCUS: It is just questionable to me why there was non-disclosure, why it would be an assumption when you gathered as a
20 meeting to not put the purpose of the meeting on the table.

DR DANIEL MATJILA: Look I think the keyword there is, when asked so-so- somebody wanted to know in case of Victor, Victor was not asked. I remember he presented the whole investment proposal by himself but that is probably the difference here.

MS GILL MARCUS:: But you were there and I would assume that given the hierarchy, the structure. If you were present I would assume from a Victor perspective that it would be something that you or Miss More who signed the things, who have dealt with it would be the ones to tell. If he was not asked as you are indicating specifically about it, then it is silence on your own terms, material non-disclosure.

DR DANIEL MATJILA: Yes.

MS GILL MARCUS:: Right so there is material non-disclosure because he was not asked but he did not say, but neither were you asked, or Miss
10 More asked and therefor there is material non-disclosure on your part. If that is the argument. You are there for that purpose, what I am lost in ...[intervenes].

DR DANIEL MATJILA: I am ...[intervenes].

MS GILL MARCUS:: That is the purpose of the meeting to do that.

DR DANIEL MATJILA: If you assume that no one knew then it is fine, you can do that.

MS GILL MARCUS:: I am not assuming that. Don't get me wrong ...[intervenes].

DR DANIEL MATJILA: No-no I am saying ...[intervenes].

20 **MS GILL MARCUS**:: I am saying ...[intervenes].

DR DANIEL MATJILA: I am saying that if someone assume that no-one knew it is different from, if you assume that everyone knows, because Victor has sent out irrevocable agreements, e-mails and so-on that any irrevocable has to be signed. I had already on the 14th to the relevant people ...[intervenes].

MS GILL MARCUS:: But that is precisely the question. Miss More says she did not open her e-mails she was not aware. So the question I am asking is not about whether somebody knew or the assumption that you knew, when you are having a meeting of that nature is it, why would it not have been on the table is my question. Why would you assume everybody knows why we are here, let's just sign off. We don't have to have a meeting or a discussion. Because that is the implication of it. And both of you know, so just for points of clarity we are here to do the following. Everybody knows where you stand and what the purpose is,
10 because if you are approving a resolution unanimously, as you say in 457;

“Unanimously approved the investment in IO”.

Was it taken with full knowledge stated in the-in the presentation to everybody present. We are approving this, this has been done, this has been done, because what it seems to me is that there was not disclosure about the two critical factors that would make this unanimous approval without a doubt, with full knowledge of what the steps were. There is an assumption that everybody knew. It is not clear to me as a person reading the statement that there is a unanimous agreement on approving it with full knowledge. You in a meeting may well have had that full
20 knowledge ...[intervenes].

DR DANIEL MATJILA: But so was ...[intervenes].

MS GILL MARCUS:: Surely was it not on the table.

DR DANIEL MATJILA: But so was a lot of people that were sitting in that meeting because they have been sent e-mails that a irrevocable have

been signed. And this is by the 20th, and the basis of that meeting on that day is to discuss APNC to give effect to the disbursement.

MS GILL MARCUS:: But the disbursement is already signed.

DR DANIEL MATJILA: It has been regularised in that meeting. That is the 20th.

MS GILL MARCUS:: I understand that.

DR DANIEL MATJILA: The money is not flowing. It is in that meeting that the disbursement is being, and I was comfortable because I have said in the next meeting we will deal with the matter. The next PMC will
10 ratify. So fortunately I was in that vicinity when Miss More decided let's have a meeting, let's have a special meeting immediately. So this meeting was called at short notice. As well that day. I remember.

MS GILL MARCUS:: I do not think ...[intervenes].

ADV SECHABA MOHAPI: If I may be of assistance. Doctor Matjila the question of ratification is in fact dedicated on full disclosure on your part as the person who decided to sign the irrevocable subscription and the person who decided to get ratification. As a matter of principle you bore the fiduciary duty to disclose. Would you like me to repeat that?

DR DANIEL MATJILA: Yes please.

20 **ADV SECHABA MOHAPI**: You bore a duty to disclose at those meetings that the irrevocable subscription had been signed and so it cannot be a matter that is left to assumption. You bore the fiduciary duty to disclose, because ratification by implication means seeking an endorsement of something you've done retrospectively but giving full disclosure?

CHAIRPERSON: By placing the full facts before the meeting?

ADV SECHABA MOHAPI: That is correct Mr Commissioner in fact I've got an extract from Wille's Principles of Law, it says if B, in this case yourself Dr Matjila, without express or implied authority enters into a transaction on A's behalf, PIC/PMC, A PMC may at a full disclosure of all the facts ratify the transaction. The ratification may express or implied. The effect of a valid ratification is to cloak the agents or unauthorised act with authority retrospectively establishing the relationship of the principal and agent after the fact that with retrospective effect with the usual consequences of urgency. You bore
10 the responsibility, you bore the fiduciary duty to disclose, it's not a matter of assumption.

DR DANIEL MATJILA: So is everyone else in that meeting.

ADV SECHABA MOHAPI: No it's the CEO whose decision it was to sign the irrevocable subscription and seek subsequent ratification. The people in that committee knew that the disbursement is being processed that's why we had the meeting and my understanding is that even the irrevocable subscription form was attached. Victor says that the e-mails were sent with attachment of a copy of an irrevocable subscription that was signed and I was at pains to explain that this is
20 an IPO it's got set timetable and so everyone should know that we are dealing with an IPO with set timetable and it was not the first time that we're doing an IPO at the PIC.

MR EMMANUEL LEDIGA: Just another ... (intervention)

CHAIRPERSON: Would you say on those facts that Victor should never been suspended, Mr Seanie should never have been suspended?

DR DANIEL MATJILA: I totally disagree with what has happened especially if it's on the basis of standard operating procedures which I believe are the CEO's responsibility. When those deviations happen with the CEO's consent I don't see why it becomes a problem really. These standard operating procedures are designed by the CEO to make sure that there is process you know also helping in things like business continuity, a new member coming in will know that this thing, this is how things work. But these processes are not cast in stone. There will be deviations from time to time depending on circumstances and the
10 CEO has full authority for that. This is not a policy it's a process document that we're talking about, a process and you can even see that it's signed off by Mr Madavo, I just checked that it's good enough to comply with certain aspects of how we operate, it doesn't even go to the Board for approval because it's within the powers of the CEO to make sure that it's there and he has authority to override as and when it's necessary. So I disagree with the fact that Victor Seanie and others were suspended on the basis of not complying with certain aspect of the standard operating procedures under the supervision of the CEO for that matter.

20 **MR EMMANUEL LEDIGA:** Yes just tell me a question here, who actually signed the payment memo, the disbursement memo and when was that signed because in that memo it says there that we shall ratify this transactions on the 20th so one would probably assume that anybody who saw that memo would say, would know that but maybe those who didn't see the memo it could be a different story?

DR DANIEL MATJILA: It was signed by Finance, Legal, myself and Risk, all the key departments that are involved in the transaction including the investment team, of course it was initiated by Mr Seanie if my memory serves me well, but it will go through the key ... (intervention)

MR EMMANUEL LEDIGA: Yes we do have it, we need to just check who actually signed that because it does say this ratification but we just have to, and can we assume that they would know that, can we safely assume that that is another big question, can we assume or you
10 should have said it again in that particular meeting?

DR DANIEL MATJILA: Well I assume that because the memo is clear, once you talk about disbursement the first thing you think about what are we disbursing for, money has been spent and it's an IPO it's clear that throughout the correspondence from the 6th to the 13th, 14th everyone is informed that this listing is going to happen and these are the timetable and key dates for that including the pay away which is the disbursement after signing an irrevocable so ... (intervention)

MR EMMANUEL LEDIGA: Yes because it's a bit of a conundrum in the sense that people signed that, can we assume that they knew it was a
20 ratification meeting or not, you know I mean given that they have signed the disbursement memo?

DR DANIEL MATJILA: That's absolutely what I understood.

CHAIRPERSON: But of course there was no ratification at that meeting, the ratification came afterwards isn't it?

DR DANIEL MATJILA: That's correct Commissioner.

CHAIRPERSON: Yes now which means that everybody there thought that this meeting was for an approval but in any event was everybody or did everybody who was at that meeting at that approval ratification meeting sign that disbursement memo?

DR DANIEL MATJILA: Commissioner we'll have to check but the key departments because sometimes people are on leave and they you know then they'll delegate to someone else to represent them you know especially during that time of the year there's a lot of movement so the offices becomes very important here, we can talk about offices and we
10 expect the handover of some sort to happen when somebody takes over as acting on critical things that they need to be aware of.

CHAIRPERSON: No all I want to be sure of is whether everybody at that meeting knew about the signing of the subscription shares certificate so that one can say well everybody at that meeting did know and so ought to have known that this is ratification meeting.

DR DANIEL MATJILA: Ja Commissioner ...

CHAIRPERSON: Can this be a convenient time to take the tea adjournment?

ADV ALEXANDER ROELOFSE: Thank you Mr Commissioner.

20 **CHAIRPERSON:** Until 12.

INQUIRY ADJOURNS

INQUIRY RESUMES

CHAIRPERSON: Dr Matjila you're still under oath.

DR DANIEL MATJILA: Yes Commissioner.

MS GILL MARCUS: Perhaps Dr Matjila before you start if, given that

we're here talking about whether everybody in the room knew what was required or that this was a meeting to ratify a signing that they knew that the irrevocable had been signed and that the disbursement had been signed as well, I want to refer you to Ms More's statement which you, and I will read the relevant paragraphs as you may not have it in front of you but I'm assuming you have been familiar with it. In paragraph 6.12 she says, the heading in her statement is "Rubber Stamping" of the Irrevocable Undertaking and 6.12.1:

10 "6.12.1 There were allegations that the purpose of the 20 December 2017 meeting was to rubberstamp the transaction as the irrevocable undertaking had already been concluded on 14 December 2017. This is factually incorrect and is not borne out by the facts presented before this Commission.

6.12.2 Neither the Disbursement Memo, the attachments included in the e-mails of 15 December 2017 from the office of the company secretary nor any of the reports that served before the PMC of 20 December 2017 disclosed that the irrevocable undertaking had already been concluded. Furthermore, of those in attendance at the meeting who were
20 aware of the existence of the irrevocable undertaking, did not disclose that it had been signed. I refer to the minutes as well as the recordings of the meeting.

6.12.3 The non-disclosure of the irrevocable undertaking is further confirmed by the submission made by the deal team to the May 2018 meeting of the PMC requesting that the PMC

notes and ratifies the participation in the Ayo private placement due to the fact that, at the meeting of 20 December 2017, the PMC was not notified that on the 14 December 2017 an irrevocable undertaking was signed.”

She was the chair of that particular meeting and this was her statement which is different from what you are saying that everybody in the meeting knew about the irrevocable. How would you interpret her statement?

DR DANIEL MATJILA: Well it’s her statement I think I’ve put together
10 my facts across Commissioner and we are going to look at the disbursement memo and who was present there, she was there. If you look at the disbursement, the people who signed the disbursement memo for example it’s Mr Seanie, Ms Gaanewe Adams she’s aware, Mr Smit who was representing Mr Madavo who’s head of trading, Ms Setshedi, Mr Mavuka who’s also GM of finance, Ms More herself and myself. This is the disbursement memo so they knew, she knew that the deal has been done because as I said disbursement means that we are paying, that is my understanding and it’s an IPO and IPO has timelines and the key reason why she called that meeting, that PMC
20 was to regularise this payment actually.

MS GILL MARCUS: So the question that then arises who’s there from Risk, from the list that you were talking about there?

DR DANIEL MATJILA: From Risk, this is a disbursement memo so Risk wouldn’t be part of this.

MS GILL MARCUS: Okay so ... (intervention)

DR DANIEL MATJILA: They are not copied, it's only Legal because Legal has to sign off on any conditions precedents or whatever.

MS GILL MARCUS: Well there were no conditions precedent as we know.

DR DANIEL MATJILA: Exactly.

MS GILL MARCUS: Was there anyone else in the PMC meeting apart from those who signed the disbursement memo, were any of those, were all of those people in the meeting or who was in the PMC 20th meeting ... (intervention)

10 **DR DANIEL MATJILA:** In the 20th meeting?

MS GILL MARCUS: Who was present at the meeting of the 20th?

DR DANIEL MATJILA: Ms More.

MS GILL MARCUS: Well Ms More was chairing.

DR DANIEL MATJILA: Ms More was chairing. Myself, Mr Smit, Ms Setshedi, Ms Adams, Mr Seanie of course, Mr Taukobong, Mr Ndadza he's the one who was supervising the signing off of a risk report.

MS GILL MARCUS: But he wasn't there, he wasn't on the disbursement list, Mr Ndadza was not part of the disbursement list.

20 **DR DANIEL MATJILA:** Ja so those will be the people who would have been in the meeting of the 19th as well as the Portfolio Management Committee Meeting.

MS GILL MARCUS: So the only person there who was not part of the disbursement was Mr Ndadza?

DR DANIEL MATJILA: Would be Mr Ndadza.

MS GILL MARCUS: And?

DR DANIEL MATJILA: And Mr Nalla representing research. Ms Moloï would be representing GM Externally Managed Funds.

MS GILL MARCUS: So those three people would, why would you have assumed they would know the irrevocable is signed?

DR DANIEL MATJILA: Because I would expect that there's a handover when they are given the authority ... (intervention)

MS GILL MARCUS: So it's an assumption on your part?

DR DANIEL MATJILA: Yes and it has to be done that way otherwise they don't have to be in meetings and they receive, they also receive
10 all documentation about the meeting.

MS GILL MARCUS: But Ms More says in her statement that none of these, in those documents that came to the meeting?

DR DANIEL MATJILA: She was chairing the meeting she should have told the meeting that there's an irrevocable signed.

MS GILL MARCUS: I'm not disagreeing, I'm saying both of you were in the meeting and that's the whole point is you were asking for an approval of something and not a ratification of something that clearly was the elephant in the room that nobody was asked about or told about. I mean that's the whole point of this discussion is to say why
20 was there, a very simple question of all of this would have been colleagues we are here to have, this is what's been happening this is the status and we're signing off, we need to ratify this. Instead it's an approval and when you come to the actual PMC to ratify that's five months later. So clearly there's a lot of misunderstanding about who knew what when over this matter of Ayo which was a very significant

investment, I think that's what we're trying to understand is in a meeting of that nature which has had consequences of people being suspended *etcetera*, there was a simple question of people in the room knowing and putting that on the table.

DR DANIEL MATJILA: I think we were at length explaining IPO's and the timelines and that people should have known, I expect everyone to know because it was not the first time that we deal with IPO's quite frankly so I find it very difficult to accept that people didn't know.

MR EMMANUEL LEDIGA: Ja just another quick one ... (intervention)

10 **DR DANIEL MATJILA:** Even the investment committee accepted our explanation actually and instructed us to go and fix the ratification, that approval into ratification.

MR EMMANUEL LEDIGA: Ja just another point is that it looks like the minutes of the meeting of the 20th still spoke about approval and they still were signed based on approval you know so I mean didn't people correct the minutes then or ... (intervention)

DR DANIEL MATJILA: I don't know when the minutes were done and I think those were signed by the chairman I guess because she's the one who's supposed to make sure that the minutes captured the discussion
20 of the day you know so I think the 10th May as well it's clear what, I'm not sure if we have the 10th May Portfolio Management Committee so it says that PIC Internal Audit highlighted the semantic mistake made in requesting approval from PMC to participate in Ayo private share placement. The intention was in fact to request notification and ratification of the transaction from PMC. So the minutes should have

captured that too you know.

MR EMMANUEL LEDIGA: So are you saying the PMC then said it was a semantic it was not a ratification of that meeting, it was more a correction of the wording and ... (intervention)

DR DANIEL MATJILA: It was a correction of the wording.

MR EMMANUEL LEDIGA: Ja the so-called sort of ratification meeting was a correction it wasn't a meeting to ratify that transaction it was more of a wording correction is that what I'm hearing?

DR DANIEL MATJILA: Yes because we are correcting the wording that
10 was supposed to have been ratification as opposed to approval.

CHAIRPERSON: But that takes nothing away from the fact that you, at least Mr Seanie, I'm not sure about the person who chaired knew at the very time that the meeting started that this is supposed to be a ratification meeting, a place where that should have been corrected there and then by people who knew that all we want is ratification?

DR DANIEL MATJILA: That's correct Commissioner, that's correct. I think it's very important also to read out the minutes of the IC meeting of the 8th as well. On 6.2.4 it says:

20 "Approval and ratification of the PIC's participation in the private placement were obtained at a special portfolio committee unlisted meeting of the 20th after of which the funds were disbursed on the 22nd. Approval of the transaction was obtained in line with the delegated authority."

The IC was happy with that, actually I was very surprised that IC accepts and then later on in December a new investigation is launched

which reminded me of MST, it looked exactly like MST. MST we went through the Board of the 15th and explained ourselves and I was exonerated, the Board agreed with my explanations and then later on the Board's decision was undermined by someone else who decided that they erred and therefore this must be done again and PIC went on to spend millions and millions on a new investigation on the same thing that in the end corroborated the decision of the Board. Here again we see the Investment Committee agreeing as the body that was tasked by the Board to investigate the Ayo matter after the media reports and it

10 accept that and then later on after having approved and instructed us as PMC that management to rectify the problem then this matter is raised again. So it's almost similar that it's a body that has authority to approve the actions of management is then undermined with another process on top of that, I thought I should just make that statement.

CHAIRPERSON: I just want to remind Dr Matjila that it's not that anybody is after you in this Commission but one of the tasks that we have been given is to investigate whether the PIC's processes were followed and followed correctly that's what we are trying to get to. I don't expect an answer.

20 **MS GILL MARCUS:** Just, sorry Chief did you want to say something? Just again to go back to Ms More, because there is an important difference between ratification and approval, I think we all understand that they are not the same thing even although you initially were using them interchangeably they are not the same thing and just to come back she says as a point of emphasis in 6.11.2:

“I pause to highlight that the irrevocable undertaking was not one of the documents that served before the PMC meeting of 20 December 2017.”

By saying this, by implication, although she has signed off on the disbursement, she is indicating that the irrevocable was not on the table and by implication did not know about it but she then says:

“After deliberations of the outcomes of the due diligence and the Ayo Transaction itself, the committee resolved to approve the transaction subject to certain conditions ...”

10 And the conditions are the conditions post as we know and that took time to put in place. So clearly between the two key players, the CEO and the CFO over this deal there was some lack of communication or misunderstanding about what was actually the purpose of that meeting because again the committee resolved to approve the transaction.

DR DANIEL MATJILA: I think Commissioner if you understand that this meeting was triggered by the fact that a disbursement memo was being signed ... (intervention)

MS GILL MARCUS: I understand that yes.

20 **DR DANIEL MATJILA**: And she called a meeting and then she chaired the meeting you know so Seanie had already sent out information around the fact that a deal has been done, he prepared this disbursement memo because the deal has been done and the CFO when he had to sign she said well let me call a meeting to fix and ratify as we were supposed to do so that it can give effect to the disbursement. So for me I don't understand why she wouldn't have

known that the transaction is being done and I keep saying there's disbursement, disbursement it's about now you are paying funds for something that you have acquired.

MS GILL MARCUS: All I'm indicating is that clearly between the two of you there was some misunderstanding about what was happening because she said all she was doing was indicating that funds were available, that's what I recall her saying in our meeting and then of course you did have to do a letter to the JSE which also had to be done indicating that you would liquidate certain assets to enable the payment
10 to be made in two tranches. So clearly there was a lot of interaction between both of you over the matter and the question of approval ratification is one aspect but what we're asking for the purpose as pointed out by the Judge is the processes in the PMC meeting where not all the people there were part of the disbursement memo, did they know what they were there for, did they know that there had been an irrevocable signed and that's what we're asking you as the senior person in the room to say, you know to me what I just don't understand when you start a meeting as a chair and the CEO in the room what the purpose of the meeting is, surely that would have been absolutely clear
20 we're here to, this has happened, this has happened and this is what we are going to ratify or approve or whatever it was, that's where the disjuncture or the discordance lies between the testimonies given by others and yourself as to what the purpose of that meeting was in terms of the processes of the PIC being followed. I mean you've got a view and you've presented to the Commission and you know that's part of

our consideration in due course about what is before us. You can't correct Ms More and she can't correct you, you've got your own testimonies about that, and thank you very much because that is, all we're pointing out is the discrepancy between what she stated and what you have said.

MR EMMANUEL LEDIGA: Just a question here, can I please get that annexure on that semantic error which you sort of refer to, what date is that?

ADV ALEXANDER ROELOFSE: It's the 10th May 2018.

10 **MR EMMANUEL LEDIGA:** 10th May.

ADV ALEXANDER ROELOFSE: So it's a memo by the PMC.

MR EMMANUEL LEDIGA: Okay.

MS GILL MARCUS: But just for the record it's not semantic between ratification and approval, they're vastly different, it's not semantic issue.

ADV ALEXANDER ROELOFSE: It's described as a semantic ... (intervention)

MS GILL MARCUS: No I understand that's the minute but what I'm saying is that there's not a question of semantics in this.

20 **DR DANIEL MATJILA:** Okay Commissioner.

ADV ALEXANDER ROELOFSE: No the two are fundamentally different.

MR EMMANUEL LEDIGA: And then the second question is do you typically attach the subscription form to the disbursement documents because I mean if you have to pay something at least there must be some supporting documentation?

DR DANIEL MATJILA: My understanding is that that was attached, it has to be attached to show that there is ... (intervention)

MR EMMANUEL LEDIGA: Was it attached?

DR DANIEL MATJILA: A deal has been done, that's my understanding. I didn't see the full pack but that's my understanding.

MR EMMANUEL LEDIGA: We need to just double-check that because if it was attached then people would know that there is a subscription form and it has been signed.

DR DANIEL MATJILA: Ja but also we also have to check other
10 transactions because it's not necessarily standard practice within the PIC that you would attach the whole documentation because we rely on the team to do all the work and advise us on what needs to be done.

MR EMMANUEL LEDIGA: Yes, yes.

DR DANIEL MATJILA: So I would be surprised that a subscription form will be attached, only clear measures to say a deal has been done and payment has to be done on this day but that can be checked.

MR EMMANUEL LEDIGA: We can check that ja and especially for finance maybe for the others but probably for finance they might say we cannot have this payment memo without the supporting documentation
20 like the subscription form, at least for the finance department, would you agree with that?

DR DANIEL MATJILA: Repeat your question again?

MR EMMANUEL LEDIGA: That the subscription form you know should, could be attached when it goes to the finance division you know because they would need some supporting documents?

DR DANIEL MATJILA: Ja I would expect that to ... (intervention)

MR EMMANUEL LEDIGA: So we just have to double-check that to see whether finance at least saw that subscription form Adv Mohapi if we can check that.

DR DANIEL MATJILA: But they must also check others I mean like Cipla, I know Cipla was similar there was a ratification you know post and the disbursement memo I don't believe it would have included other things, it's only a message to say that the PMC has approved and therefore disbursement has to be done. Sometimes they would send a
10 resolution of the PMC as part of that but when the PMC has not been done it has to be handled differently.

MR EMMANUEL LEDIGA: Alright that's fine, that's fine.

CHAIRPERSON: Mr Mohapi back with you.

ADV SECHABA MOHAPI: Thank you Mr Commissioner. Mr Commissioner I intend to move onto another topic, that of the delegation of authority. Dr Matjila if you can please have a look at the delegation of authority for listed investments, I believe that's DD14.1.

MS GILL MARCUS: Sorry was that 13.1 or 14.1?

ADV SECHABA MOHAPI: 14.1

20 **MR EMMANUEL LEDIGA:** Carry on.

ADV SECHABA MOHAPI: Thank you Mr Commissioner. Now Dr Matjila, we on the last occasion spoke at length about your authority under the delegation of authority to approve deals and you mentioned that you enjoy authority under 8.1.2 can we please turn to that? And you said that

you enjoy authority under that provision to approve this particular transaction, correct?

DR DANIEL MATJILA: Commissioner, I don't think if I had applied 8.1.2 we would be having a problem discussing AYO transaction. And I explained that I didn't use this so I prefer the other one because it's much more inclusive.

ADV SECHABA MOHAPI: Ja. Now I want to demonstrate to you what I said on the last occasion that in law context is everything. If you look ... (intervenes)

10 **CHAIRPERSON:** Can we just quickly get clarity on you say the other one, which one is that?

DR DANIEL MATJILA: 5. Section 5 5.1, 5.2

ADV SECHABA MOHAPI: Okay so ... (intervenes)

DR DANIEL MATJILA: Ja.

ADV SECHABA MOHAPI: We'll get to 5.1, 5.2 but just to deal with 8.1.2. 8.1.2 is under portfolio trading and strategic stock is it not?

DR DANIEL MATJILA: Yes.

ADV SECHABA MOHAPI: And that is a subheading under Listed Equity Domestic Markets, correct?

20 **DR DANIEL MATJILA:** That's correct, yeah.

ADV SECHABA MOHAPI: That is not private placements or IPO's is it?

DR DANIEL MATJILA: It includes IPO's because it's strategic. We said we are taking a 29% position in AYO because it's strategic.

ADV SECHABA MOHAPI: Okay, well get to that. Then also you speak about 5.1 and 5.2 that deals with derivatives and Risk Management

Equities, derivative overlays including currency rebalancing, technical allocation overlays, correct?

DR DANIEL MATJILA: Sorry, I've quoted the wrong one. Section 6 its section 6 apologies Commissioner. Yes, section 6.2

ADV SECHABA MOHAPI: Section 6.2 also deals with Africa non domestic strategic investments including sign off of legal agreements, not so?

DR DANIEL MATJILA: Sorry?

ADV SECHABA MOHAPI: The heading under which 6.- you mentioned 6.1, 6.2 ... (intervenes)

10 **DR DANIEL MATJILA:** Section 6, yes.

ADV SECHABA MOHAPI: Yes, that deals with Africa Non Domestic and Strategic investments, that's not what we are dealing with here is it?

DR DANIEL MATJILA: Let's not deliberately ignore section 6 that says Africa Non Domestic Strategic investments and then A says South Africa in Africa.

ADV SECHABA MOHAPI: But is there a provision in delegation of authority Dr Matjila that speaks directly to private placements?

DR DANIEL MATJILA: No because they are part of Listed investments.

20 **ADV SECHABA MOHAPI:** Can you turn to section 12 please? Now section 12 reads, fixed income and dealing – private placements. Not so?

DR DANIEL MATJILA: It's fixed income private placements, not equities. These are private placement in fixed income.

ADV SECHABA MOHAPI: And then if we look at 12.2 if we look at 12.2 it speaks about you having the authority but with PMC approval under that ... (intervenes)

DR DANIEL MATJILA: No but 12.2 is irrelevant, we are dealing with equities here.

ADV SECHAB MOHAPI: But this is the only provision here that deals with private placements, how do you reconcile this with domestic markets and Africa non domestic dealings? I mean we're talking about markets portfolio trading and strategic stock.

DR DANIEL MATJILA: Commissioner, this portion of the delegation of authority deals with fixed income. Section 6 deals with equities including section 8.

10 **ADV SECHABA MOHAPI:** Ja ... (intervenes)

ADV ALEXANDER ROELOFSE: Mr Commissioner, I'm sorry to interrupt my learned friend here but is it really being suggested that the PIC that there was no authority on behalf of the PIC to enter into an IPO?

CHAIRPERSON: I think it would be better to point at something and say there is the authority.

DR DANIEL MATJILA: We said the authority is under Listed investment. There is section 8 dealing with strategic investments and section 6 covering Africa, South Africa and many others in the equity specs. Those are the two sections that are dealing with direct equity. That will include
20 IPO it is assumed.

ADV SECHABA MOHAPI: What I find strange Dr Matjila is that you've got the term private placements under 12 and which there shows that you don't enjoy the authority you say you have and there we're dealing with trading and stock and an IPO is a vastly different concept isn't it?

Because here we have a new entrant to the Listed space versus trading in already Listed companies, is that not so?

DR DANIEL MATJILA: Well, I really don't understand the issue here because I don't want to mix section 12 with equities because it's for fixed income. I think we need to agree that we are going to disagree on this one. Equities provision is in section 6 as well as section 8.

ADV SECHABA MOHAPI: Listed companies trading in stock versus IPO's, those are two vastly different things are they not?

DR DANIEL MATJILA: I don't understand the nature of the question and
10 what it's intended to uncover.

MR EMMANUEL LEDIGA: Sort of isn't it that in fixed income private placements are regular?

DR DANIEL MATJILA: It's very, almost every week you would have that.

MR EMMANUEL LEDIGA: Yes that they place stock all the time and all that. So it's a vastly different to an IPO on the equity section, I'm just trying to see. In fixed income a private placement is a vastly different thing to the one in the IPO's in the equity section as far as one understands.

ADV SECHABA MOHAPI: I accept that Mr Commissioner.

20 **MR EMMANUEL LEDIGA:** Yes.

ADV SECHABA MOHAPI: Then another point Dr Matjila that I find interesting is and this is on the premise of acting within the strict confines of the delegation of authority. Under section 17 dealing here with nomination of board or investee companies it's got an interesting

provision there which enables you do that which you've done under AYO but you didn't.

I mean that which you've done but which you couldn't under that delegation of authority and that is under that provision on nomination of board of investee companies it says;

Appointment of PIC employees and or external persons to sit on boards of investee companies. *In urgent instances the CEO to approve subject to DAC ratification.*

And DAC as we know is the Directors Affairs Committee. One would
10 expect if there's a provision such as this in the delegation of authority you would have a similar one where the board has anticipated and wanted to give you that authority to sign an irrevocable subscription and then get ratification subsequently, not so?

DR DANIEL MATJILA: I think Commissioner, probably this are some of the ideas that can be thrown back to the PIC board to enhance the delegation of authority if there are areas where it's not clear. Maybe one of the take a ways from this Commission is to fix certain aspects of it that are not clear.

ADV SECHABA MOHAPI: Ja but it's no simple or no little matter for a
20 CEO of a 2 trillion asset managing company to do things outside the delegation of authority and to interpret it loosely and fastly, is it?

DR DANIEL MATJILA: I don't think I've done so. I don't agree with what the evidence leader is saying. I think it's not appropriate, I don't feel happy or comfortable with what he's claiming here. I think I've acted

within the delegate of authority as far as possible. I've applied it as it's supposed to be applied.

MR EMMANUEL LEDIGA: Alright, just to ask differently then I mean and I'm sure he's probably looking that too. Did the DOA's prohibit you from taking the action that you took on the AYO transaction?

DR DANIEL MATJILA: No, I don't believe there is nowhere where it prohibits me to do that.

MR EMMANUEL LEDIGA: Yeah because it can be fixed but in future but it didn't in any way prohibit you from undertaking the actions.

10 **DR DANIEL MATJILA:** No, I think the fact that even IC did agree or instruct management to go and fix whatever problem there is and most importantly said what we did is within delegated authority of management of which the CEO I believe is in charge of according to delegation of authority that he's responsible for day to day running of the institution including third-party funds.

MR EMMANUEL LEDIGA: Ja.

DR DANIEL MATJILA: This was just part of that role that he plays as management of the third-party funds.

20 **MR EMMANUEL LEDIGA:** Ja. So you are saying- are you saying that it could be a gray area there?

DR DANIEL MATJILA: there may be grey areas I mean otherwise I guess I wouldn't be here debating this.

MR EMMANUEL LEDIGA: If it was clear enough.

DR DANIEL MATJILA: No. If it was clear enough. So the fact that we are here is because there is a gap missing that needs to be fixed but I believe that I acted within my delegated authority as I'm supposed to.

MR EMMANUEL LEDIGA: Continue Advocate Mohapi.

ADV SECHABA MOHAPI: Mr Commissioner, I intend to move on to a different topic.

MR EMMANUEL LEDIGA: Just a question. Just in terms of the DOA's are they policy are they, you mentioned like systems and processes in terms of the SOB's, Standard Operating Procedures. But in terms of the
10 DOA's, what are they? Are they policy that you cannot sort of contravene and all?

DR DANIEL MATJILA: Absolutely ... (intervenes)

MR EMMANUEL LEDIGA: You deviate from and all that? Ja.

DR DANIEL MATJILA: Yes. The delegation of authority will be a policy of the board, it is owned by the board. It's the one that gives authority, delegate authority to certain functions so that the organisation can run. So it's a very important policy document for an organisation.

MR EMMANUEL LEDIGA: And hence you're saying the action you took was sanctioned by 6.what is that the Africa ... (intervenes)

20 **DR DANIEL MATJILA:** 6.2

MR EMMANUEL LEDIGA: Sort of are you happy that that section actually is clear enough to say you could have taken that action?

DR DANIEL MATJILA: I think it's clear. It is clear.

MR EMMANUEL LEDIGA: Because it says strategic investments.

DR DANIEL MATJILA: Absolutely, it talks about strategic investments.

MR EMMANUEL LEDIGA: Ja but on the AYO transaction, would you say it was a strategic investment or it was just an IPO that you sort of had to participate in?

DR DANIEL MATJILA: I think we if you remember we even showed where it's located in the bigger portfolio structure. It falls under ICT services.

MR EMMANUEL LEDIGA: Yes.

DR DANIEL MATJILA: People talk about fourth industrial revolution and so on so ICT is one of those sectors that are expected to drive economic growth.

10 **MR EMMANUEL LEDIGA:** Mm-hmm.

DR DANIEL MATJILA: And as part of a developmental investment it sits there.

MR EMMANUEL LEDIGA: Yes ja.

DR DANIEL MATJILA: And the strategic position is the size that gives us leverage to influence strategic direction and certain major decisions that the company can take.

MR EMMANUEL LEDIGA: Yes.

DR DANIEL MATJILA: Ja.

20 **MR EMMANUEL LEDIGA:** Ja. But then 6.1 says strategic investments listed amount greater than 10 billion rand. I mean AYO was 4.3 billion rand.

DR DANIEL MATJILA: Ja, so ... (intervenes)

MR EMMANUEL LEDIGA: That's point one.

DR DANIEL MATJILA: That will be for, 6.2 will be for PMC as you will see and 6.1 will be for IC.

MR EMMANUEL LEDIGA: Oh I see okay so it's ... (intervenes)

DR DANIEL MATJILA: Ja, it's a different limits for ... (intervenes)

MR EMMANUEL LEDIGA: Between 3 billion and 10 billion for ...
(intervenes)

DR DANIEL MATJILA: Absolutely.

MR EMMANUEL LEDIGA: For the current amount. And you say 6.1
would be for what?

DR DANIEL MATJILA: 6.1 if I go ... (intervenes)

MR EMMANUEL LEDIGA: For the PMC, oh ja okay alright.

10 **DR DANIEL MATJILA:** So 6.1 ... (intervenes)

MR EMMANUEL LEDIGA: For the IC.

DR DANIEL MATJILA: For IC.

MR EMMANUEL LEDIGA: For the IC ja.

DR DANIEL MATJILA: And then 6.2 will be for PMC and then the next
one will be for the CEO.

MR EMMANUEL LEDIGA: Okay alright. Okay and you say this section
then did empower you to do that.

DR DANIEL MATJILA: Yes.

MR EMMANUEL LEDIGA: 6.2 not ... (intervenes)

20 **DR DANIEL MATJILA:** 6.2

MR EMMANUEL LEDIGA: 6.1?

DR DANIEL MATJILA: Ja 6.2 Commissioner.

MR EMMANUEL LEDIGA: Okay alright.

DR DANIEL MATJILA: That's why the issue of ratification kicks in.

MR EMMANUEL LEDIGA: Ja.

DR DANIEL MATJILA: Because it's PMC authority.

MR EMMANUEL LEDIGA: Ja and then it says, 6.2 says B and then the CEO must agree beforehand.

DR DANIEL MATJILA: Yes.

MR EMMANUEL LEDIGA: Ja the CEO.

MS GILL MARCUS: And the CFO.

MR EMMANUEL LEDIGA: And the CFO so meaning that ja the CFO didn't agree to this day?

DR DANIEL MATJILA: Sorry?

10 **MR EMMANUEL LEDIGA:** The CFO didn't agree to this transaction because she didn't know where the subscription form was.

DR DANIEL MATJILA: But the PMC approved which she chaired on the 20th.

CHAIRPERSON: So are you relying on the PMC on the 20th to say that it approved your signature of the subscription chair certificate?

DR DANIEL MATJILA: Commissioner, I think we need to understand the process. It's not normal that I'll go to each one of them- by the way if I were to do it this way, if we were to follow this. Then it means I don't need the PMC actually, all I need to go to certain people to say do you
20 agree this do you agree with that do you agree and so on.

But that's not practical, the agreement for example the initiators will be the guys who are preparing, I mean the team that's preparing the actual submissions whether it's to be the Listed team, Investment team professional, team of professionals the ESG and so on. They are putting together as part of the initiation and present that to the PMC where we sit

and decide on their recommendation. And that agreement comes out of a meeting or through a round robin resolution if we can't meet.

So the only instance here of the AYO in particular was that we couldn't meet to do that but all documentation has been sent. So ratification was sort on the basis that the key departments would have done their work and recommends the transaction and then certification at the first meeting that we could get.

CHAIRPERSON: I think I need to understand this properly. So in what circumstances can you without the PMC two- unfortunately I've got to refer to these one and two's. In what circumstances can you approve by yourself of course with the consent of the CFO and the matter it is not necessary for it to go to PMC?

DR DANIEL MATJILA: If we were to apply this strictly it will probably go be section 8 more or less or 6.3 if you will where there's a lesser amount, I just have to consult with her. So it's really the issue of size that then requires PMC approval, if it's without- if it's 3 billion, then I can do it directly but I don't remember doing a transaction in that way. We've all attempted to do the full process of PMC.

CHAIRPERSON: Yes but you still have to have reports from ...
20 (intervenes)

DR DANIEL MATJILA: Different ... (intervenes)

CHAIRPERSON: Parts of the organisation?

DR DANIEL MATJILA: Absolutely.

CHAIRPERSON: Risk department and etcetera.

DR DANIEL MATJILA: Absolutely. Even if I have full authority to sign off without calling a special PMC, they have to have done all this work, an investment case and recommending that the transaction can be done.

MR EMMANUEL LEDIGA: Just ja, just in terms of 6.3 you can do these transactions without PMC ja. But you need to beforehand I think the CFO and the Executive Head of Listed should agree to it. It says B and B for those ones, its CFO and it's the Head of Risk actually ja those are the two the DOA that you can do these transactions below 3 billion without a PMC. And but you got CFO and sort of Head of Risk to agree in 6.3 ...

10 (intervenes)

DR DANIEL MATJILA: Yes, that's what it says but in practice we've just followed 5.2 in most of the- there's never been a situation where we get a transaction, it gets done by the team and then we don't have a PMC to deal with it the way it should.

MR EMMANUEL LEDIGA: Yes. Oh I see ... (intervenes)

DR DANIEL MATJILA: Ja, so

MR EMMANUEL LEDIGA: So then sort of you do the PMC but this is within structured investments.

DR DANIEL MATJILA: No.

20 **MR EMMANUEL LEDIGA:** The 5.2 that's structured investments.

DR DANIEL MATJILA: I keep referring to the wrong ... (intervenes)

MR EMMANUEL LEDIGA: Ja.

DR DANIEL MATJILA: Apologies. I think ... (intervenes)

MR EMMANUEL LEDIGA: Which one?

DR DANIEL MATJILA: We're dealing with section 6.

MR EMMANUEL LEDIGA: Section 6.

DR DANIEL MATJILA: That will be section 6.3. Apologies Commissioner, but it's the same it's exactly the same.

ADV ALEXANDER ROELOFSE: So it's section 6.2 ... (intervenes)

DR DANIEL MATJILA: .3

ADV ALEXANDER ROELOFSE: Which deals with ... (intervenes)

MR EMMANUEL LEDIGA: Oh this is ... (intervenes)

ADV ALEXANDER ROELOFSE: Strategic investments for amounts greater than 3 billion but less than 10 billion.

10 **MR EMMANUEL LEDIGA:** Yes.

ADV ALEXANDER ROELOFSE: That's what you need PMC approval for.

MR EMMANUEL LEDIGA: Yes.

ADV ALEXANDER ROELOFSE: And section 8.1.2 is purchases or disposals greater than 3% but not exceeding 5%, that's what Dr Matjila could do with the agreement of the CFO beforehand. So it's those two 6.2 and 8.1.2. 6.2 is PMC, 8.1.2 is CEO.

MR EMMANUEL LEDIGA: Yes. But then it means that the process which was followed, the normal process followed, is not catered for in the DOA's then. Am I correct that you consulted, you can't do something without the
20 PMC but if you look here it's not catered for broadly?

DR DANIEL MATJILA: I thought 6.2 does cover that Commissioner.

MR EMMANUEL LEDIGA: 6.2 says that you still need to consult the CFO and the sort of Head of Risk in 6.2

DR DANIEL MATJILA: Yes.

MR EMMANUEL LEDIGA: You don't have to have PM- no, there must be a PMC.

DR DANIEL MATJILA: There must be a PMC.

MR EMMANUEL LEDIGA: In 6.2 but in 6.3 actually something below 3 billion there's no need for a PMC.

DR DANIEL MATJILA: That's correct.

MR EMMANUEL LEDIGA: Ja but that's 4.3 billion rand so meaning that you were on 6.2

DR DANIEL MATJILA: Absolutely.

10 **MR EMMANUEL LEDIGA:** Then meaning that you should then consult with the CFO and there was supposed to be a PMC also.

DR DANIEL MATJILA: Ja. So the PMC couldn't happen, 13th was cancelled because people were not there. 14th round robin couldn't work and then the 20th after signing the irrevocable on the 14th, the 20th disbursement was supposed to take place.

MR EMMANUEL LEDIGA: Mm-hmm.

DR DANIEL MATJILA: Which was the memo of which was signed on the 19th, then a special PMC was called on the 20th.

MR EMMANUEL LEDIGA: Ja.

20 **DR DANIEL MATJILA:** To regularise the signing of the irrevocable.

MR EMMANUEL LEDIGA: Ja. So are you then saying that you still then used 6.2 given that process?

DR DANIEL MATJILA: With variations absolutely, that's what I meant.

MR EMMANUEL LEDIGA: Okay, no I just wanted to be clearer. Advocate ja, you can go.

ADV JANNIE LUBBE SC: Chair before my learned friend moves on to the next topic there's a matter of concern that I must raise with the Commission. And I've asked him, it was not covered before this morning and I'm sorry I'm coming in late.

Dr Matjila and that is the evidence of Ms More that at the meeting of the 20th she says in her statement and she repeated that under oath that there was a condition and she calls it a condition precedent that no funds will flow unless AYO agreed to a put option. And she referred to that put option as a condition precedent. Can you recall that?

10 **DR DANIEL MATJILA:** I recall that statement, I'm not sure in the recording- it's been a while, I remember something to that effect.

ADV JANNIE LUBBE SC: She says under oath in her statement;

I am certain that the Commission will pick up that for example the condition relating to the put option was a condition precedent.

DR DANIEL MATJILA: Ja.

ADV JANNIE LUBBE SC: It was specifically resolved that should AYO

not agree to conclude a put option, the funds would not flow.

My problem is on the evidence and processes followed there was already a irrevocable offer signed by you. There's no room in that scenario to put
20 in another condition precedent, a put option, that's what I'm asking you.

DR DANIEL MATJILA: Commissioner, I think we've explained that IPO's you can't put restrictions unless the PLS is changed for the benefit of everyone else. And we explained that this put option wouldn't be issued by AYO for that matter because of reasons that we've given. And we said this would be an undertaking that we'll negotiate with the promoter of the

investment which is AEEI to see if they cannot provide a put option. That would be negotiated and there was no guarantee that there would be a put option issued within two days before the listing.

ADV JANNIE LUBBE SC: The bottom line is the fund in fact flowed without AEEI agreeing to the put option.

DR DANIEL MATJILA: Eventually absolutely because that meeting that day was about disbursement was about signing off of a disbursement following the signing of the subscription agreement ja.

CHAIRPERSON: Are you happy with the statement or comments that the
10 CFO concerned or agreement was not obtained before you signed the subscription certificate. And in terms of 6.2 she was supposed to have agreed.

DR DANIEL MATJILA: Commissioner, repeat again it's, I can't hear properly.

CHAIRPERSON: Do you agree that the CFO in terms of 6.2 should have agreed for you to sign that subscription form at the time that you signed it?

DR DANIEL MATJILA: No, not necessarily the practice is not that. She
20 agreed in the manners contemplated. All the agreements are done in the PMC environment as I said the different teams gives the committee their recommendation and based on that an agreement is taken in that meeting. So in so far as AYO is concerned, we couldn't get a meeting. That's why we needed ratification in post the signing of the irrevocable undertaking.

MR EMMANUEL LEDIGA: Yes. So just in terms of the option, the put option, sort of if it happens after the listing and the share price goes down before you sign it and all that, what happens because the PIC is exposed to risk then?

DR DANIEL MATJILA: Look I think it's a slight misunderstanding in terms of what is it that we are investing in. Commissioner, as I've explained, this is an investment holding company. The cash is going to be deployed into the future to chase certain opportunities and this cash has got to be applied in a particular way and one of the conditions that
10 we put forward was that anything above 10% of the market cap must be approved by shareholders which means shareholders have control over big ticket items.

Anything above 430 million then will have to be approved by the shareholders but on top of that the 29% gives us leverage which is something that obviously PIC has to take advantage of and improve governance at AYO so that they are closer to how the cash is deployed going forward. So if you look at the balance sheet the money is there, it has to be quickly safeguarded to for its purpose. And that will require an intervention governance intervention from the PIC.

20 **MR EMMANUEL LEDIGA:** Yes. Are you saying that maybe because there was a cash under pin in the holding company that the share prise is not very critical on a short-term basis. Am I hearing that or you are saying something different?

DR DANIEL MATJILA: Ja. If PIC intention as a long-term investor to create a portfolio to invest in a company that's going to create a portfolio

in the ICT sector and there's a pipeline that needs to be executed over time. The job of the PIC is to make sure that that money is channelled in the right way in building the portfolio. It's not misuse for any other purpose other than creating this portfolio of investments which is different from investing in a company, in a mining company, for example, that's going to use it for drilling another shaft, or whatever it is. So that one is gone, it goes into the company directly. This one, it's about creating a portfolio of investment over time.

And if you look at the other specs, I mean, you look at Long
10 for Life, you look at Gaya infrastructure, you name them, most of them trade below their intrinsic value although the cash is still there. I'm not sure whether it's the market being impatient in terms of the rate at which these companies, you know, put together their portfolios, I'm not sure, but the trends, it's almost the same.

But for a long term investor you know that the cash is still sitting there, it will chase the right opportunities to grow the portfolio over time or develop a nice portfolio over time.

MR EMMANUEL LEDIGA: Fair enough but still there's a short term risk that you need to cover, I mean, would you say that, that ideally, I mean,
20 you still have to do this before the listing, the put option.

DR DANIEL MATJILA: I think, I think ...[intervenes]

MR EMMANUEL LEDIGA: It's a good point you're making but I'm just saying, you know?

DR DANIEL MATJILA: Ja, I think the problem here is that if you reference the share price versus intrinsic value and you are a short

term investor, then you'll worry about downside protection.

MR EMMANUEL LEDIGA: Yes.

DR DANIEL MATJILA: But if you know that every time you read the balance sheet of the company or the statements of the company you'll see that the cash is being deployed in the manner that it's supposed to be deployed.

MR EMMANUEL LEDIGA: Ja.

DR DANIEL MATJILA: Then you are comfortable because the share price then doesn't reflect much.

10 **MR EMMANUEL LEDIGA**: Yes.

DR DANIEL MATJILA: In fact, if we had cash we'd buy more cheap shares to bolster your position in the company actually.

MR EMMANUEL LEDIGA: Ja, and finally there, do you know whether the intrinsic value of Ayo currently sort of reflect the share price, reflects the cash in the business?

DR DANIEL MATJILA: I think intrinsic value is closer to R12 per share.

MR EMMANUEL LEDIGA: R12 a share.

20 **DR DANIEL MATJILA**: The last time I checked it was trading at R8 a share. So (inaudible – speaking simultaneously) dislocation.

MR EMMANUEL LEDIGA: Oh, okay. So the price is trading at a discount to the – okay, alright. Okay, thank you.

MS GILL MARCUS: Just on a couple of things there. But in essence what you are saying is that there was no prior agreement as per the DOA in your consultation with Ms More about the investment and

signing the irrevocable, that you were relying on the PMC approval ratification process and this would not be unusual notwithstanding that that DOA requires prior agreement between you, you're saying it's not practical but – and therefore we do it via the PMC, we don't go with what the DOA actually says.

DR DANIEL MATJILA: So the usual practice is that we have PMC if the PMC's approval is a body that's supposed to approve.

So the agreement between myself and Ms More takes place as a collective as opposed as individuals because then there's a bigger
10 risk that if we agree amongst ourselves then we don't need PMC, we can simply do lots of transactions by agreeing.

You know, we say that risk quite earlier on to say this is not practical.

MS GILL MARCUS: But you didn't change the DOA?

DR DANIEL MATJILA: We didn't change the DOA, you know?

MS GILL MARCUS: DOA.

DR DANIEL MATJILA: You know, the DOA, it's 2015, we've for some reason battled to get it straightened up, you know, and, you know, I'm sure ...[intervenes]

20 **MS GILL MARCUS:** Okay, the second question relates to the point you're making about intrinsic value, long term investment, surely then the price you pay still matters, the price that you paid for Ayo at R43 and its intrinsic value today, notwithstanding a long term investment, you could have made - you know, to me, the question – the share price does matter because that's the amount the PIC invested in a

hypothetical – not once, three times. Well, one you didn't invest but it was part of the process, in the same company about what could be if these things happen.

Now that's all very well and good but then you don't pay top price, you don't pay as if it has happened.

What I understand on the Ayo subscription payment was as if this was in place rather than if it will come into place.

I fully understand long term investment, I fully understand what you want to look at saying down the line we could get that kind of
10 return but from where you are now, it's going to be a very long time before you get back to the kind of investment that has been made.

As you say, you could have done it at a much cheaper price.

So the question I'm asking here is are you comfortable that your decision to invest on the information that is available today that you paid appropriately for that future return because it may or may not happen, so far the money's sitting there and you paid R43 a share for something that was a hypothetical, the same as Independent Media R880 million still owed was based – the investment was based on what Independent Media planned to do but has not materialised over the
20 several or so years since the investment.

DR DANIEL MATJILA: I think it's a slightly unfair question because now you're looking in a rear mirror. The question is, if we do angle now on the views that we had at the time, right, and we make 20 billion out of it, at least it shows that we can do things and if you look at our portfolio and see that how well we performed the benchmarks it tells

you that the formula that you are using is working.

It doesn't mean it will work on everything that we invest in, there will be some that we get wrong as long as those that we get right far outplays those that we get wrong. That is how an investment manager or portfolio manager has measured.

It's not on just a single transaction and therefore it means that you are a bad manager, it's all about portfolio diversification and most importantly, we do take risk. We have to take risk.

Some risk will pay off, some will not pay off. As long as those
10 that pay off pay off far better than those that don't pay. That is the principle of portfolio management.

MS GILL MARCUS: I understand that and you have told us repeatedly on that.

DR DANIEL MATJILA: And by the way, it's like how many instruments that you're talking about, in the listed space it's almost 180 or so shares that we deal with.

MS GILL MARCUS: Yes, but this is one investment in a company where you're made four investments with the same company on the same basis of hypothetical, that's why it is a question, Dr Matjila, it's
20 not all the arguments that you're putting forward about risk, we understand that, some things work, some things don't, it is a question of the price paid, the due diligence and the decision-making process around this based on the third entity – or the fourth entity with that company excluding the Sagarmatha makes it three, based on hypothetical outcomes that if this happens that will occur and paying a

price that is questionable given what has actually happened.

It's not with rear view mirror, it's a question of what due diligence was done and as you've indicated, that was done on the basis of the prelisting. You did a due diligence on the prelisting, not on the company.

DR DANIEL MATJILA: Commissioner, I can argue that all the analysis is hypothetical. When you do investment you do projections, you do all kinds of things, you can't get it hundred percent and say well, I'm investing in this one I'll telling you I see an IRR of 25% per
10 annum and you get it, you'll be the best sangoma under the sun if you can do that. Investments, it's about guessing, it's about risk management.

Let me not start another gospel around investing or sermon on investing, I think I've done quite a bit. But I accept some of the comments, Commissioner.

MR EMMANUEL LEDIGA: Yes and I think in many ways too it depends on the level of blue sky that you are putting in that share too, I mean, you know, like investments can go wrong, we know that, but I think to its – it's the blue sky part. If it's huge then it becomes a problem, isn't
20 it?

DR DANIEL MATJILA: No, I agree with you and I guess you may think about what is the escape valve that you can use under the circumstances.

MR EMMANUEL LEDIGA: Yes, yes.

DR DANIEL MATJILA: You know?

MR EMMANUEL LEDIGA: Ja.

DR DANIEL MATJILA: So I was saying there is an opportunity to fix this actually because now that we know there are certain things that have not been delivered.

MR EMMANUEL LEDIGA: Ja.

DR DANIEL MATJILA: What are the options available because the cash is there, it has to be secured for the purposes that it was intended for in the beginning and so that requires a governance intervention and certain things being done to salvage the cash and probably even the
10 company and put it in a much better platform and branding as well as many others through cleaning up governance and cajoling BT to come back and become a partner and grow this thing as was originally intended.

MR EMMANUEL LEDIGA: Yes, so ja, so you said look, there's too much risk in Ayo but if we can get a put option then that risk is sort of mitigated somewhat. Is that what you are saying?

DR DANIEL MATJILA: Ja, so you can get a put option. If you can't get it because it's an investment holding company, there is an embedded put option there.

20 **MR EMMANUEL LEDIGA:** Ja, ja.

DR DANIEL MATJILA: Because there is cash that is sitting there to be invested and how do you then get control of that, so it's used for the purposes that it's supposed to.

MR EMMANUEL LEDIGA: Ja, alright.

DR DANIEL MATJILA: That is the imbedded put option that I'm

talking about.

MR EMMANUEL LEDIGA: Yes, unlike in the mines, sort of as you say, you put in a platinum mine and the price of platinum collapses then.

DR DANIEL MATJILA: It's gone, the money is gone.

MR EMMANUEL LEDIGA: It's gone here.

DR DANIEL MATJILA: Here we still have a fair amount of control.

MR EMMANUEL LEDIGA: Alright. You can control the destiny of the company.

MR EMMANUEL LEDIGA: Yes, okay. No, thanks, thanks. Next one,
10 just to belabour the 6.2 DOA, since we were taken there. Just in terms of the practice then, it means that these DOAs don't work especially Section 6 then. They are not the – you are doing them – you are doing the PMC's way you are not supposed to do them and all that. So it means that this section is not necessarily being applied and probably the way you are doing it is maybe the better way but this section says different things, so what must happen then. Do you change the DOA's or what?

DR DANIEL MATJILA: I think the board was happy, they gave us this and say go and implement this.

20 **MR EMMANUEL LEDIGA:** Yes.

DR DANIEL MATJILA: And so then you set up processes to do this and you look for the best processes that can give effect to this. We found the process that we designed through the standard operating procedures of pre due diligence , due diligence and this and that and final approval depending on the body that has authority to do so, to

work a lot better because it allows everyone to get involved in the transaction rather than – if you look at it at face value here, it's – and you want to apply it this way, it's not appropriate at all.

So we are happy with how the standard operating procedures have augmented or have assisted in giving effect to the delegation of authority in a much better and successful way if performance of the PIC is anything to go by.

MR EMMANUEL LEDIGA: Ja, we can continue, Advocate.

MR SECHABA MOHAPI: Mr Commissioner, I see that we are about ten
10 minutes past one, is it a convenient time to take a lunch adjournment?

CHAIRPERSON: Yes, we'll take the lunch break until two o'clock.

INQUIRY ADJOURNS

INQUIRY RESUMES

CHAIRPERSON: Dr Matjila, you are still under oath.

DANIEL MATJILA: (s.u.o.)

DR DANIEL MATJILA: Yes, Commissioner.

CHAIRPERSON: Are you able to indicate whether or not we will
finish?

ADV SECHABA MOHAPI: Mr Commissioner, much of what I had
20 prepared has been traversed and has been asked by the Commission. I
intend to deal with just maybe one or two other aspects and I will be
done.

CHAIRPERSON: Mr Roelofse, should we go later in the day or would
you guys be prepared to come back if we do not finish. Hopefully, we
will finish today.

ADV ALEXANDER ROELOFSE: Mr Commissioner, we would prefer to finish today, of course. And to that extent, with the efforts, suits the members of the Commission to do that. We are prepared to stay as late as it takes in order to do that. I am not available for the rest of the week, Mr Commissioner. So, we would prefer if it is done today.

CHAIRPERSON: All right. Thank you.

ADV ALEXANDER ROELOFSE: We are indebted.

MR EMMANUEL LEDIGA: Yes, we do want to finish today. We also want to finish today.

10 **ADV ALEXANDER ROELOFSE:** We are grateful to you, Mr Commissioner.

MR EMMANUEL LEDIGA: Ja, sure. Okay.

ADV SECHABA MOHAPI: Thank you, Mr Commissioner. The topic I intend to move onto, Dr Matjila. Is that of payment instructions and things that followed after that. So, we have a situation where you have not only signed the irrevocable subscription but you have now, in terms of Ms Gaanewe Adams' evidence, paragraphs 13 and 16, you expedited or intervened that the team create liquidity and proceed with the trade settlement process. Is that not so?

20 **DR DANIEL MATJILA:** That is correct. And I must point out that, that is not unusual for creating liquidity. I think we have explained the last sitting here, that it is normal practice.

ADV SECHABA MOHAPI: Yes, but it is the intervention and the – your rule, as it were, in making sure that the deal goes through, that I am more interested in. And this is also within the context of evidence by

Mr Madavo. By Mr More. By Mr Rajish. That there is a segregation of duties by... For instance, the Deal Team who have a specific role. You have the Technical Team. Legal Risk (ESG). You have PMC, who serve a decision making, deliberative role. Then you have, as Ms More testified, in paragraphs 6.7.1 to 6.7.10 – and this is where you intervened. You have got the Finance Team and the Investment Administration Team, so-called back-office, who are responsible for the role that you intervened in.

DR DANIEL MATJILA: I do not understand the nature of the
10 intervention because if my memory serves me well. The only
intervention is in signing the disbursement memo which I have to. And
most importantly, Ms Gaanewe were asking for guidance, as she was
the acting – I think it was acting Executive Head of Listed, at that time.
Or GM. I cannot remember what role she was playing at that time. And
she asked for guidance as to how the settlement should be done and I
proposed to her that she can liquidate Anglo shares because it was
always a standing order, sale order, on Anglo.

ADV SECHABA MOHAPI: Ja, but of course, once again, this happens
before PMC approval? At the time that you give instructions to
20 liquidate certain assets and to settle. And at the back of what Ms More
– the elaborate process - that she describes on how there is an
interface between the Deal Team, Finance Team and the Fixed Income
Team. So you intervened in all of that. You are the permeating
authority throughout. From signing to the segregated role of making
sure that there is a settlement and so. And you identified which

shares, et cetera.

DR DANIEL MATJILA: I do not think it is unusual. I must stress. That is not unusual. If I am ask for guidance on how we handle matters, I guide the team. And in this instance, I proposed to them that they can liquidate the Anglo shares. What is very important, is that, we have debated around signing off the irrevocable. That the deal has been done. So, disbursement has to take place. So money has to be ready to pay. And we were quite clear that we do not keep stash of cash somewhere to pay for acquisitions.

10 We have to liquidate certain liquid assets or near liquid assets to be able to do that. So, Gaanewe asking for guidance. I do not think it is a sin for her to ask for guidance on how to handle the matter. Especially, when his next superior is not available. And so, guiding... I do not think for her to have... Or it is a sin for me to have guided her on what needs to be done. And I do not take it as intervention, at all.

ADV SECHABA MOHAPI: So would you say that also for the fact that you wrote a letter on the 20th of December, which Mr Nodwele came in and picked up at your house, to take to the JSE? Would you say that is also normal?

20 **DR DANIEL MATJILA:** This is... They requested the letter. The letter was sent to the JSE and not Mr Nodwele. They just needed a copy. And so I provided with a copy. I do not think it was anything unusual about them asking for a copy.

ADV SECHABA MOHAPI: Mr Nodwele says the following in his evidence in paragraph 16, page 9 of his statement. I will read the

relevant part.

“Khalid Abdullah quote me on 20 December 2017 one day before the listing. He informed me that he had a top secret and an important task for me to handle. It had been apparent through facts that were now being made public via this Commission and the media, that the PIC had no funds to invest at the AYO listing...”

And this is the important part:

“I was then requested to urgently drive to Dr Dan Matjila’s house to go and collect a letter for the JSE, effectively advising them that the PIC
10 was fully committed to the transaction, but had to liquidate certain assets before the full capital commitment could be made in AYO...”

And what is remarkable about this is. We... In our investigations, had it not been for interactions with the JSE, could not have found this letter in the records of the PIC. And one would have thought that, if it is normal, you would have deposited this letter with the PIC.

DR DANIEL MATJILA: I do not understand. This letter was for the JSE to ask them to give us time to deal with liquidity issues.

ADV SECHABA MOHAPI: Indeed.

20 **DR DANIEL MATJILA:** Yes.

ADV SECHABA MOHAPI: But it is a letter written on the PIC’s letterhead.

DR DANIEL MATJILA: Yes.

ADV SECHABA MOHAPI: You write it from your house and ...[intervenes]

DR DANIEL MATJILA: I have never written a letter from my house, Commissioner. This letter was written at the PIC and disbursed to the JSE and they requested a copy of – Nodwele requested a copy of that. If my memory serves me well.

ADV SECHABA MOHAPI: Why was it top secret thing?

DR DANIEL MATJILA: I do not know why he called it top secret. I was not involved in the discussion at AYO, quite frankly.

ADV SECHABA MOHAPI: And how do you explain that it was not in the PIC's repository of documents concerning this deal?

10 **DR DANIEL MATJILA:** I do not understand why, because that letter was done at the PIC. If my memory serves me well.

CHAIRPERSON: What normally happens with letters that you write? You write longhand or you dictate for your ...[intervenes]

DR DANIEL MATJILA: These are very short letters that say that we do not have liquidity. We are committed to the transaction and therefore, we have signed an irrevocable... We are committed to the transaction. In other words. The only challenge is liquidity. That is what it was designed to do.

CHAIRPERSON: Was it...? Is it a typed letter?

20 **DR DANIEL MATJILA:** [No audible reply]

CHAIRPERSON: No, I am asking you, Dr Matjila. Can you remember whether it was typed?

DR DANIEL MATJILA: I think it was a typed letter. I think. It is just that I do not have a copy of it, but it will be on a PIC letterhead, because it is an official document that I have signed.

CHAIRPERSON: And who would have typed it? Your assistant?

DR DANIEL MATJILA: I will imagine it should be her. Or, sometimes, we do have draft copies that are sent to us. You know. And then we just took them to PIC environment and then we send them off.

ADV SECHABA MOHAPI: Then, once again. This is an important letter because AYO had committed itself to raising R 4.3 billion and if a company has committed to raising that for its IPO, it cannot list, unless it has got support. So, I am just pointing to the fact that, this is yet another thing that you have done to assist the deal.

10 **DR DANIEL MATJILA:** Commissioner, we have signed an irrevocable to make the deal happen and we have to pay. And so, if there is no liquidity, there are ways of remedying that and this is just a process of remedying that. To say, that we do not have full cash. We have five hundred first to meet the first requirement of the listing, which then, the balance would be done at a later stage. That is nothing unusual about that, quite frankly.

ADV SECHABA MOHAPI: And this... Would you say nothing unusual, also with you insisting with the Deal Teams that the timeframes could not be moved, as Mr Seanie testified in paragraphs 36 to 38 and Mr
20 Molebatsi at paragraph 35.1 of his statement?

DR DANIEL MATJILA: The listing date was set in the PLS. I am not sure how I would have abandoned the transaction at that point.

ADV SECHABA MOHAPI: Ja, just... The question has got to be asked, Dr Matjila. That there are so many things which have pointed to you, intervening as the CEO in this deal. You have signed the

irrevocable subscription form without PMC prior approval. Nor with consulting with the CFO. You have said to the Deal Team and the rest of the team, you will get ratification. So that was a matter of comfort for them to proceed. You have intervened in telling the teams which assets to liquidate. You have written letters to the JSE which had to be collected from your house. It is just too much. That seems to suggest that you are doing too much as a CEO in this deal.

DR DANIEL MATJILA: [laughs] I do not have a comment. That is my job. I get paid to do my job as the CEO.

10 **ADV SECHABA MOHAPI:** Are there other deals where you have done the same?

DR DANIEL MATJILA: I cannot recall. I mean, there are lots of deals. IN fifteen years, we do all sorts of things. You know. So I cannot recall. You know.

ADV SECHABA MOHAPI: Mr Commissioner, those are my questions.

MR EMMANUEL LEDIGA: Just a quick question on the selling of the shares to create liquidity. And I think you said it has been in two stage and all that. Was there any pressure to sell some fixed income stocks, whatever? Money Markets or some shares, you know. The – to create
20 that liquidity. So was there pressure in terms of there could be a final(?) sale to sell instruments to create the R 4.3 billion? Just to check if there was that kind of a pressure.

DR DANIEL MATJILA: There was not any pressure, because there was a standing selling order on Anglo, which is very liquid and therefore, it will be the best to liquidate to make cash available to

honour the transaction. But Gaanewe, in her wisdom, decided to optimise the selling, by not only selling Anglo, but selling others to optimise the total amount that we were raising for the consideration of the deal. And I said, I commended her for that because that shows proactivity. You know. That is typically of a PIC employee. That they will go miles to find the best solution for the clients.

MR EMMANUEL LEDIGA: Ja. And then just in terms of the letter that had to be fetched from your home. Was that because you had to sort of sign it or it was a signed letter and you asked them to fetch it from your
10 home? I just want to find out.

DR DANIEL MATJILA: The letter was signed. They needed a copy for themselves. So I said: Well, it is fine. They can come and collect a copy from my house.

MR EMMANUEL LEDIGA: Ja, okay All right. And there was a copy at the PIC too?

DR DANIEL MATJILA: That is what I expect because that letter was done on PIC letterhead and therefore, there been at PIC. You know.

MR EMMANUEL LEDIGA: Ja.

DR DANIEL MATJILA: Ja.

20 **MR EMMANUEL LEDIGA:** And who called you to get that letter? Was it...?

DR DANIEL MATJILA: I cannot recall who it was.

MR EMMANUEL LEDIGA: You cannot recall?

DR DANIEL MATJILA: No, I cannot recall who it was.

MR EMMANUEL LEDIGA: All right. Okay, thank you.

MS GILL MARCUS: Thanks, Dr Matjila. Some of these questions I have you have already addressed and I will try to separate out the ones that you have addressed and the new ones. But, let me... And I am going to start with the AYO transaction and then perhaps then move to some others, okay?

DR DANIEL MATJILA: [No audible reply]

MS GILL MARCUS: Just on AYO. When we asked Ms More about the one billion rand for the thirty percent stake in BT and that it was one billion and the evidence by Mr Nodwele was, that this was an
10 illustrative number by the person that asked to looked at it. Did you query the one billion as a related party transaction and the valuation thereof? Or did you take it as given?

DR DANIEL MATJILA: I think that is the reason why we did not transact immediately on BT because we needed to satisfy ourselves that the price is the right price and the team insisted that they see, so they can do the calculation. The billion was approved. It was in the PLC but they said, this can be done at a later stage, if we have to.

MS GILL MARCUS: But that would have been paid for by the PIC purchase of the shares? That is what the one billion was earmarked
20 for. Was to pay over to AEI which owned the BT shares.

DR DANIEL MATJILA: AT the right price.

MS GILL MARCUS: At one billion.

DR DANIEL MATJILA: There is an indicative price of a billion.

MS GILL MARCUS: Right.

DR DANIEL MATJILA: But the team felt that they need to satisfy

themselves that a billion is the number. Because if we can get it cheaper, then it means the R 4.3 billion gets, you know, it will be a stretch(?)...[intervenes]

MS GILL MARCUS: So was that done?

DR DANIEL MATJILA: That was the process that – when I left, was being debated. The BT transaction was not done, as far as I can remember. Because we were still trying to get the right price.

MS GILL MARCUS: Okay, but there was no BT agreement as far back as August 2018 to sell those shares? I mean, to be part of the
10 transaction at all and that the shares could be sold in that way. Were you not aware of that?

DR DANIEL MATJILA: I think that one we got to know later on. If I remember well.

MS GILL MARCUS: And then the question of the various valuations and the bumping up of the various valuations, according to Malick Salie. Of an original valuation of R 2.3 billion to the final valuation, where you bought the R 43 billion worth of shares at R 13 billion about that. How...? Are you...? At what point did you become aware of the price manipulation by Dr Survé?

20 **DR DANIEL MATJILA:** I learned it... Ja, I learnt it in this Commission when Malick Salie ...[intervenes]

MS GILL MARCUS: Gave evidence?

DR DANIEL MATJILA: Appeared... Ja, gave his evidence at this Commission. And it was with a shock because he was very central in putting together this – the PLS. The basis of which we have used as an

investment – for investment case.

MS GILL MARCUS: And then the question in relation to that. Because part of that investment, the quantification or the value was with – and you have addressed this before – but in the same AYO question. It was a profit before tax to grow it over two thousand five... About two thousand five hundred percent in 2018 by twenty-fives times and the further thirty-four percent in 2019 which would show the profits in 2019. It would be thirty-six times higher than in 2017 or three thousand six hundred and twenty-eight percent growth. As a financial man and the
10 person who has dealt with many of these things. How credible were those kind of numbers that you took them, as real?

DR DANIEL MATJILA: I think first, I am advised by the time, as I have said earlier. But secondly, even Kevin Hardy who appeared before this Commission, said that they were confident that they will reach those numbers, once the BT moves onto the AYO platform. You know.

MS GILL MARCUS: But there was no BT?

DR DANIEL MATJILA: But there was no BT, of course.

MS GILL MARCUS: Right.

DR DANIEL MATJILA: But the cash is still there.

20 **MS GILL MARCUS:** No, the cash ...[intervenes]

DR DANIEL MATJILA: But it is important ...[intervenes]

MS GILL MARCUS: Let us not go to where the cash is sitting at this point in time, because the money has been paid and raised and whether it is there or not, some has been spent, some may be invested, interest earned. Obviously, of the interest earned, there is very small return for

the PIC.

DR DANIEL MATJILA: I think... I do not want us to scare the public into thinking that the money is gone.

MS GILL MARCUS: No, you have got a twenty-nine percent stake in AYO which is now at R 8,00 or R 9.00 a share when you paid R 43.00.

DR DANIEL MATJILA: The is thirteen bucks.

MS GILL MARCUS: Thirteen bucks?

DR DANIEL MATJILA: Sorry, Commissioner. I keep saying the bucks.

MS GILL MARCUS: Okay. Thirteen rand.

10 **DR DANIEL MATJILA**: Yes.

MS GILL MARCUS: And we have dealt with some of the questions. The one issue from me that is... There are two factors that I think are important. First would be the related party transactions. And one of the issues in your memorandum of agreement, is that, the PIC would act in terms of – would ensure that all are – all deals are done at arm's length, giving the extent of related party transactions here and the different fees paid to the different related parties. How have you...?

And I mean, fees earned and fees paid, are something you have said throughout your testimony, you do not pay much attention to.

20 It is not an area that you look at. Do you not think that is a question of related party transactions and where the money is then deposited and then the question of having enormous fees paid to related parties?

DR DANIEL MATJILA: It is a concern. I must admit, Commissioner.

MS GILL MARCUS: Because in this particular instance. The fees paid to the various groups within Sekunjalo was over R 70 million.

DR DANIEL MATJILA: I understand so. Yes.

MS GILL MARCUS: Ja.

DR DANIEL MATJILA: Yes.

MS GILL MARCUS: Were you not aware of any of that?

DR DANIEL MATJILA: We got to know about that later on ...[indistinct] ...[intervenes]

MS GILL MARCUS: But has it got something...? When you doing a deal, you are looking at who the advisors are, what funds are being paid? Is that not part of the agreements that you look at?

10 **DR DANIEL MATJILA:** No, Commissioner.

MS GILL MARCUS: So, this can be ...[intervenes]

DR DANIEL MATJILA: We... I mean, if it was in the unlisted space, we would be looking at it differently, but because there is a document that gives all investors comfort that the checks and balances are in place and therefore, an investor can make an informed decision, based on that information. The PLS, you know, that is unfortunately what we used in this instance.

MS GILL MARCUS: Did you look at the investment at AYO, given the cumulative issue that you had Independent Media which was still not
20 servicing its debt of about R 880 million? Which I understand is still not being serviced and yet, you are going, not just with AYO, you are also looking at Sagarmatha Parallel process.

DR DANIEL MATJILA: I think, I am seeing a distinction between assisting or funding an investment. In other words, in this instance with NMSA we have given them debt to buy into Independent News

Media and twenty-five percent exposure to the equity and the total is about R 1.3 billion. But insofar as AYO is concerned. We are a co-investor. In Sagarmatha that we did not do. We were going to be a co-investor. Not funding Sekunjalo.

MS GILL MARCUS: But ...[intervenes]

DR DANIEL MATJILA: So that will be the distinction. And in Premier Fishing, we are an investor as well, alongside Sekunjalo and other investors.

MS GILL MARCUS: And as you say, that you are a co-investor. But
10 the question of the taking up the full subscription. Malick Salie at the time of the release of the PLS on the 13th of December, which was closing off on the 15th of December, said: “I have not engaged with any other investors than the PIC and union members.”

And therefore, the question would be that the full prescription was expected and that relates also to Mr Madavo querying the meeting on the 14th of November in Cape Town, where he asked why the PIC was taking the whole investment on offer. And Mr Abdullah at that time said: “We prefer the whole allocation to go to a single strategic investor.” Given the increase from twenty to twenty-nine percent, is the
20 PIC simply a price taker in those circumstances and had you discussed any of this?

Because there were repeated statements made by various parties about Dr Survé and yourself meeting and discussing the PLS and discussing the transaction. Had you had any discussions about AYO with anyone from Sekunjalo, whether it was Dr Survé or anyone

else? And did Mr Madavo raised with you his concern about taking the whole subscription?

DR DANIEL MATJILA: I think we... I have explained in the beginning, that Mr Madavo was leading the transaction. And from what I can see and what information that we have – submissions that we got from the team, is that, they were comfortable with the twenty-nine percent, eventually. So, discussions with Mr Survé – I did have discussions probably earlier on, around how they are going to resolve the INMSA issue, as payment was due on the 18th, I think, of the 31st of August
10 2018.

And various discussions earlier on around how they are going to do it and introduction of Sagarmatha and many other things. So we had those discussions, but not necessarily the process around AYO *per se* because that was handled by the teams directly. The Transaction Teams directly.

MS GILL MARCUS: The question of the Investment Committee, raising a number of issues in April around more information about the timing of the AYO Investment and whether it was in line with the DOA - whether the PIC should be cautious about empowering the same individuals a
20 number of times and the counter parties risks to be included to avoid reputational risk. That they must avoid a situation of ratification and concerns about the put-option, which was for R 22.00 for three months, which on expiry, fell to R 3,00. And although that was only signed in September as a post-condition requirement. The questions raised by the Investment Committee, how did you deal with that?

DR DANIEL MATJILA: I cannot remember how those were dealt with, Commissioner. It was quite a number of things, but I remember quite a number of them were dealt with by the team, as far as possible.

MR EMMANUEL LEDIGA: [Indistinct]

MS GILL MARCUS: Sorry? Sure, sure, sure.

MR EMMANUEL LEDIGA: Just as a follow-up question there. Would you suggest that they should be limit in terms of how much you spend per sponsor or per sponsor person or per sponsor company? And if so, how would that work? It is not an easy thing this, you know.

10 **DR DANIEL MATJILA:** I think it is not an easy. Probably, there are better checks and balances that can be put in place. But if someone has a great idea that will make a difference to the portfolio and therefore the economy – we cannot say to them: We do not like your idea. It should have come with someone else. You know. We still have to, at least, entertain the idea and find ways of dealing with it. I mean, in this instance here. If you are an investor, co-investing alongside someone, it is different from when you are funding them and therefore you have, you know, they have an obligation towards you.

20 The obligations in this, it is about the company delivering on value and that requires an appropriate governance, which will act on behalf of all the shareholders. And as I have said earlier. With twenty-nine percent, the PIC is able to influence that strategy direction and therefore influence the nature of governance that should be taking place in the company, so that it is able to drive well. So, I think if you have the right governance in place to ensure that your risks are proper

or you are in control of the risks, you are not giving the risks to whoever you are sponsoring because all you want is the idea that they have and the execution of that be left to the right structure to deliver on.

MR EMMANUEL LEDIGA: Yes, because ...[intervenes]

DR DANIEL MATJILA: Because otherwise, you will end up rejecting ...[intervenes]

MR EMMANUEL LEDIGA: H'm. Good transactions.

DR DANIEL MATJILA: Good ideas that can make a difference to the
10 portfolio.

MR EMMANUEL LEDIGA: Ja.

DR DANIEL MATJILA: And do the same thing of just funding exchange of shares between BEE, which is totally undesirable. In my view.

MR EMMANUEL LEDIGA: Ja. Yes, because, I mean. People can get, you know, do transactions and maybe get better and better. And they are well networks and they well networked and they can bring great transactions. And how do you stop them? I am just trying to think. How you say: You have done three or four deals. That is it. And you find they bring a blockbuster idea. I mean, you know. I am just... It is
20 a very difficult issue to...

DR DANIEL MATJILA: For me, it all boils down to governance or risk management. How.. And if you are, with this partner that has come back many times. What are the risk issues and how do you make sure that you are control of managing those risks? I mean, if we were to use AYO as an example and most importantly, what we can learn out of this

opportunity. Is that, it is time now to intervene properly in driving the right governance and therefore, taking control of the risk and building the portfolio, going forward. You know.

MR EMMANUEL LEDIGA: So it is not the person *per se*. It is the ideas and ...[intervenes]

DR DANIEL MATJILA: The execution of that idea. That is critical.

MR EMMANUEL LEDIGA: All right. Okay. Thanks on that one.

MS GILL MARCUS: Perhaps just staying with that. Did you ensure that, given that – because it is not just about AYO or Sekunjalo – there
10 is a range of companies in which there are multiple investments. Three, four. What is the way you have assessed cumulative risks? Because what seems to have come before us in the process is. Each application is dealt with on its own. We look at this transaction and we see it for what it is worth. It is good or it is bad. Individually they can be good. What is the cumulative exposure? What is the cumulative risk? What is the measures taken to ensure that, that is dealt with? How have you dealt with that? Because that is unclear to me.

DR DANIEL MATJILA: I think it's diversification at work here that if they are in different sectors, different strategies and probably as I said
20 the challenge would be who's executing these strategies? You are co-investing as opposed to financing someone but you rely on the jockey to drive wealth.

Now if they have failed in newspapers, does it mean they will fail in IT and what are the chances, what are the risk management tools that can be used to make sure that they succeed going forward? I

mean what I've heard here from the different testimonies from Malick Salie to Nodwele as well as Hardy and Gamieldien, were governance issues mainly.

MS GILL MARCUS: Absolutely.

DR DANIEL MATJILA: Which I think can be dealt with immediately and there are ways of dealing with that to put the company back on track.

MS GILL MARCUS: But isn't there a governance issue in the PIC itself about the cumulative risk because what I'm asking you is not what's happened as you've indicated with AYO. I'm asking you as a
10 matter of principle from the PIC when you taking an investment decision in terms of your process.

When you look at the cumulative risk, when you look at the cumulative exposure even if you've got diversification, how do you assess that this is deal number 5 with the same group. Does that take us beyond a comfortable level, do we wait a while even if it sounds like a good investment to give us some track record to see how the investments are progressing. That cumulative risk approach has not come through in anyone's testimony for me and therefore you as an investment formerly CIO now CEO, what weight do you place on cumulative investment risk?

20 **DR DANIEL MATJILA:** Ja, I think that's what I'm trying to explain here that are we dealing with cumulative risk as in the promoter. Because here we are dealing co-investment and the promoter is sitting in different companies in which we are invested. We are just an investor. Now the biggest risk is what sort of governance structures are put around this to make sure that things have happened now don't happen

again related party transaction interference and all of those things don't happen. So that these companies each one of them are managed properly because if this is successful and these companies becomes huge in the JSE and we've seen many other companies that have been successful that have this kind of structures, Remgro and them they've done quite well.

What sort of governance structures would you like to have because if they get bigger in the JSE there come a time where the PIC has no choice but to have an exposure because of other risk parameters that needs to be taken into account. The PIC has taken a strategic position with a view of slowly exiting reducing its exposure to allow other investors but in the process hopefully reaping rewards out of that to a point where they become just an institutional investor in line with the mandate and this is what strategic investments are about. So for me the diversification around across different sectors is important, that's the first step that you deal with in terms of risk exposure. Secondly a co-investor as opposed to a funder, those two are different, we are just a co-investor.

The biggest risk is an appropriate governance structure across that allows these companies to run efficiently, well governed and therefore creating wealth as they're supposed to. So in this instance I think governance becomes very important. You can look at cumulative risk of course it's important to quantify and get to a point where you say we can't go beyond this. But just not doing it because it's the same person even though they have a good idea, it's not great. You

rather will be focussing on how you manage the risk of insuring that. If it's the same person, they don't or they have, the company has the right structures to ensure that this investment become successful in the long-term.

MS GILL MARCUS: Taking that on board and as you say you are in this particular instance of AYO a co-investor, how and obviously this may well have come out post your leaving the PIC. But given the what I would call misstatements in the annual financial statements around what profit there is and where the money and income and investment
10 income or interest income and so on as I've pointed out earlier.

How would you as a co-investor- is that, obviously you can't answer now for what steps the PIC is taking but that money is sitting there as you say. The funds are there, they not necessarily being used the way they were stipulated to be used and that there is misstatement subsequent to this in the annual financial statements that appear or certainly appear to be misstatements of fact about where the earnings have come from as I've illustrated earlier from some of the quotes. How would you perceive that from where you sitting if you were the CEO right now? What steps would you take?

20 **DR DANIEL MATJILA:** Ja Commissioner, first there's a regulator who has to step in to assist ... (intervenes)

MS GILL MARCUS: Ja but you're a co-investor. You're no longer a simply an investor, you're a partner in that.

DR DANIEL MATJILA: Yes.

MS GILL MARCUS: Therefore you've got 29% stake and this is in your

name as well.

DR DANIEL MATJILA: I'm getting there Commissioner. Ja. 29% I think the companies Act does allow any shareholder that's ... (intervenes)

MS GILL MARCUS: Above 10%.

DR DANIEL MATJILA: At least about 10% to call an extraordinary general meeting and propose certain resolutions to remedy whatever problem there is.

MS GILL MARCUS: Would you recommend that?

10 **DR DANIEL MATJILA:** I would have probably moved on that a long time ago to remedy the situation as quickly as possible.

MR EMMANUEL LEDIGA: Just to follow up on the question of risk to the sponsor and all that and the first portion you mentioned is the various parts could work pretty well in terms of good ideas. Wouldn't you want also a culture of performance in a sense that the sponsor, the promoter should have shown some great performance some great track record before maybe you go to the second, third, fourth transaction?

As a person like Brian Joffe who couldn't acquire companies, he developed a serious track record at Bidvest and people then began to
20 back him up. Don't you think maybe the second part should be track record before you go to the next next next transaction?

DR DANIEL MATJILA: Ja. I think it's a difficult question when track record- what one thing the reality is that the first transaction was in a tough space of media and it hasn't worked. Now the proposal around technology, technology is one of the most appealing and the 29% was

been taken specifically to make sure that the risk of the PIC will be safeguarded through interventions through that I mean 29% gives you a certain responsibility to broadly ... (intervenes)

MR EMMANUEL LEDIGA: Sure. No, I'm just talking broadly. Ja, I'm talking broadly. I'm not even talking about say that transaction and all that, I'm just talking broadly. Don't you think there could be another leg just to think about when you support ... (intervenes)

DR DANIEL MATJILA: Look ja there's a certain race that doesn't have much track record and he's still struggling up to now. So there'll be
10 instances where you'll have to take risk, take risk with them alongside them as long as you are part and parcel of managing that risk through adequate representation on the structures to make sure that things are done properly and certain conditions including- I think we spoken about policy on what you call conflict of interest policy that's supposed to kick in and so all of those things put into place to ensure that good governance take place at the companies.

MR EMMANUEL LEDIGA: No, I get you. Ja, I get you because then maybe you could be excluding quite a number of people ... (intervenes)

DR DANIEL MATJILA: The strongest population in the country here
20 hasn't got much track record and therefore you have to take ... (intervenes)

MR EMMANUEL LEDIGA: As long as you can manage the risk and the corporate governance and the other issues, is that what you are saying?

DR DANIEL MATJILA: That's why the 29% where significant

shareholder should be giving you to as the PIC to drive that.

MR EMMANUEL LEDIGA: But then what if someone has got 20 year track record, they've been there, what about that 20 30 years?

DR DANIEL MATJILA: And they've not done well?

MR EMMANUEL LEDIGA: Ja.

DR DANIEL MATJILA: It's a hopeless case.

MR EMMANUEL LEDIGA: That could happen.

DR DANIEL MATJILA: Ja. No that is true. I mean unless they were- maybe you have to look at their advisors, they were badly advised or
10 something like that.

MR EMMANUEL LEDIGA: Ja okay.

DR DANIEL MATJILA: But we can't just not allow ideas, spend some money on good ideas.

MR EMMANUEL LEDIGA: No okay, that's fine.

DR DANIEL MATJILA: And we have to manage the risk of being here with multiple partners in other words.

MR EMMANUEL LEDIGA: Okay thank you. Ja, that's fine.

DR DANIEL MATJILA: But of course I'm not saying the quantum must not be quantified, it has to be- there has to be limits. I agree.

20 **MS GILL MARCUS:** Dr Matjila, were you aware that in terms of the build up for the share allocation Mr Hardy stated that the AYO SENS on the 18th of December 2017 said that share allocation had been oversubscribed by 1 billion rand. And Hardy stated he was surprised at this and subsequently learned that the entities were all related parties namely 3 Laws Capital, Capital One Investments, Selwyn Lewis and

Miramare Investments.

We had never intended to take up their subscription and had been used to create the impression that there was market demand.

Were you aware of that? Were you aware of those things?

DR DANIEL MATJILA: I wasn't aware- Ja, Commissioner I wasn't aware and I mean if Hardy who was within the company at that time wasn't aware, then it's a big problem.

MS GILL MARCUS: Would you say that looking at it in hindsight obviously that this would have been something of great concern about
10 governance?

DR DANIEL MATJILA: Yes, it is certainly.

MS GILL MARCUS: Dr Manning raised a question in relation to AYO saying and we know that that it went to PMC and we've had the whole discussion about PMC. But she raised her concerns about concentration risk and confirmed that she wasn't talking only about AYO she was talking of transactions such as AYO were not referred to the investment committee or the board as they fell within the delegation of authority for the PMC to approve.

She was raising concerns that this was perhaps not the best
20 way to have dealt with them because then your investment decisions were taken at a different level. She also raised a concern about the letter from the GEPF that express serious concerns about the decisions being taken by the PIC. What are your views of that?

DR DANIEL MATJILA: Well, the delegation of authority obviously we get from the board.

MS GILL MARCUS: Sure.

DR DANIEL MATJILA: so we had the delegation of authority and if there was discomfort and I believe the raise of discomfort and we were in the process of changing the delegation of authority to the satisfaction of investment committee. I don't know how far that process has gone. The GEPF picked up all the noise in the media and I think we responded to them in ja I think eventually we had responded to them explaining ourselves what has happened in this transaction.

MS GILL MARCUS: The GEPF concerns were not only about this
10 transaction. When Dr Sithole was here it was also a question that he raised other concerns about, lack of meetings, lack of engagement, difficulties of meetings. Were you- are you comfortable that the relationship and the working relationship between the GEPF and the PIC was at the level it should be given the governance issues that you've raised?

DR DANIEL MATJILA: Commissioner, I think at management level we were meeting quite a lot. I think there was a misunderstanding when he spoke about meetings that are being cancelled. I was talking about the investment committee and the board at that level. But at
20 management level there's been a lot of interaction even in meetings where I'm unable to make to attend there will be someone to representing me and vice versa.

So at that level I thought the relationship was okay. It's only at the board where there was not much interaction as we had planned. We had planned meetings between IC and IC social ethics committee to

social ethics committee up to all those critical committees of the board to have interaction we had but not with very little success.

MS GILL MARCUS: So that's an area that will need to be looked at as well. But one of the issues that have come through in many of the testimonies particularly from people working within the PIC was the challenge of time pressures. Now there's always deadlines and there's always time pressures that goes without saying.

But the question that has serviced in fact has been using time pressure as a reason to bypass agreed processes, rush investment decisions
10 including the use of round robin resolutions. Do you think there is validity to that question or do you think that time pressures do not play a role in bypassing the processes?

DR DANIEL MATJILA: I think time pressures are there and probably it's because of the size of the responsibility that PIC has to deal with. This is 2 trillion that the PIC is dealing with the transaction volume is quite huge. It's a big participant on the JSE and the PIC is trying to do Listed Unlisted investment including Property under one roof controlled by a small group of people including the structure at the board level. And we have board IC and FIP's and then you have PMC dealing with 2
20 trillion Listed Investment that are less complex and Unlisted Investment that are very complex including Property.

It's the nature of or the structure that is probably posing a challenge for the PIC. It needs some kind of regime maybe we'll talk about it when I make my recommendations which I believe can work because once you break PIC into pieces that operate independently you

have lesser pressure that you are looking at Listed Investment, tomorrow you are looking at Unlisted Investment, you looking at Property and many other things being done by the same group posing other risk of course. I can only attribute ... (intervenes)

MS GILL MARCUS: We're going to come to recommendations later.

DR DANIEL MATJILA: Ja, I can attribute the time pressure to the volume of work that has to go through in the organisation.

MS GILL MARCUS: If you had to- okay we'll come back to that at another point. I know we're having a discussion about, I'm moving off
10 AYO now if I can. I just have one question in relation to Lancaster okay.

DR DANIEL MATJILA: I will try.

MS GILL MARCUS: I'm sure you can try. You should be able to try.

DR DANIEL MATJILA: I thought we are dealing with AYO today and finishing off.

MS GILL MARCUS: No, I thought we finishing off with you today was what I was told so it's all the questions that we may have that are outstanding as far as I was aware.

DR DANIEL MATJILA: As long as those questions are being asked ...
20 (intervenes)

MS GILL MARCUS: If there's any question that you're not sure of or that you would like time about, there's absolutely no problem. You can always look at it and come, we can give it to you in writing and you can come back to them in affidavit form if you need to do that, that's not a problem.

DR DANIEL MATJILA: I will try Commissioner.

MS GILL MARCUS: Okay?

DR DANIEL MATJILA: Yes.

MS GILL MARCUS: I have one question on Lancaster. The L101 if I understand it was funded at Star by the new bank finance which was against the put option that was provided by another bank and that was for 6.2 billion, correct?

DR DANIEL MATJILA: Yes Commissioner.

MS GILL MARCUS: In addition because my understanding that that
10 was the total investment but in looking through the documents there's a 280 million rand general corporate purposes.

DR DANIEL MATJILA: General purpose?

MS GILL MARCUS: General Corporate Purposes. It's given to various aspects of the deal, the question of meeting your targets with that you committed to with Steinhoff as Lancaster. There was other payments for tax and other things, it amounted to 280 million which was then funded. Where did the additional money come from?

Because then in essence Lancaster got 6.5 billion not 6.2 billion. Where did this other money come from and who authorised it? And
20 obviously we'll also address it to Lancaster but it came from the PIC so where was in relation to the totals?

DR DANIEL MATJILA: I think Commissioner the PIC transaction team will be better placed to answer that.

MS GILL MARCUS: You're not aware of it?

DR DANIEL MATJILA: Ja because the total approval would have

covered all the cost related to the transaction.

MS GILL MARCUS: To the best of my knowledge that's what I understood it to be in the initial and looking at the documents but there seems to be this additional 280 million that came from somewhere. So perhaps we will need to follow that up and include it with Lancaster itself. But if you don't know, it's fine. We just know that there's that amount of money missing or we're not sure where it came from but it was allocated into Lancaster. I want to move on to Erin. Okay.

On Erin and I think you had dealt with this when I wasn't here
10 that day. So it may be covering some ground that you already dealt with but I was interested in that Mr Ndadza stated that the initial investment in Erin Energy was for 250 million dollars but the value of the asset declined to a 150 million dollars and the PIC as a significant shareholder had to provide a guarantee that could be used to raise other funds but he said the guarantee was not disclosed. What does he mean by saying that the guarantee was not disclosed?

He also stated that from the outset the issue was one of solvency and that there was no due diligence from risk and he raised questions as to who actually owned the oil fields or were they leased to
20 Erin. Erin's debt at the time of this investment stood at 405 million dollars. So there was a debt of 405 million dollars, an investment of 250, a guarantee of a further 100 million the value declining. That's Mr Ndadza.

Mr Tshikhudo who is in- I'm going through the issues around Erin so that you get the picture that's of concern to me. Mr Tshikhudo is an

engineer in the energy sector and an energy specialist. In his testimony he stated that he had first come across the Erin deal when he worked at Standard Bank in 2013 and rejected it as they thought the production forecast were very optimistic. They had concerns about capital requirements and was sceptical about Erin's ability to fund and develop the ostensible reserves.

The transaction at that time from the PIC was being handled by Mr Madavo and Mr Nesane. In 2014 Erin approached the PIC which invested 270 million to obtain a 29% stake and in 2016 provided a
10 further 100 million guarantee, that's the same guarantee, via the Mauritius Commercial Bank. He stated that oil is a very specialised field and that the PIC need highly qualified people to do the due diligence but he did not know although he was a PIC employee, he did not know who had worked on this in the PIC.

In April 2017 Mr Tshikhudo was asked to conduct a review of the investment case prior to the drilling of Oyo-9 and Oyo-10 wells. And he submitted a report which stated among other things and this is then from Mr Tshikudo's report;

Erin was insolvent and it required capital injections to remain a growing
20 concern. Even if Oyo delivered the production as it projected, it will still require capital injection before 2021 of a further 470 million US dollars. Management relied on the forbearance of trade creditors to forgive Erin's 405 million outstanding debt which if not forthcoming would require this further amount of support. The reservoir managements reduced confidence about production and there were

rapid decline rates under the management of Erin of ENI. Report concluded that the PIC was unlikely to earn a meaningful return and recommended that the PIC not go ahead with the provision of the guarantee and to exit Erin Equity Investment.

He sent his report to Mr Madavo, Mr Dolamo and Ms Solomon and followed up in May 2017 but received no feedback. But he started to receive invoices which confirmed to him that the PIC had proceed to provide the 100 million dollar guarantee. The question is what was disclosed at the time of investing and what did the due diligence
10 reveal? What were the issues about the investment case that were taken to the investment committee because they only showed financial data to the year end of December 2012.

The essence of it was that the guarantee meant that the PIC took on the credit risk and the risk of default. Does this mean it was actually a loan? But a loan to a technically insolvent company is not and is surely an equity investment. Did this not need to then increase the 29% stake in Erin? Were these guarantees and such investments within the GEPF mandate and were the real risks of this investment knowing those circumstances adequately discussed?

20 Ndadza risk report of the 1st of June 2016 reviewed and recommended by Madavo and there's something wrong with the dates there or whatever because Madavo's recommendations on review is a month earlier, were rated medium due to expected increase in production despite technical insolvency. How would you have a medium risk if you technically insolvent, I'm not very sure. And the risk of insolvency

is rated low although you are technically insolvent. Based on creditors continuing forbearance of the debt of 405 million dollars and the expectation of future equity rise but in two years it was insolvent.

The PIC valuation at the time was \$4.10 per share but the current price was \$2.08. Why was this seen by the PIC as an opportunity rather than a warning that the actual price is way below your valuation? And was an enhanced due diligence done on the PIPS that were involved, there were Mr Busari and Mr Lawal. And Mr Lawal has come up in a number of other circumstances as well and if there was an enhanced due
10 diligence what were the findings thereof?

The total fees per the utilisation request appeared to be 8 million but the actual disbursement was between 63 and 66 million US dollars. So 12% of the funds went into structuring and deal fees. Was this raised at the board or by the PIC? This was signed off by yourself but there seems to be no invoices for about 34% of those deals about 24 million dollars while 34 million was used between 28th of June and 18th of August 48%. What governance was in place to see how that was documented and that it was met?

And the outcome is really what concerns. The outcome was no
20 successful drilling. In April 2018 Erin filed for bankruptcy, the Nigerian government has taken over the license. The ownership dispute was decided in the courts in favour of ENI and Agip. So what's happened to the PIC investment and 29% stake in Erin? And what happened to the existing assets?

Have you looked and during your time looked at this Erin investment

with the outcome and the numbers involved because obviously here we're talking dollars.

DR DANIEL MATJILA: I think Commissioner, it's very important to understand how the PIC works. There is a technical team I think I explained this before that advise us on technical work. There is and ESG, there is legal and others whose recommendation goes to a particular committee whether- it starts with PMC of course and PMC then recommends it to the appropriate committee.

Now I'm sure if you look at the approval process around this
10 will have the approving committee would have been an investment committee based on the recommendation of the technical team that would have done the work. Of course I'm a member of the investment committee but in this instance I don't want to be singled out as if I'm the one who did the transaction on my own.

This is an investment committee decision to invest in Erin Energy and to provide a guarantee in Erin Energy. Most of the issues that were raised PIC was not aware of, I think we explained at the last sitting of this Commission that there are lots of things that were hidden away from us from the other side although we sat on the board, we had
20 representation of the board. Most of the issues that we are now covering or we get they now come to the public domain we were not aware of. Including the fact of Allied Energy has not paid in full the assets that they bought from Agip hence the court case that Agip won in Nigeria. That effected our investment in Erin Energy which was entitled to the barrels that come out.

At the same time once we concluded this transaction around 2015 if my memory serves me well, the oil price came tumbling down from more than 100 dollars per barrel down to even 27 by the end of the year. So that affected the profitability and operating situation of the organisation to a point where that oil couldn't just sustain the operations properly and they couldn't raise money. That's why they looked out to the PIC for a guarantee of 100 million so that they can raise money to drill their additional well and that approval was done by the investment committee of the PIC. Tshukudu, Mr Tshukudu was never
10 involved in the transaction itself. He was just roped in to give advice on what could be done. What Mr Madavo and the others did with that information I'm not sure but one thing I know is that he was party of the due diligence team that went to Houston in preparation for the approval of the guarantee. Mr Ndadza, well I don't have any comments because of what he said would have been taken to investment committee and investment committee would approve the investment on the basis that they are comfortable with the risks that they he is raising.

MS GILL MARCUS: Mr Tshukudu says, that he advised the PIC not to go ahead with the provision of the guarantee and to exit the equity
20 investment at the time and that is your expert person in your team giving that advice. How was that discussed?

DR DANIEL MATJILA: I can't recall how it was discussed but...
(intervention).

MS GILL MARCUS: Was it discussed at all?

DR DANIEL MATJILA: Most probably it would have been discussed

but one thing I know is that the investment committee to a decision based on the information that came from everyone within the organization that was tasked with the proposal.

MS GILL MARCUS: Thank you. I don't know if you've got other questions. No? Okay, Dr Matjila throughout your testimony and I respect the view you've taken about working with your team and listening to your team and you have emphasized the critical role of the various teams that you depend on your advice and don't make decisions on your own; that you building a team effort. But witnesses
10 coming before the Commission have testified the opposite and in fact, I'm not going to go through all of them but creating or raising the question of a climate of fear. The question that when Doctor Matjila says it must be done you have refuted that in your discussions but I want to just give you a couple of statements and get your comments on that from people who are clearly within the team that you respect. Mr Molebatsi stated that, in the case of AYO the documents submitted for consideration to PMC2 were the scoping report and not a deep dive report. He stated that the key weakness in this process is that investment professionals who manage the portfolio on a daily basis are
20 not empowered with the final decision on whether to take investment opportunities to the PMC or not. In other words, executives have the final right to instruct that the investment opportunity must be presented to the PMC. Executives don't change the document but create pressure as going to PMC assumes, they want the investment to be approved. He proposed that there should be a formal recording if any analysts do not

think that the investment proposal should be approved and the team view should be highlighted as distinct from the executive view where there is a difference of opinion. As CIO and CEO, did you listen to or engage the teams given the above reference to pressure and a way of addressing it?

DR DANIEL MATJILA: Commissioner, I was surprised with some of the comments that were made to this Commission. I was really surprised because people like Mr Molebatsi I work closely with and we have interacted on an ongoing basis. How they turn around to say what they
10 said it was a shock to me and it is still a shock up to now because what they said... (intervention).

MS GILL MARCUS: So, this was their surprise to you?

DR DANIEL MATJILA: What they said as far as I'm concerned is not true, is not true. I have not put any pressure on anybody whatsoever. I've allowed teams to do their work freely. I allowed them to voice their concerns. I have given the freedom to do what they like within parameters of course because if you give too much freedom you will end up with people like Magula doing what he was doing.

MS GILL MARCUS: Sure.

20 **DR DANIEL MATJILA**: So, you have to be also firm in ensuring that the operation runs smoothly and it achieves what it is supposed to achieve. And so, I was totally shocked. I must be honest with the Commission that some people said things and as I said, I mean some of them confided to me that they were put under pressure, enormous pressure and I wasn't surprised when they testified in the manner that they did.

That they were protecting themselves more than anything else rather than telling the honest truth about how the PIC worked. It was almost like people prepared somewhere singing the same tune about how bad I was which I don't agree with.

MS GILL MARCUS: I accept that you don't have to agree with them but it is what they have presented to the committee. I want to go to Mr Valgezi. In his evidence before the Commission he stated, I went and I'm quoting.

10 "I went to Molebatsi's office and expressed my disappointment and frustration with the CEO's actions that he had signed a subscription form ahead of PMC approval and Molebatsi shared my sentiment. This was the first time had ever seen anything like this in my career with the PIC."

In paragraph 16 (6) he states that, quote,

"The CEO should have done the honourable thing to declare to the PMC that the subscription document and the payment memo were signed ahead of the approval process and the business of the day was a ratification thereof."

20 We've had a lot of discussion about that precise point but this is coming from one of your senior people expressing concerns about your nondisclosure, material nondisclosure. What would your take on that be?

DR DANIEL MATJILA: I don't agree with Mr Valegezi. He says, a lay priest. He said, he was a lay priest.

MS GILL MARCUS: Oh okay.

DR DANIEL MATJILA: Yes. I don't know if lay priests are allowed to tell lies. So, God help him.

MS GILL MARCUS: We are not going into preachers... (intervention).

DR DANIEL MATJILA: We'll pray for him, we'll pray for him, we'll pray for him.

ADV SECHABA MOHAPI: Okay. Mr Tshukudu which quoted above in his statement reflects that no heed was paid to his expert views. You've spent a lot of time on how you listen to the advice of your experts and that this in essence has cost the PIC or the GPF at least US\$317
10 million.

DR DANIEL MATJILA: As I said... (intervention).

MS GILL MARCUS: That's ...[intervenes]

DR DANIEL MATJILA: Ja, I mean Mr Tshukudu I'm not sure if he was allowed to write a report for the investment committee because if that report didn't find its way into the investment committee then it's unfortunate because we would have probably included his comment. And if the PIC took a decision that he did was because they thought the risk would be manageable. There are instances where the team will raise issues, would raise risks but the transaction be approved because
20 of comfort that the risk can generate returns. That is not always the case by the way. There are instances. I mean... (indistinct). I mean Irene energy will be good example that a big risk has not paid off and because the key variable which is the oil price simply turned at the wrong time.

MS GILL MARCUS: Mr Tshukudu said that he gave the report to Mr

Modavho, Mr Ndalamo and Ms Solomons. Would all three of those people simply have sat on a report that advises get out of this investment now, you're going to lose more money? Don't go ahead with the provision of the guarantee. Surely, I mean, obviously Mr Modavho is very senior but surely that comes to the attention of somebody in a decision-making that we have this position taken by one of our experts in the fields. You were not aware of that at all?

DR DANIEL MATJILA: Ja, maybe if they could be asked maybe they have a better explanation than I am, than I can explain.

10 **ADV SECHABA MOHAPI:** I just got a couple of other questions. Do you think that the and we've gone through the DOA's in quite a lot of detail and obviously you've indicated that your preference is not just to use the DOA as it is indicated but to build the team and take team decisions? But do you think that the blanket authorizations provided to the CEO in practice because in practice you have huge discretion or authorizations, removed the substance of board, IC and PMC governance?

DR DANIEL MATJILA: No, I don't agree with that.

MS GILL MARCUS: It's not, I'm not making, I'm not stating something.
20 I'm asking a question to say, given that authorizations, given the delegation of authority, given the roles that they are different that they play do you think that authorization is, needs to be reviewed?

DR DANIEL MATJILA: It could be reviewed if the board has discomforts. At the end of the day it's the board that delegates. They are the one who decide what powers they could delegate and what is

the extent and the effectiveness of that delegation and the risk involved in there. They are the ones who must decide on that. If they have delegated too much they can always review and ensure that they reign in some aspects of their delegation to take better control you know but as it stands with the understanding that there is an asset management business is to be run which on a daily basis means that interaction with the JSE and many other players. You know if that is recognized to ensure that no unnecessary red tape is created to the disadvantage of the PIC because the more red tape you create in a competitive environment of listed investment the more the PIC will be buying high and selling low because they will be behind the careful all the time. So, delegation the board must decide what they want to delegate and what not to delegate depending on their assessment of risk.

MS GILL MARCUS: And obviously as a CEO and if there were your CIO you would also be members of the board?

DR DANIEL MATJILA: Yes.

MS GILL MARCUS: Would influence that?

DR DANIEL MATJILA: Yes.

MS GILL MARCUS: So, to got the balance, right?

20 **DR DANIEL MATJILA**: Again, again Commissioner. If it comes to the point where the board says management must not be members of the investment committee then it gives investment committee with non-executive directors more you know autonomy if I were to put it. More space to deliberate without influence from the executives the better and if it improves on the investment decision process that can be adopted

because at the end of the day transactions that get submitted to these committees are a recommendation of management which involves the executives of course. So, you may argue that there may be conflict there somehow because then they sit in that committee and deliberate and take a decision. So, that's an area that could be looked at.

MS GILL MARCUS: I would certainly think it needs to because you can't have a board that has oversight responsibility of their own decisions. So, I think there are certainly a lot of area for that. One of the issues that have come through repeatedly is a question of fees,
10 fees earned and related party transactions. This is a reputed issue in many of the transactions. The question for me would be, have you considered in your time as CIO and CEO the whole question of dealing with and you did indicate just now that you did not have related party transaction policy? Do you have fees policy? Is there a fees policy about who earns what fees for what in a transaction? I mean the question that we've had here on a number of things has been you know fees paid to a person who comes and brings the deal, gets the deal done and then gets fees for finding it. There's been a lot of that kind of issues coming up.

20 **DR DANIEL MATJILA**: I think Commissioner the issue of fees has been on the table for a long time and for some reason it has, it's just been avoided you know. We've placed it many times to say can we discuss this issue of fees because these are actually a problem because that behaviour and bad transaction are probably a result of fees because someone wants to make a quick buck or a quick fee and they walk

away. They don't have anything to lose. They just facilitate the transaction or whatever function they do and they walk away. The PIC and the promoter and whoever sits with the transaction you know. So, we have on a number of occasions attempted to get the board around the table to discuss the issue of fees and when I left the discussion had not taken place properly. There have been several occasions. I think that needs to be looked at deeper because we probably hear at the Commission as well because of fees, evidence that have been uncovered here around who got paid what sort of fees and so on you know. It's been problematic and it must be looked at very quickly.

MS GILL MARCUS: In that regard you've indicated that fees and that have not been something that you've paid attention to. If it's been that problematic as CEO why didn't you pay attention to it and when you took the matter to the board is it a written proposal that was tabled?

DR DANIEL MATJILA: It was not a written proposal yet. We were starting discussions around what, how we should handle fees and what sort of policy should we start thinking about in order to deal with the issue of fees. I have not been directly involved with fees because those are part of the transactions and once that is approved and there is a team administration and so on that deals with the payment of fees you know. That is the extent which I'm involved will be at approval of the transaction level quite honestly. So, so, this issue of fees we have tried to put it in front of the board to start open up discussions so that we can solve it because it was in the media at some stage you know.

MS GILL MARCUS: And the question that I would also ask is, in terms

of the IMA, the PIC warrants that all dealings on behalf of the GEPF will be conducted on an arm's-length basis in the open market. Has this in fact been the case?

DR DANIEL MATJILA: Can I get an explanation of that?

MS GILL MARCUS: Well, the IMA that you have says the PIC warrants that all dealings on behalf of the GEPF will be conducted on an arm's-length basis in the open market. Are you comfortable that that has been the practice of the PIC?

DR DANIEL MATJILA: I think by and large that would have been the
10 practice especially in the listed space where there is an exchange where deals can be done at arm's length but of course in unlisted space you pick up one or two issues around related party transactions and so on and so forth.

ADV SECHABA MOHAPI: Just a final question from me in terms of IO in terms of IO transaction. I mean that transaction has taken so much ink you know. We have spoken so much about it and all that. According to you, I mean what could have gone wrong there? What went wrong or alternatively what could have been done right? On a broad basis what has gone wrong there?

20 **DR DANIEL MATJILA**: I think Commissioner, the idea was a good one.

ADV SECHABA: Hm.

DR DANIEL MATJILA: I think I still support it. I think the problem was in the execution.

ADV SECHABA MOHAPI: Hm.

DR DANIEL MATJILA: You know how it was put together and of course

JSE process was followed we believe, the way it is supposed to have been followed and when on the other side you work with people who are driving a certain outcome without you knowing on the inside because you only working with the document. It's quite difficult until someone tells you or someone comes to this Commission and raise all kinds of issues that if we had known, this transaction would have been handled differently you know. So, so, unfortunately that's the challenge has been governance around this transaction to the point of execution that has failed in my view.

10 **ADV SECHABA MOHAPI:** And what could have been say the failures from the PIC side there because you are mentioning governance and at the PLSs and you know but what, what could have been you know from the PIC side?

DR DANIEL MATJILA: I guess I mean it again the issue of time pressure that has put up in a situation, you know but I don't think we would have discovered many other things that were said in this Commission if someone did not tell us, alert us, I mean despite the short time that was there, if someone doesn't blow the whistle to say there is this happening, this has been adjusted this way and so on, to
20 make the transaction work and you don't know and you get approval of the prelisting statement there is not much you can do, so it is really about the nature of the counterparty you are working with and how honest they are. You can do a transaction in the shortest space of time, if you work with the right quality document that is done honestly and accurately, you can do a big transaction in no time, but if people

are allowed to crook the books and get them signed off by reputable institutions that are supposed to give you comfort that everything is okay, you can take a decision based on that then you have a problem, there is not much you can do, even if you are to do it in six months or twelve months if that information doesn't come up, because I don't think you have a way of saying I am going to get special treatment and demand information differently from what the other investors would be exposed to, then it becomes unfair you know, so ja, I think the issue of the quality of information and the very importance of PLS that is supposed to have the right disclosures as explained by the JSE, accurate information approved by reputable institution to give comfort to investors that they can use that information to make investment decision, there seems to have been a problem in putting that information that information together, insofar as I am concerned.

ADV SECHABA MOHAPI: Could you say then one big lesson would be to make sure that you really interrogate the PLS or you would still say that the PLS is fine and ...

DR DANIEL MATJILA: The PLS is supposed to be fine, it is designed to give you quality information to make investment decisions and all, approved by the regulator and approved by regulator approved institution to give you comfort, that is what it is supposed to do. Now if it is not doing that because of various reasons that were give here then you have a problem, it does not matter how long you can take in your duties because there is this paper only that you are using to interrogate your numbers, that's ...

ADV SECHABA MOHAPI: To ask this question again differently let us assume this transaction was done around June or August or whatever, there was enough time and you could hold PMC's, this was in December time and all that, do you think the same problems that we are seeing now could have been – could have happened, or maybe detected.

DR DANIEL MATJILA: And someone – ja, and someone is honest in the process to say to us guys I am working on the PLS but I have been told to adjust this and that to make the price this way and that way, that
10 would have changed our view on the transaction, but whether it is six months or twelve months and that information is not revealed then you are still going to work on the same information, come to the same conclusion because you think it is the quality information that you are using.

ADV SECHABA MOHAPI: So you are saying that there was no way, no amount of due diligence could have picked up the problem, is that what I am hearing?

DR DANIEL MATJILA: I don't think so. I don't believe so. Unless we say this would have been approached differently similar to an unlisted
20 investment we disregard the PLS and demand to do it like an unlisted investment which would be a different approach altogether, I don't think then it becomes an IQ approach as the JSE would allow it under those circumstances.

ADV SECHABA MOHAPI: Right, thanks.

MR EMMANUEL LEDIGA: We are hopefully going to get onto your

recommendations just now but can I just ask what I consider to be just simple questions. Firstly on Sagarmatha the PIC rejected their ...[indistinct] application for you to invest, but it still went to the JSE where the listing was rejected. Do you know anything about whether other investors, they got other investors to take the PIC's part?

DR DANIEL MATJILA: My understanding is that once the JSE rejected it was over, it could not be done.

MR EMMANUEL LEDIGA: I would have thought that they wouldn't proceed to the JSE when the PIC had rejected their proposal.

10 **DR DANIEL MATJILA:** Yes, because if the JSE rejects then there is no listing in other words.

MR EMMANUEL LEDIGA: No, that I know, I am trying to find how they got there, because the PIC rejected their proposal to invest. I would have thought that the matter would end there until they get other investors, even to go to the JSE, or am I wrong?

DR DANIEL MATJILA: I think the JSE did not approve the listing but the process leading up to the listing would have happened anyway, of trying to get investors to subscribe, you know hence PIC was doing its own work with a view of investing eventually, which investing will be in
20 the form of signing that irrevocable subscription, that did not happen, and then the JSE also terminated the listing.

MR EMMANUEL LEDIGA: Look I understand from that answer. Onto another ...[intervenes]

MS GILL MARCUS: I just want – sorry just then on that, given that as we said earlier just to reiterate can we get some record of the rejection

of investing in Sagarmatha please, whichever the record is to have told Sekunjala that there would be on investment in Sagarmatha, whether it's an email or whatever it is, about that decision and who took that, or who did the communication around it, so we can just clarify the sequence of timing there, thank you.

MR EMMANUEL LEDIGA: Alright the next question there is a lot about the leakage of confidential information, what do you regard as confidential information of the PIC that was leaked or other confidential information?

- 10 **DR DANIEL MATJILA:** So confidential information would be on the transaction side most of the information is confidential, because it will involve financials of a company, the IP and all of this that is contained in the investment proposal including numbers and so so if it lands in wrong hands they can know what the competition is up to and how they are positioned and so on and so forth, so the transaction side there is that insensitive information that PIC has to secure as it deals with the different companies and counterparties, and then on the PIC side things like minutes of meetings which must be confidential you know because they may contain similar investment information and other
- 20 people's information on top of that, you know so decisions of the Board that are supposed to be confidential and so on and so forth, so those are – that is the nature on the corporate side, sensitive information about decisions of the Board and deliberations etcetera, and then on the investment side critical information that belongs to companies including IP, and so on.

MR EMMANUEL LEDIGA: Follow up there, some witnesses have come and said you know the follow-up is on whistle-blowing. Some witnesses have come and said you know they would like, they wanted to whistle-blow but you know if you whistle-blow and they've got problems with their CEO or their CFO or the top three and they have got a divided Board you know where they couldn't whistle-blow. How would one whistle-blow in that kind of a – you know set-up, situation? Because it is a difficult one the whistle-blowing in the PIC goes to the internal audit and then it goes to the CEO or the Audit Committee I think, but
10 how would one whistle-blow properly, I think given that?

DR DANIEL MATJILA: I think the policy is clear that if I am affected I don't have to see the reports, I can't see the reports, they must go straight to the Chairman of ARC or the Chairman of the PIC, or the CEO is affected it can go straight to the Chairman or the Chairman of the ARC, so I think the whistle-blowing process within the PIC is secure enough, it is very secure but if people have malicious intentions because they want to use the media for their own purposes in this instance that was the goal, you know they would go straight to the media and claim that the board is divided etc. etc. you know. But the
20 board, the board was not made aware of any such.

ADV SECHABA MOHAPI: Ja.

DR DANIEL MATJILA: Ja.

ADV SECHABA MOHAPI: But if they don't believe in the board, like they don't what, they don't trust it too you know. They think the board is factional and all that how would they you know try to escalate their

issues? They don't say trust the management internally, they are not sure about the board, how can they whistle blow?

DR DANIEL MATJILA: Well, I'm still not sure because all I can remember is one individual that claimed that the board was controlled by the CEO and therefore, they wouldn't, they decided to go straight to the police or work with the police you know but I'm not sure about the rest of the staff because the whistle blowing, I mean Mr Sibiya did use the whistle blowing process and his case was investigated by internal audit and concluded you know. So, I don't have an answer.

10 Well, some went to the Public Protector of course you know but I still believe that the whistle blowing platform at the PIC is robust enough to deal with matters and I wouldn't interfere. And, and there was a stage where I asked for the reports from internal audit. I think someone made the statement that I demanded the reports. I demanded those reports because I was concerned that perhaps staff is whistle blowing and their issues are not being attended to you know; various things that they are raising. I was hoping to find the reports that says so and so. So, that's why I needed those reports but all I got I think it's in the document. You will see that it is other things. The only thing that
20 PIC linked would be Mr Sibiya's case.

MR EMMANUEL LEDIGA: We are also required to make recommendations with regard to, well if we find that there is no, I can't get the term now. Or there is no security so that confidential information doesn't go out. Now obviously confidential information to go out which means something needs to be done. Have you got any idea

what needs to be done in order to make sure that it's secure?

DR DANIEL MATJILA: Commissioner, before I left, I had tasked as per board decision or mandate to find ways of securing the PIC environment. I was tasked with that and I approached BCX who worked very hard to first test our systems of security of securing information and recommend on the way forward and they were working full steam to provide a solution; a comprehensive solution when I left. For the first time, our documents were now labelled strictly confidential where it's appropriate. So, just labelling of documents because if my memory
10 serves me well the first MSTKs when I asked my colleagues to go and at first James Nogu case when I asked my colleagues to go and open a case. They went there with an MST memo that had no security or classification at all you know and the police were unhappy. They said, well this is not confidential so we can't open a case you know. Very simple things like that had been put in place; encryption of information, many other things that were happening when I left including security awareness. We ran a full steam PIC wide security training; IT security training technology-based. Which compelled every PIC user of the computer to go through the training or else they are not allowed access
20 to use PIC computers and that was done successfully you know. So, it was awareness and many other things and putting the right infrastructure to secure the business. I don't know how far it's gone but there was a comprehensive plan around that. Maybe the Commissioners can, can find out how far they have gone with that with that project.

MR EMMANUEL LEDIGA: Okay. I particularly needed some assistance

in that regard. Lastly, your final separation with the PIC, was it all because of the James Nogu revelations or alleged revelations or was there something else? What is it really that divided the board some wanting you to go, some not? What was it if you are able to give me some indication?

DR DANIEL MATJILA: Commissioner, I can't really get a handle on it but I can only speculate that the manner in which we were running a tight ship within the PIC might have angered some people you know including the transaction processing and the plans around how we want
10 to take the PIC to the next stage. After being so successful, I don't think it was necessary supported by many or by some. And so, the hostile environment had to be created starting with a mere allegation about MST and the fact that I gave alleged girlfriend 21 million which wasn't true but that was sustained in a big way by the media you know. To make sure that it's there and it doesn't go away. The board after clearing me there were some raised issues and out of that the board was undermined as I said after taking that decision and this thing was thrown back into another domain. And that sustenance you know you can imagine what it does to me as a person and my family you know. I
20 even lost my mother by the way because she was not well and in the midst of all of these things' allegations around the girlfriend, something that is very foreign to her to hear about me you know didn't take well in May last year in May 2018.

And so, this onslaught continued you know and some directors that I've worked with nonexecutive directors that have assisted and

guided in us driving the PIC to where it is - were always supportive and they have been honest with me. Where I am wrong, they would tell me that I'm wrong and guide on how I should move on things and continually recalibrate our processes to their satisfaction. Ayo transaction became a good one in this strategy of engineering my downfall from MST. When MST didn't work, they try to many other things, all sorts of allegations by, by the whistle-blower that we spoke about from Leihlo la leihlo and so on and so forth making all kinds of spurious allegations. All of them supported or sustained by the media
10 to make sure that they are there for a long, long time wearing me out in the process. And also, those who support me in the board probably felt too exposed. At a point where in July I then, the board lost Ms Fubu and Doctor Manning. It became very clear that I'm facing serious headwinds you know. So, that grouping now obviously their percentages increase on the board and therefore, they stand in a much stronger position to do what they had to do.

And then we had the Chairman that came in three or four months later without any induction. He gets into the thick of things and he doesn't agree with the board's decision and so on and so forth and
20 that became clear to me that I don't have support of the Chairman. I'm going to have even a steeper mountain to climb but I tried to hold on. And most importantly working with the team that I worked with for years you know continuously appraising them but what happens to the PIC; the allegations, all investigations that were now being done by the Minister, the previous Minister Gigaba demanding all kinds of

information around the PIC. All of those adding to pressure, a series of transaction that didn't make sense and many other political connected people that came and unfortunately their deals couldn't pass the test. At times I even think that maybe this Ayo transaction upset a lot of people that believe they probably had better transactions than the Ayo but we had a different view because Ayo is long-term versus some of the short-term deals that we were looking at. Including just exchange of BEE shares by to another BEE that is not creating any value in sectors that are dying you know.

10 So, I gotten to a point where I realized that probably Ayo was just one opportunity for a push to my downfall; engineering of this downfall you know. I sometimes use to sit and think that you know a cat with nine lives. I must be on the edge. So, there was a stage when I felt that I think I am now done. There is no life left and I had to take a conscious decision. Of course, my family has always said to me you've done your bid within three years within, in the PIC as a head. You've achieved so much. Just let go. I said, but this is an unfinished story. I can still do it unaware that things will start that are going to be bad. And me appearing in this Commission was to say, I have built a career
20 in 15 years. I think I've done well. Only to be destroyed by handful of people who come and tell the Commission how bad the PIC has performed and so on and so forth telling what I believe was not true at all you know. Projecting the PIC as this terrible organization that doesn't care for its people; suspensions around IO. You know very smart people that we've employed from the private sector that have

driven the PIC to success. To be suspended on the basis of a draft report that is handed to the board in an afternoon and deliberate that evening and people get suspended like that and their suspension is made public.

That hurt me a lot because these are people that I've worked with. People of, knowledgeable people, qualified, great people that have built the organization into what it is. But Commissioner I think there were people who didn't want me. They have the means and the resources and probably the strategy to deal with me and the headwinds
10 were just having and I decided maybe it's time to shift. And in my shifting in line with my employment contract that says, you must give notice, negotiate with the board the exit and so on. I performed all of that but they took it as an opportunity to kick me out. They said, no, no, this is a letter of resignation and therefore, you must go the next day. I have indicated I had indicated that I will participate.

I want to participate in this Commission because I'm sure I can help the Commission in one or two things, you know. They refused to pay me. I have outstanding LTI and LTI that they've promised to pay in three years and so on that had not been paid. I've been finding there's
20 dozen appearances that I made to this Commission out of my pocket because I felt strongly that I need to go and present myself before the Commission you know. So, it's unfortunate that I was told after 15 years at the PIC late in the evening. It must've been around 06h30 that I'm no longer wanted and I had to leave the same day. I've never set foot at the PIC until the 23rd of November but I'm happy I've been with

my family. They see me more. Life is better.

CHAIRPERSON: Yes, thank you. Before I give my colleague an opportunity, I just want to say I'm really sorry about the loss of your mother at this time or you know when all this was happening. I'm sorry to hear that. Okay.

ADV SECHABA MOHAPI: Just a follow-up question in terms of the media leaks and you know we saw the dribs and drabs of transactions coming through with hindsight and I know I mean you know it's a, it's a PR issue. And you know the media once they got something, they're
10 going to keep at it you know. Did you guys think about doing a big press conference and address all the transactions, all the big issues in a very long big, big press conference and all that so that at least all the transactions could be addressed in one day, one sitting?

DR DANIEL MATJILA: You know, Commissioner, the PIC is in a, in a difficult spot because you have FIAS Act that says you mustn't just you know. You need to seek permission when you talk about other people's affairs and so on you know. And we were happy to publish records of unlisted investments you know in a controlled. Obviously, we can't show everything you know but we were happy and so we were happy if
20 parliament asks us to do that but the problem is that we need a clearance from the clients as well as our counterparties. To say, they are happy that we can do those transactions you know because we had not done so in the past. Now... (indistinct) in the future whoever transact with the PIC if that's what the PIC is going to adopt will be a clear policy that will be known to the counterparty. That if you transact

the PIC you must know that we are going to hang your linen out there in the public because we need to be transparent in many ways you know. So, my view is that that will help once PIC adopts the kind of approach to say, when you transact with us know up front it's part of the relationship that some portion of your information will be made public. I'm sure it will also improve on the quality of transactions as well because you know chance takers wouldn't want to venture into PIC and get exposed in that way you know. So, so, I think going forward transparency will be much easier if it's known up front that when you
10 transact. But working backwards historically you have to make sure that you don't upset you know or you don't breach agreements that you have with some of your counterparties in the transaction including of course the regulator and the client itself because these are not our assets. The client must give us permission. It's even better if the client publishes the information or they can still instruct the PIC to publish the information but it's their information and not the PIC's.

ADV SECHABA MOHAPI: So, so there were some constraints actually to calling a press conference because of those, those issues.

DR DANIEL MATJILA: Those kind of concerns.

20 **ADV SECHABA MOHAPI:** Those kind of issues, ja.

DR DANIEL MATJILA: Yes.

ADV SECHABA MOHAPI: But in the past, you know in the future I guess if this happens again then the PIC will be in a better position to calling the media and say this is the situation, this is what's happening.

DR DANIEL MATJILA: Even you don't agree up front once they

conclude the transaction with the various parties that now let's announce. We've now concluded the transaction. Media come, let's tell you what it's about, how is going to change the world etc. how, ja.

ADV SECHABA MOHAPI: Okay.

DR DANIEL MATJILA: You know how it's driving inclusive growth and so on and so forth. I mean so that the media is or the public is informed around the activities of the PIC in a lot more transparent manner.

ADV SECHABA MOHAPI: Okay, alright thank you. Thanks.

CHAIRPERSON: My colleagues, can we have a short break just before
10 we get onto recommendations? How long? 10 minutes.

INQUIRY ADJOURNS

INQUIRY RESUMES

CHAIRPERSON: You're still under oath Doctor Matjila.

DR DANIEL MATJILA: Yes, Commissioner.

ADV ALEXANDER ROELOFSE: Thank you Commissioner.
Commissioner before we turn to recommendations, I just have some questions for Doctor Matjila, two broad areas.

CHAIRPERSON: I'm sorry I should have, I should actually have come back to you. I'm sorry about that.

20 **ADV ALEXANDER ROELOFSE**: No difficulty Mr Commissioner. Firstly, just regarding the issue of ratification and then secondly, just regarding the issue of Ms More's knowledge of the conclusion of the subscription form by it being signed. So, with your leave I'm just going to ask those questions. My questions are structured in such a way that I'm just really referring to passages out of documents in the annexures that are

part of Doctor Matjila's statement and I hope to clarify the issue of ratification by means of doing that. Thank you. Doctor Matjila, you've told us that you were doing the Ayo transaction if one can put it in that fashion in terms of Section 6.2 of the Delegation of Authority. That involves PMC approval and not Section 8.1.2 which involves CEO approval. Is that correct?

DR DANIEL MATJILA: That's correct Commissioner.

ADV ALEXANDER ROELOFSE: Okay. Now there's been some discussion about whether ratification by the PMC is possible and I just
10 want to refer you in that regard to the minutes of the IC meeting on the 30th of May 2018 which is annexure DD70.

DR DANIEL MATJILA: Seven zero?

ADV ALEXANDER ROELOFSE: Seven zero Mr Commissioner. It is, it's the fifth page in on DD70. Begins at the fifth page in on DD70. You got it?

DR DANIEL MATJILA: Ja, I got it.

ADV ALEXANDER ROELOFSE: Fifth page in. It's headed extract from the minutes of the investment committee meeting held on 30 May 2018. Thank you, Mr Commissioner. Now Doctor Matjila, this is an extract
20 from the minutes of the investment committee meeting held on 30 May 2018. Is that correct?

DR DANIEL MATJILA: That's correct.

ADV ALEXANDER ROELOFSE: Deals with listed, this section deals with listed investments and he deals with the participation in the Ayo technology solutions private placement.

DR DANIEL MATJILA: That's correct.

ADV ALEXANDER ROELOFSE: Is that correct?

DR DANIEL MATJILA: That's correct.

ADV ALEXANDER ROELOFSE: Paragraph 7.1.1 says,

“The committee discussed the internal audit reports on Ayo technology solutions Ayo private placement distributed at the meeting before considering the report submitted by the listed investments team.”

Is that correct?

10 **DR DANIEL MATJILA**: Yes, correct.

ADV ALEXANDER ROELOFSE: Then I just want to refer you to paragraph 7.1.9 which is the second last paragraph, that document.

DR DANIEL MATJILA: I'm there.

ADV ALEXANDER ROELOFSE: 7.1.9. What it states is the committee noted that the transaction was done in terms of Section 6A 6.2 of the DOAU. Agree with that?

DR DANIEL MATJILA: I agree.

ADV ALEXANDER ROELOFSE: That the DOA allows for ratification retrospectively and acknowledge approval of the transaction was within
20 the PMC lease delegated authority. Is that correct?

DR DANIEL MATJILA: That's correct.

ADV ALEXANDER ROELOFSE: So, this is the investment committee which is a subcommittee of the board confirming that that particular section that you did the Ayo transaction in terms of, allows for retrospective ratification and approval is within the PMC's authority. Is

that correct?

DR DANIEL MATJILA: That's correct.

ADV ALEXANDER ROELOFSE: And then subsequently, ultimately if we go on to two pages onto the extract from the minutes of the investment committee meeting held on the 8th of August 2018. Are you there doctor?

DR DANIEL MATJILA: I am.

ADV ALEXANDER ROELOFSE: Also deals with Ayo technology solutions private placement. Is that correct?

10 **DR DANIEL MATJILA**: That's correct.

ADV ALEXANDER ROELOFSE: An 11.12.4 says,

The PIC should always endeavour to approve transactions as a committee and avoid ratification of transactions.

Is that correct?

DR DANIEL MATJILA: That's correct.

ADV ALEXANDER ROELOFSE: IC had no difficulty with the fact that this particular transaction being Ayo could be ratified retrospectively by the PMC.

20 **DR DANIEL MATJILA**: That's correct.

ADV ALEXANDER ROELOFSE: And perhaps just to guild the point, the ratification, retrospective ratification of transactions is not a reserved... (indistinct) matter in terms of the delegation of authority. Is that correct?

DR DANIEL MATJILA: That's correct.

ADV ALEXANDER ROELOFSE: One can have a look at annexure DD14 pages 279 to 280 and it is not listed there. Is that correct?

DR DANIEL MATJILA: That's correct.

CHAIRPERSON: Can just repeat the reference? DD14?

ADV ALEXANDER ROELOFSE: DD14 pages 279 to 280.

DR DANIEL MATJILA: That's the delegation of authority.

CHAIRPERSON: Is it 1.4, 14? DD14?

ADV ALEXANDER ROELOFSE: One four.

ADV SECHABA MOHAPI: 279 to 280 neh, okay.

10 **ADV ALEXANDER ROELOFSE**: Yes, at pages paginated pages 279 to 280 of the annexure bundle. The point is that those are matters that are reserved for the board alone in terms of the delegation of authority. The retrospective ratification of investment is not one of those.

DR DANIEL MATJILA: That's correct.

ADV ALEXANDER ROELOFSE: Then Doctor I just want to refer you to your statement paragraph 475 page 167.

DR DANIEL MATJILA: I'm there.

ADV ALEXANDER ROELOFSE: Are you there?

DR DANIEL MATJILA: Yes, Commissioner.

20 **ADV ALEXANDER ROELOFSE**: You say there that the purpose of the PMC meeting that's referring to the meeting of the 20th of December 2017 and the resolution was in truth to ratify the Ayo transaction which it was known had already been concluded by... (indistinct) and Mr Molebatsi's signatures of the private placement subscription form on 14 December 2017. Is that correct?

DR DANIEL MATJILA: That's correct.

ADV ALEXANDER ROELOFSE: Then what I'm going to do is I'm going to refer you to annexure DD70 seven zero. Again, this time to the first page of that annexure. DD70, is the first page the extract from the minutes of the investment committee meeting held on 8 May 2018. Are you there doctor?

DR DANIEL MATJILA: I am.

ADV ALEXANDER ROELOFSE: Okay. This is a report on IO Technology Solutions Limited. Is that correct?

10 **DR DANIEL MATJILA**: That's correct.

ADV ALEXANDER ROELOFSE: It states there in paragraph 6.1 that the committee received a submission from the listed investments deal team providing background on the process followed during the approval of an investment of 4.3 billion in Ayo Technology Solutions Limited, Ayo. Is that correct?

DR DANIEL MATJILA: That's correct.

ADV ALEXANDER ROELOFSE: Paragraph 6.2.4 reads as follows,

20 "Approval and ratification of PIC's participation in the private placement were obtained at a special portfolio management committee listed investments PMC lee meeting held on 20 December 2017 after which funds were disbursed on the 22nd of December 2018. Approval of the transaction..."

Sorry, you agree with that?

DR DANIEL MATJILA: I agree, I agree.

ADV ALEXANDER ROELOFSE: And approval, it's paragraph 6.2.5

says,

“Approval of the transaction was obtained in line with the delegated authority of the PMC listed investments.”

Is that correct?

DR DANIEL MATJILA: That’s correct.

ADV ALEXANDER ROELOFSE: Now we know that the resolution at the meeting of the PMC on the 20th of September 2017 says that the conclusion of the transaction was approved not ratified. Is that correct?

DR DANIEL MATJILA: That’s correct, ja.

10 **ADV ALEXANDER ROELOFSE**: That it was always... (intervention).

CHAIRPERSON: Sorry, you mean December?

DR DANIEL MATJILA: December.

ADV ALEXANDER ROELOFSE: December, I apologize. That it was always the intention to seek ratification. Is that correct?

DR DANIEL MATJILA: That’s correct.

ADV ALEXANDER ROELOFSE: And you’ve been of course asked why then that wasn’t raised and you’ve given an explanation in regard thereto but I want to refer you to Ms More’s statement and she was the Chairperson of the meeting. Is that correct?

20 **DR DANIEL MATJILA**: That’s correct.

ADV ALEXANDER ROELOFSE: And if you can have, well I’ll read up paragraphs 6.8.17 of her statement. 6.8.17 of her statement.

“Following my signing of the disbursement memo and in an attempt to follow up on the conditions I made when appending my signature thereon, I contacted the executive head risk Mr

Paul Magula to establish the risks position on the IO transaction. Mr Magula alerted me that that the requisite 75% voting threshold for the round Robin resolution was not achieved (i.e. there was no PMC approval of the IO transaction). I then contacted the GM finance Mr Brian Mavuka informing him not to do anything further in relation to the processing of the disbursement memo until the transaction is duly approved. I further contacted Doctor Matjila informing him of the instruction that I'd given to the finance team and in the
10 circumstances this transaction can only be implemented if due process is followed i.e. PMC approval is obtained.”

Now you testified that Ms More had contacted you to arrange the meeting, the PMC meeting of the 20th of December 2017 to regularize the transaction?

DR DANIEL MATJILA: That's correct.

ADV ALEXANDER ROELOFSE: Is there any doubt in your mind that Ms More did not know that the transaction had already been concluded?

DR DANIEL MATJILA: I have no doubt Commissioner.

ADV ALEXANDER ROELOFSE: Now then I want to, so, we've then
20 discussed the fact that the resolution contains the word approval instead of ratify and it incorrectly captures the intention of that meeting. The IC gets told on the 8th of May 2018 that it was the intention in fact, to notice and ratify the transaction. Is that correct?

DR DANIEL MATJILA: That's correct.

ADV ALEXANDER ROELOFSE: And then what I want to you refer to is

a, the memo dated the 10th of May 2018. We have discussed this Commissioners and you asked for a copy of that which I believe to hand up. I have marked it as DD70.1 which follows in the chronological order between DD69 and DD71. You got it?

DR DANIEL MATJILA: Ja, I think I'm fine.

ADV ALEXANDER ROELOFSE: Have you got it?

DR DANIEL MATJILA: I've seen it.

ADV ALEXANDER ROELOFSE: This is a memorandum by the portfolio management committee listed investments.

10 **DR DANIEL MATJILA**: That's correct.

ADV ALEXANDER ROELOFSE: That's the same body who took this decision previously in terms of on the 20th of December 2017 to approve...

DR DANIEL MATJILA: That's correct, yes.

ADV ALEXANDER ROELOFSE: The transaction.

DR DANIEL MATJILA: Hm.

ADV ALEXANDER ROELOFSE: Under in the block headed opportunity overview it says,

20 PIC internal audit highlighted the semantic mistake made in requesting approval from portfolio management listed PMC to participate in Ayo Technology Solution Limited's IO private share placement. The intention was in fact to request notification in ratification of the transaction from the PMC.

DR DANIEL MATJILA: That's correct.

ADV ALEXANDER ROELOFSE: And the purpose of this submission is

to request notification or ratification from the PMC for participating in Ayo private share placement ahead of its listing on the JSE in order to regularize the approval request submitted on 20 December 2017.

DR DANIEL MATJILA: That's correct.

ADV ALEXANDER ROELOFSE: Is that correct?

DR DANIEL MATJILA: That's correct.

ADV ALEXANDER ROELOFSE: And then subsequently, the PMC in fact notes and ratifies the Ayo transaction. Is that correct?

DR DANIEL MATJILA: That's correct.

10 **ADV ALEXANDER ROELOFSE**: Now I'm just going back to one further aspect. You had said to Mr Molebatsi as well at the time that you co-signed the subscription form that the transaction would be ratified.

DR DANIEL MATJILA: That's correct.

ADV ALEXANDER ROELOFSE: That the Commissioner asked you if that proposal emanated from you and you confirmed that was so.

DR DANIEL MATJILA: That's correct, yes.

ADV ALEXANDER ROELOFSE: So, you were always looking for ratification?

DR DANIEL MATJILA: Ratification, hm.

20 **CHAIRPERSON**: Yes, but to see this is where one wonders why it was never brought up. If you always had in mind that this will be ratification meeting and people in that meeting speak of approval or think that this is for approval of the transaction. That's why I asked you the question, why didn't you correct that?

ADV ALEXANDER ROELOFSE: If I can refer the Commission and the

witness to paragraph 485 of his witness statement. He does cover this issue. So, it says,

“Speaking for myself at the time I did not see the practical difference between an approval of the transaction post its conclusion and a ratification of the transaction post its conclusion. To me they meant the same thing.”

So, I think... (intervention).

ADV SECHABA MOHAPI: Insofar as IOPs are concerned.

ADV ALEXANDER ROELOFSE: Yes, so, if I understand you Doctor
10 Matjila correctly you saying that practically they were the same thing?

DR DANIEL MATJILA: They have the same effect because in an IPO you would have signed off the subscription you know before the deadline as is expected.

ADV ALEXANDER ROELOFSE: They have a theoretical difference of course. The one occurs before the conclusion of the transaction i.e. an approval. The other one occurs after the conclusion of the transaction but the practical effect is that they both if one wants to use a neutral word, consent to the conclusion of the transaction.

DR DANIEL MATJILA: That’s my understanding Commissioner.

20 **ADV ALEXANDER ROELOFSE**: Thank you. I don’t have any further questions.

CHAIRPERSON: Thank you. We can then carry on.

CHAIRPERSON: Can I just?

CHAIRPERSON: Okay.

CHAIRPERSON: I think what you’ve placed before us would take us

back to the discussions we've been having all day. So, I think it's for noting otherwise we're going to reopen the whole discussion.

DR DANIEL MATJILA: Okay.

ADV ALEXANDER ROELOFSE: Thank you Commissioner. The intention was simply to refer you to useful passages in the documentation that you could consider in deciding this question.

CHAIRPERSON: But according to this memo the person who came with the semantic mistake is the audit, internal audit.

ADV ALEXANDER ROELOFSE: Yes.

10 **DR DANIEL MATJILA**: Yes, yes, he raised that issue.

ADV ALEXANDER ROELOFSE: Doctor Matjila would you turn to the section in dealing with recommendations.

DR DANIEL MATJILA: Thanks Commissioner. I will be very quick because I think with covered most of the things throughout the 12, 11 or 12 appearances that up made to this Commission. Very briefly.

CHAIRPERSON: I was more.

DR DANIEL MATJILA: Sorry Commissioner?

CHAIRPERSON: I was sitting here much more than 12 days.

20 **DR DANIEL MATJILA**: But I guess I've broken record in terms of witnesses.

CHAIRPERSON: But you also broke the record in terms of your statement. So, your statement determine how long you were going to sit in that chair.

DR DANIEL MATJILA: It reflects 15 years and 2 trillion.

CHAIRPERSON: And a few billion.

DR DANIEL MATJILA: Well, that would be sorted out I'm sure with the new arrangement and structures and so on and a good outperformance. Commissioner I think I, all I'm saying here is that I have a lot of experience. I've been exposed to this organization for a long, long time. If we go straight to 630, I'll just jump certain paragraphs where I believe there is some substance. I believe what will take the PIC, what will make the PIC a better organization post the Commission is a good vision, mission and value supported by an appropriate legal and regulatory environment. Operating module that has relevance to client
10 mandates, appropriate human capital management strategies and good leadership fit for a purpose investment government policies and processes and most importantly adequately IT platform. I think if we can go to the legal environment, I just want to touch on that briefly. I still believe... (intervention).

ADV SECHABA MOHAPI: Can I, just you know the one question on the vision you know? The question is this if you look at 633, six three three, are you saying that the PIC needs to lead in terms of the sustainable development goals the SDGs? This is actually what has one PIC awards PIC internationally as an asset manager.

20 **DR DANIEL MATJILA**: Yes.

ADV SECHABA MOHAPI: We were driving environmental, social and governance issues within our investment process.

DR DANIEL MATJILA: Ja.

ADV SECHABA MOHAPI: And that won us awards and then from there we then lifted the strategy to cover sustainable development goals. In

other words, building a portfolio that is decided to drive sustainable development goals within the mandate parameters of the clients.

DR DANIEL MATJILA: Yes,

ADV SECHABA MOHAPI: More arching to this company called Robeco I think.

DR DANIEL MATJILA: Robeco, is one such offerings in the global space.

ADV SECHABA MOHAPI: Yes.

DR DANIEL MATJILA: To allow us to have that technology that we can
10 apply even in the South African environment as well. I think they've done exceptionally well in that area. So, that partnership was designed to give PIC that capability.

ADV SECHABA MOHAPI: Alright, okay thank you.

DR DANIEL MATJILA: So, 634 I'm saying the PIC should be champion
in the present effort to raise R1.4 trillion. This is now the R100 billion, \$100 million, \$100 billion the president is raising because PIC is the biggest investor. I think we should at least be part of it and most importantly ensure that it's led by South Africans. We all know that the corporate South Africa is sitting on piles of cash. If you mix that with
20 the PIC at least you have most of the funds that are required to drive this from South Africa. Otherwise if you allow that to be foreign only it will have unintended consequences selling the country unaware. So, we have to be careful how we raise that money. Legal environment, I think the Commission will agree with me that the SARB has been independent. We stood all kinds of criticism and it has been standing

and operated quite well. I think PIC must consider that kind of module to make sure it is politicized in managing the funds of other government related entities. The role of the regulator becomes very important here... (intervention).

ADV SECHABA MOHAPI: Just a question there, ja. Sorry, I'll keep stopping you there in there you know. I got quite a number of questions there. Just in terms of 636 SARB, you the SARB is a, you know the, how it operates it's you know, is within the Constitution of the country you know. Like how would you make the PIC sort of an independent
10 body given that that is not you know in the Constitution? SARB is you know, it's independency is in the Constitution itself but the ex-governor is here. So, I'm sure she knows that.

DR DANIEL MATJILA: I thought the PIC Act will help insulate the PIC as well.

ADV SECHABA MOHAPI: Hm, sorry.

DR DANIEL MATJILA: If it's not the Constitution it could be the Act itself.

ADV SECHABA MOHAPI: Yes.

DR DANIEL MATJILA: PIC Act ensuring that it... In fact, I was looking
20 more at the SARB Act you know that regulates the Act as to how it operates that maybe PIC should adopt the same kind of approach.

ADV SECHABA MOHAPI: Ja, ja because in nowhere apparently, well there's the fund there, you know the oil fund.

DR DANIEL MATJILA: ... (indistinct).

ADV SECHABA MOHAPI: Yes, actually run within the central bank

there. Is that what you're saying?

DR DANIEL MATJILA: That's more or less the thinking. It may not be necessarily within the bank itself because those are oil, proceeds from the oil that are invested in different and it will be performed in the same kind of asset management but that reserves are for the country. Here we are talking about pension funds mainly of others. So, the mandates may be different because they are controlled by the clients on the other hand. So, I thought the legal environment allows it to play almost like the SARB in managing.

10 **ADV SECHABA MOHAPI**: Yes, the... (indistinct) Act. So, if we look at that and see whether the PIC Act could be.

DR DANIEL MATJILA: Exactly.

ADV SECHABA MOHAPI: Tweaked around. Is that what you're saying?

DR DANIEL MATJILA: Absolutely and also brings the issue of governance. I think the Commissioner kept asking whether the PIC has an advisory board or a management board. I think that should be thought of as well because I thought that the advisory board will be suitable that can be appointed by politician just to deal with that. But once you get in to the operations you need a strong investment
20 committee across different you know asset classes that are you know will talk about the structure. I think the PIC will have to be broken into... (indistinct) businesses that do not overlap and have issue with their own governance structure with holding company managed by this board of advisory board of directors you know.

ADV SECHABA MOHAPI: We shall come there because.

DR DANIEL MATJILA: And then the FSCA will take the responsibility of appointing or approving the investment committee because if you break it into listed investments, unlisted investments as an easy buy and unlisted property. In that way you can have IC as the key investment committee that deals with the affairs of the and the regulator must then approve the membership of the IC so that they are fit and proper and independent and so on.

ADV SECHABA MOHAPI: Ja, not, not the board. Just to the, sort or the part in IC... (intervention).

10 **DR DANIEL MATJILA**: The board can recommend but the board recommend to the FSCA to approve any such appointment you know because then the regulator will help in terms of clearing many other issues and ability to make investment decisions as well.

ADV SECHABA MOHAPI: Yes, and to approve them to think they must write to the exams, the re-exams?

DR DANIEL MATJILA: They should write exams because I've, I mean if the PIC really wants to compete like a coronation. Let's say the listed component of it you compare it with coronation then you have to have the right governance that drives performance, which means that the
20 investment committee will have key individual representatives mixed with people from outside with requisite knowledge to enhance the decision-making process.

So, the IC will have to be constituted to make sure that those who serve in IC their interests are aligned with the client in a way. And also, it's very important that the client's regulatory issues as well are

taken into account more especially that they are government entities most of them. So, their mandates, will discuss their mandate. Their mind must also talk to broader economic imperatives that the PIC must drive as part of the mandate.

ADV SECHABA MOHAPI: An issue here, we did speak about it. You know the pension funds, when you look at the JSE is made up of big companies, Naspers, BAT, Glencore and all that. I mean those companies don't make money here you know and the bulk of our pension funds are stuck there you know. How can we find a way to
10 invest money in our local economy, because I mean buying shares on Naspers and BAT doesn't help our country?

DR DANIEL MATJILA: I think the easiest will first be a definition of a benchmark.

ADV SECHABA MOHAPI: Hm.

DR DANIEL MATJILA: You may have a benchmark that is locally biased and you can mix that with a benchmark that has others. In other words, global exposures as we have, as you have outlined.

ADV SECHABA MOHAPI: Yes, yes.

DR DANIEL MATJILA: And then the regulation must come in to say
20 how much do you expose to the local benchmark and how much can you put in this non-domestic exposure, including your foreign allocation perhaps as part of your foreign allocation and at the same time then increase the waiting of unlisted investment in the Regulation 28 to ensure that ...(intervention).

ADV SECHABA MOHAPI: Ja.

DR DANIEL MATJILA: Unlisted investments are able to drive economy ... (indistinct) as you well know, you know then in that way you will ... (intervention).

ADV SECHABA MOHAPI: Hmm, hmm.

DR DANIEL MATJILA: Our attempt with things like IU if I may just tell you the IP what I was thinking here, was that we should be setting up IO type investments on the JSC covering different sectors. You are raising money to drive manufacturing, infrastructure, agriculture in the listed space because some of them are not represented there but you
10 can still use the listed JSC to put together those solutions for other investors for that matter. If IO was done correctly I think it would attract other investors, crowding other investors into driving technology, if you put together an IO in agriculture you know under pin by the PIC you do it while you attract others and you drive agriculture in that way, manufacturing the same story and so and so JSC could be a very good platform actually to create opportunity for those assets that are not necessarily represented that – but that are important for economy growth.

ADV SECHABA MOHAPI: So meaning that then you need – you are
20 saying then the JSC can break up the oil share basically into a local benchmark and a global benchmark?

DR DANIEL MATJILA: That is what I think and the regulators can say now this is how much you should be allocating to the local economy to drive ... (intervention).

ADV SECHABA MOHAPI: *Ja.*

DR DANIEL MATJILA: Economy – local economy growth.

ADV SECHABA MOHAPI: *Ja, ja.*

DR DANIEL MATJILA: And similar to that the biggest investor like the PIC can be pro-active in creating assets that are not listed on the JSC but that are important for economy growth.

ADV SECHABA MOHAPI: *Ja.*

DR DANIEL MATJILA: By listing things like IO in the agricultural space, IO in the manufacturing space and so on and so forth.

ADV SECHABA MOHAPI: *Ja, ja.*

10 **DR DANIEL MATJILA:** In that way you then crowd in other investors to drive sectors that are not represented on the JSE and in no time you will get a complete, you know, representation of the economy on the JSC hopefully.

ADV SECHABA MOHAPI: *Ja, yes because I have been thinking that does it make sense just to keep putting money in BAT and you know, I am not saying these are bad companies I am just saying I mean as a country does it make sense for us to keep just parking the money there you know ...(intervention)?*

DR DANIEL MATJILA: There has been ...(intervention).

20 **ADV SECHABA MOHAPI:** And not – *ja?*

DR DANIEL MATJILA: *Ja* Commissioner there has been instances if you look at how the oil share has performed relative to the economy, you see a huge dislocation at some stage the oil share was hitting new highs and it was Naspers and others, whilst the economy was not growing. You know that shows the serious dislocation, now if pools of

capital are sitting in the JSC and the JSC Oil Share is the benchmark then you have a problem because that money does not find its way into the economy. You know creating this benchmark of local companies and PIC being at the forefront of creating more opportunities to grow there is because you need a reasonable benchmark with critical mass for others to assist to invest in such. In that way that considered effort can really grow the economy a lot quicker.

ADV SECHABA MOHAPI: Okay thank you.

DR DANIEL MATJILA: I think we have touched on MOI's that is
10 something that can be sorted out very easily by the new board. Operating Model again, I will advocate that the PIC ...(intervention).

ADV SECHABA MOHAPI: *Ja* can I – just a question, just in terms of the CIO and the COO given that the structure that we are talking about will have sort of mini CIO's or so. Do you think you need a General CIO, sort of a Super CIO?

DR DANIEL MATJILA: We – *ja* because if we you say the PIC at the top, the holding company that will hold this will probably have listed investment within the holding company itself.

ADV SECHABA MOHAPI: *Ja, ja.*

20 **DR DANIEL MATJILA:** So that is where you will get Group CIO, Group CEO, Group ...(intervention).

ADV SECHABA MOHAPI: Okay.

DR DANIEL MATJILA: CFO, because at that level strategy needs to be formulated at the top and passed on to this subsidiaries for unlisted and listed and unlisted property to implement.

ADV SECHABA MOHAPI: Yes.

DR DANIEL MATJILA: Yes.

ADV SECHABA MOHAPI: Alright *ja*, okay.

DR DANIEL MATJILA: So the operating model will have to be along those lines and that that issue one of the subsidiaries will have its own investment committee, but the top being the one responsible for risk management at global level, not that there is no risk management happening at the subsidiary level but consolidating everything at the top and driving the investment strategy there.

- 10 **ADV SECHABA MOHAPI:** Then just in terms of the subsidiaries, are you saying they are going to have their own boards or it will be just internal boards. You know where the main people on the – people on the main boards serve on the subsidiary boards or you think there must be normal boards from the outside in order ...(intervention)?

DR DANIEL MATJILA: I know companies like to control and they will say but then the chairperson of subsidiaries will have to be appointed from the main board.

ADV SECHABA MOHAPI: *Ja*.

DR DANIEL MATJILA: To create an appropriate control.

- 20 **ADV SECHABA MOHAPI:** Yes.

DR DANIEL MATJILA: But you then need the right experts to sit, you know not necessarily sitting on the boards because then you go back to the same problem, ...(intervention).

ADV SECHABA MOHAPI: To the same problem.

DR DANIEL MATJILA: You know of what the PIC find itself trying to

do everything under one roof and creating potential for breach of the law such as competition because you have listed investment, unlisted investment. You know at times you look at the same sector competing companies, one unlisted, one listed and that can create serious problems for the PIC going forward.

ADV SECHABA MOHAPI: But then how would they report to the main board then if the – some of the people at the main board are not on the subsidiary boards?

DR DANIEL MATJILA: Come again?

- 10 **ADV SECHABA MOHAPI:** How would the main board know what the other companies are doing at the lower level, the subsidiaries?

DR DANIEL MATJILA: The risk management and the operations will have people that go and collect information all the time.

ADV SECHABA MOHAPI: Yes.

DR DANIEL MATJILA: They have to be there and I mean I am sure Liberty Holdings for example which will have subsidiaries like RNB and the Properties and others, you know will have some kind of reporting lines to the main board.

ADV SECHABA MOHAPI: *Ja.*

- 20 **DR DANIEL MATJILA:** Because that is where things get consolidated, but what is important is this Chinese walls that are created so that there is no movement of information laterally that is just across and not much can be done because the top is not necessarily making decisions you know.

ADV SECHABA MOHAPI: Okay.

DR DANIEL MATJILA: On behalf of the subsidiaries.

ADV SECHABA MOHAPI: Okay.

DR DANIEL MATJILA: And I mentioned 644 Liberty Holding could be looked at you know Sanlam I think has got the same characteristics it can be looked at and ...(intervention).

ADV SECHABA MOHAPI: *Ja* ...(intervention).

DR DANIEL MATJILA: If you talk about State Owned Entities without saying they are doing well or not doing well, you know you have I think it is a Central Energy Fund which has got Central Strategic Foil Fund
10 and Others. So in the public domain there is that kind of structure you know it can just be improved, you know make sure that it works you know so *ja*. Client mandates ...(intervention).

ADV SECHABA MOHAPI: Just another one, okay so you are mentioning that there should be four units is it not, four big companies there in 644?

DR DANIEL MATJILA: I actually ...(intervention).

ADV SECHABA MOHAPI: 6 ...(intervention).

DR DANIEL MATJILA: I actually see three.

ADV SECHABA MOHAPI: Three.

20 **DR DANIEL MATJILA:** So it will be the group with listed investments and strategy sitting and so on and so forth, research, development ...(intervention).

ADV SECHABA MOHAPI: Yes?

DR DANIEL MATJILA: And then you will have underneath unlisted investments that is IsiBaya in particular and then unlisted properties.

ADV SECHABA MOHAPI: Okay alright and then the – where would the – I think it is external managers, where would they sit? Do you want to mix them with the Molowatse's(?) team and all that because Molowatse is competing with them and ...(intervention)?

DR DANIEL MATJILA: I think in – *ja* I think in practise they are normally separate ...(intervention).

ADV SECHABA MOHAPI: *Ja*.

DR DANIEL MATJILA: So you can create a third one you are right.

ADV SECHABA MOHAPI: *Ja*.

10 **DR DANIEL MATJILA:** Of fund ...(intervention).

ADV SECHABA MOHAPI: Yes.

DR DANIEL MATJILA: Of fund ...(intervention).

ADV SECHABA MOHAPI: Of funds of funds or ...(intervention).

DR DANIEL MATJILA: Funds or funds.

ADV SECHABA MOHAPI: Or Multi Manager ...(intervention).

DR DANIEL MATJILA: Yes I think Old Mutual is like that and Other, they have got their own funds of funds ...(intervention).

ADV SECHABA MOHAPI: Funds yes.

DR DANIEL MATJILA: And Sanlam as well ...(intervention).

20 **ADV SECHABA MOHAPI:** Multi Manager, so ...(intervention).

DR DANIEL MATJILA: Multi ...(intervention).

ADV SECHABA MOHAPI: *Ja*, the – would you have the private equity funds of funds in the same pot with the Multi Managers, the externally managed funds? I would because those are two different skill sets, I mean and ...(intervention).

DR DANIEL MATJILA: *Ja* I think really it is all about how you want to use Multi Management, sometimes Multi Management if you do it well it could actually be a feeder to listed if you do not have this notion that people are going to steal IP from external managers and use it for their own ...(intervention).

ADV SECHABA MOHAPI: I am sure they will ...(intervention).

DR DANIEL MATJILA: But if it helps the Portfolio and they are comfortable I do not see any reason why, it is really ...(indistinct) to the bigger Portfolio you know.

10 **ADV SECHABA MOHAPI:** *Ja, ja, ja.*

DR DANIEL MATJILA: So I am in favour of say Private Equity Fund of Funds sitting with the Private Equity Team ...(intervention).

ADV SECHABA MOHAPI: *Ja* for ...(intervention)?

DR DANIEL MATJILA: Absolutely.

ADV SECHABA MOHAPI: *Ja.*

DR DANIEL MATJILA: And defining the Private Equity Team mandate as not necessarily direct investment as we do it, I would probably want to set up a Funds of Funds for co-investing, so in other word running a passive strategy in an unlisted environment and allowing the satellites
20 to be the ones doing active investments – so direct investment and if they need a big check they go to the PIC.

ADV SECHABA MOHAPI: PIC I see.

DR DANIEL MATJILA: You know for co-investments.

ADV SECHABA MOHAPI: *Ja, ja.*

DR DANIEL MATJILA: As supposed for PIC doing a R 4 Billion private

Equity transaction.

ADV SECHABA MOHAPI: *Ja, ja* okay.

DR DANIEL MATJILA: You know with the setup, unless the setup changes completely but you need lots of people.

ADV SECHABA MOHAPI: *Ja, ja.*

DR DANIEL MATJILA: And Mr Sithole was – did raise an issue that if he is going to pay more he will, for fees, he will be very reluctant to – you know to do so.

ADV SECHABA MOHAPI: *Ja.*

10 **DR DANIEL MATJILA:** But at the same time if you pay more fees but you get out performance that covers those costs then we all – it is a win-win situation.

ADV SECHABA MOHAPI: *Ja* then meaning that we are talking about four now, because we need – you say we need to have a separate Multi Manager there?

DR DANIEL MATJILA: Yes you can have now ...(intervention).

ADV SECHABA MOHAPI: For external?

DR DANIEL MATJILA: Exactly.

ADV SECHABA MOHAPI: Yes.

20 **DR DANIEL MATJILA:** So they can handle both listed and unlisted because these are just external managers that you allocate money to.

ADV SECHABA MOHAPI: *Ja.*

DR DANIEL MATJILA: I do not see chance of information you know filtering between listed and unlisted.

ADV SECHABA MOHAPI: *Ja.*

DR DANIEL MATJILA: As in the manner that it came.

ADV SECHABA MOHAPI: Oh I see yes.

DR DANIEL MATJILA: If we are all sitting in one room, so sensitive information must safeguarded that there is no insider training at all.

ADV SECHABA MOHAPI: Okay.

DR DANIEL MATJILA: In the PIC activities.

ADV SECHABA MOHAPI: Alright okay, so to come again, so give me those three or four units again, let us ...(intervention)?

DR DANIEL MATJILA: That – we agreed that funds of funds both
10 listed and unlisted is one piece.

ADV SECHABA MOHAPI: Yes.

DR DANIEL MATJILA: And then unlisted investment as in IsiBaya and then you have unlisted properties, then at the top at the holding company you have listed investment together with others, risk, Portfolio Management Evaluation and so on and so forth.

ADV SECHABA MOHAPI: *Ja.*

DR DANIEL MATJILA: That will be performing certain functions on behalf of the board to aggregate the information that is coming from the subsidiaries.

20 **ADV SECHABA MOHAPI:** Okay, alright *ja* I got that.

DR DANIEL MATJILA: Client mandate as well we have to be crafted to be relevant and you have raised the issue of JSC that if the monies are not used to grow the economy, the assets are not going to grow.

ADV SECHABA MOHAPI: Hmm.

DR DANIEL MATJILA: That has to be recognised that it would be nice

to see the JSC running when you are not stimulating the economy, the problems are bigger now as you can see them.

ADV SECHABA MOHAPI: Hmm, hmm.

DR DANIEL MATJILA: So funds must be used to grow the economy and the mandates must be crafted to be – to take care of that.

ADV SECHABA MOHAPI: Yes I think that – I think it was Mr Sithole who said or somebody that the biggest risk actually is to keep investing in the JSC, not in our economy.

DR DANIEL MATJILA: *Ja.*

10 **ADV SECHABA MOHAPI:** Because you know soon the job problems will continue, so that is a big risk for ...(intervention).

DR DANIEL MATJILA: That is the big risk.

ADV SECHABA MOHAPI: To have low economy growth, is it not?

DR DANIEL MATJILA: That is correct.

ADV SECHABA MOHAPI: *Ja* okay.

DR DANIEL MATJILA: And we talk about that, 647, you have UIF and CC, again this mandate should be biased towards job creation in sustaining jobs for Unemployment Insurance Fund and CC. More so now that the structure of the fund is five time fully funded in an
20 economy that is shedding jobs. So that could be a very important tool to deal with the current situation if allocation is made to job creation and a job saving initiatives.

ADV SECHABA MOHAPI: Another question, in terms of Mr Sithole, he said that if you have a new model – the ...(indistinct) model and you asked to increased fees you know as you said like he is just not going

to do it willy-nilly, you have got to demonstrate some – you know, some value there. How would you attack that?

DR DANIEL MATJILA: Looking at the PIC as it is now and the surpluses that we have seen throughout the years this model could be implemented over time and not even effect the fees.

ADV SECHABA MOHAPI: *Ja, ja*

DR DANIEL MATJILA: Because of the surplus, because PIC's cost to income ratio should not necessarily be the same as the cost to income ratio of a coronation because the structure is different. Unless PIC
10 charges performance based fees and all those kind of thing then you can change the model slightly, then you can change the model slightly to preserve the cost to income ratio because you will be making money on out performance. But if not then it means the cost to income ratio must be different, probably closer to 75% or so versus 55% target in other places you know. So that needs to be considered, a different model where the surplus is as small as possible to ensure that operations can function sufficiently. But if there is a change to what performance base fee is then a different model can be put in place with different cost to income ratio's, so there is still room. Human
20 Resources of course you need the best of the best and pay them properly and do not suspend them on standard operating procedures, because you are not going to get any of them to come to the PIC.

ADV SECHABA MOHAPI: And do you think say paying the 75th percentile works – does it work, I mean would you combine that?

DR DANIEL MATJILA: You pay them the 75th percentile and you can

pay them 50th percentile as long as you know that you dangle the carrot of out performance, you say if you out perform benchmarks in this way ... (intervention).

ADV SECHABA MOHAPI: Yes.

DR DANIEL MATJILA: This is how much you can participate.

ADV SECHABA MOHAPI: Yes, yes.

DR DANIEL MATJILA: You know.

ADV SECHABA MOHAPI: Hmm.

DR DANIEL MATJILA: And they will be happy to drive performance in
10 that way, because once you pay them a huge basic fee and very little performance base fee then they can only be lazy ... (intervention).

ADV SECHABA MOHAPI: Ja.

DR DANIEL MATJILA: Because their package is guaranteed whether they perform or do not perform.

ADV SECHABA MOHAPI: Yes.

DR DANIEL MATJILA: They still get their guarantee package anyway, so in an asset management you want to drive performance and therefore pay reasonable on the basic ... (intervention).

ADV SECHABA MOHAPI: Okay.

20 **DR DANIEL MATJILA:** But have incentives to drive performance.

ADV SECHABA MOHAPI: Alright good.

DR DANIEL MATJILA: And of course everyone must be approved in the right management with the right skills and knowledge. Investment Governance, I think we grapple with politically exposed persons as the biggest risk that need to be sorted out you know. Deal origination I

think ...(intervention).

ADV SECHABA MOHAPI: Can I ...(intervention).

DR DANIEL MATJILA: There was a lot of talk ...(intervention).

ADV SECHABA MOHAPI: *Ja* can we just dwell a bit on the peps because it is a headache – it is a major headache across the world you know this issue of peps and oil and how do you – do you think the PIC has got enough policy or action around that and is there something that needs to be done there, because peps are a huge problem. I mean you cannot deny them the opportunities but you need to find the way
10 because they are a huge problem you know.

DR DANIEL MATJILA: I will assume that they should be a combination of law and transparency.

ADV SECHABA MOHAPI: Hmm.

DR DANIEL MATJILA: That kicks in.

ADV SECHABA MOHAPI: *Ja*.

DR DANIEL MATJILA: You know whoever is a pep wants to do, then they know that they have to be happy to be scrutinized and be made known that they are being funded by the PIC.

ADV SECHABA MOHAPI: They have been funded and it is in the open
20 and ...(intervention).

DR DANIEL MATJILA: It is in the open and so on and forth you know.

ADV SECHABA MOHAPI: Just in terms of transparency and Stakeholder Management many people have been saying the PIC is not transparent, it is not talking to Stakeholders. Do you think that you know some have said the CO needs to do quarterly meetings or annual

results, they must do like what normal companies do you know like the IDC or Standard Bank and have a annual jamboree or whatever to talk to Stakeholders or they must have a – you know big meetings once a year, once in six months you know. What do you think of Stakeholder Management, Town Halls, you know some people have say even the CO of the PIC should have an annual Town Hall where everybody who has got questions they can come and ask, the investment strategy for the year, what do you plan to achieve so that people can bring proper transactions? Because people do not know what the PIC does you
10 know.

DR DANIEL MATJILA: I think that can be done it is something that the PIC should consider but we have always worked on the basis that our biggest Stakeholder here are the clients.

ADV SECHABA MOHAPI: Hmm.

DR DANIEL MATJILA: And adequate reporting to the clients and interaction and most importantly we report to on PIC operations activity, we are owned by a government so Minister has to present our annual report to Parliament and we go there and tell the nation how we have done on operations. But deeper details around investments
20 because we are using other people's money, we thought that could be handled by the clients themselves you know. But if there is some kind of a relationship – a much better relationship between PIC clients as the biggest Shareholder – a Stakeholder ...(intervention).

ADV SECHABA MOHAPI: Stakeholder *ja*.

DR DANIEL MATJILA: On how they are going to deal with the Product

Stakeholders – the public, I think we were working on that at some stage with the GPF you know and it was coming well. I think it has to be resuscitated so that we are not seen you know to be making GPF's money PIC's money or the PIC is not seen to be making GPF's money their money. They should be talking about PIC operational matters and the GPF talking on – about their assets, you know. So there is that that needs to be considered as well and that can be debated between the PIC and the GPF and the other clients and agreed on what sort of messaging or communication do we have with Stakeholders.

10 **ADV SECHABA MOHAPI:** Coming again there, do you think it might help the PIC to say on an annual basis that look this is our strategy, this is the sectors we are looking for, this is the kind of deals and then you know that for that year people know that they cannot bring these transactions, these are the key ones and you can get the best transactions you know for ...(intervention)?

DR DANIEL MATJILA: We – I think we had already started with that, we ran a big – this thing – tender process inviting – especially – I think it was Private Equity Managers, different sectors and so on and the next step was to say these are the sectors, you know exactly what you say you know that was planned at that time. But we also need to be careful that we do not end up creating you know what you call a put option for other people, for other investors that you know that you know no matter what the PIC will you know underwrite whatever ...(intervention).

ADV SECHABA MOHAPI: Big money is coming to this sector

...(intervention).

DR DANIEL MATJILA: You are not going to lose money as long as you use the PIC to ...(intervention).

ADV SECHABA MOHAPI: *Ja.*

DR DANIEL MATJILA: *Ja* that must be taken into consideration as well.

ADV SECHABA MOHAPI: Alright.

DR DANIEL MATJILA: Yes.

ADV SECHABA MOHAPI: Okay.

10 **DR DANIEL MATJILA:** 658 I talk about fees, these so called transaction fees especially facilitation need to be looked at so they become transparent and clear. Other models internationally on the inclusive growth side I like the SSNIT of Ghana as an example from Africa, how SSNIT has build Ghana, you know the pension fund ...(intervention).

ADV SECHABA MOHAPI: Can you explain further there please *ja*.

DR DANIEL MATJILA: The social security, I mean it has invested a lot in development of Ghana. I am sure every little building, road and rail etcetera, etcetera would have been funded by SSNIT successfully and I
20 will assume that they would have made returns. So PIC may not be different it can play that role provided that there is an appropriate governance, in fact I was make – going to make a suggestion that why should PIC invest in Government Guaranteed Bonds of State Owned Entities, especially those that are supposed to drive certain aspect of economy whether it is Eskom whatever, Transnet etcetera, etcetera

because on behalf of its clients which are government departments there is an increased guarantee, so you can forego that and release that conditioned liability that is sitting in the books of the nation. You know so that is something that needs to be considered that when the PIC invest in State Owned Entities Bond they may not come with a guarantee and this could be an adjustment for risk as we did with all the bonds that are not government guaranteed that PIC had invested in Eskom, the recess period to recognise that but the effect of it is that it is releasing that condition liabilities on the books in Treasury and
10 therefore giving it space to do other things. You know and we even stretch to say if governance is designed properly why can PIC not be seen as alongside Government and own portions of State Owned Entities, you know. So it is not prioritisation but it is the people of South-Africa owning a piece of State Owned Entities to deal with the current problem as long as governance issues are resolved properly and PIC is a participant in driving this you know. Because it is nice to see – I mean a bond it is safer, it gives me interest every month but you have a downgrade that affect the whole Bond Portfolio. When
20 heels kick up by 1% and you are sitting on a 580 Billion Portfolio the loses are huge and if it is one entity where you can say well I am prepared to do it differently to ensure that it does not affect the sovereign credit rating, so that my – a bigger Portfolio is saved in that way and the country is saved in that way you know and I do not have to forego 10% as a, what you call, Civil Servants just to make up for the shortfall, but I can deal with the problem immediately which is Eskom.

ADV SECHABA MOHAPI: So are you saying that the PIC could look at purchasing some power stations, say by Kusile or Medupi and say this is a check you know from the PIC and then Eskom can use the check to retire debt, is that what you are saying?

DR DANIEL MATJILA: If they were to restructure Eskom and say here is a good Eskom, here is a bad Eskom, investors come and invest in the good Eskom because you will be seeing the return and therefore you can even convert your debt into equity in this better, cleaner Eskom and so on. Then you can deal – the process that you care – you can
10 deal with this other problem you know.

ADV SECHABA MOHAPI: Okay, *ja*, okay some ideas there.

DR DANIEL MATJILA: These are just ideas that we throw around but hopefully they have the ...(intervention).

ADV SECHABA MOHAPI: *Ja* and this Ghana Fund, this 659 you are saying they have done roads, rail but they do put money on the Ghana – they exchange there ...(intervention)?

DR DANIEL MATJILA: *Ja* ...(indistinct) and the exchange just like the PIC.

ADV SECHABA MOHAPI: But they do not relate ...(intervention).

20 **DR DANIEL MATJILA:** *Ja* I do not know what is the size of their exposure, PIC is almost 10% of the JSC ...(intervention).

ADV SECHABA MOHAPI: *Ja*.

DR DANIEL MATJILA: I do not know how much they have, but they are – they have been ...(intervention).

ADV SECHABA MOHAPI: Both on the ...(intervention).

DR DANIEL MATJILA: Ghana has been built around SSNIT.

ADV SECHABA MOHAPI: SSNIT, okay thank you.

DR DANIEL MATJILA: Yes. I think we have covered most of the issues, I mean what is next is just my comments – final comments on how I feel about this whole thing Commissioner, it will be very quick. If I can read it into the record now?

CHAIRPERSON: (No audible answer).

DR DANIEL MATJILA: In conclusion I wish to state with humility that I am extremely proud of the ...(indistinct) I am leaving behind at the PIC
10 as well as the PIC's achievements. The growth rate of 308 Billion in 2003 to well over 2 Trillion in 15 years later was spectacular.

I am proud that the funds asset have resulted in a more prosperous in dignified retirement for nearly a million and a half South-African workers, I am proud that I have played a role in transforming the skills base at the PIC and in our partners in the Asset Management Industry to be more representatives of the demographics of the – of this country.

Especially with the opportunities opening for black women, I am proud also that new funding opportunities were made available to
20 diverse group of black entrepreneurs through the IsiBaya Fund when all they received from commercial banks was rejection.

I am proud that during this time the PIC advanced loans to several hundred SME's and tens and thousands of students. I am chuffed that we have supported emergence of black asset managers, black stock broking firms, black advisory firms and sensible black

entrepreneurs.

I am extremely proud that – sorry Commissioner, I am extremely proud that all this was achieved under the most trying of market and political circumstances, I wish my successor entitle all the wisdom for bearings and luck in achieving division and I pray that the spirit of James Nogal(?) has been cleaned – cleansed from the corridors of the PIC forever.

Commissioners is been a long and docketing testimony on my part, it has – it can be imagined taken this toll on my – on me and my
10 loved ones. I have been subjected to most painful but maybe necessary scrutiny but undeserved, unfair smear campaign and a devastating character assassination by those who should know better and quite frankly by many who knew very little about who I am.

This is the reason I wish to thank you Commissioners for providing me with an opportunity to tell my side of the story as detailed as I did, present to South-Africa the sterling work done by committed professionals who take honour and price in their work – and pride in their work.

Tell a story of betrayal by some whose objectives were clearly
20 dissimilar to mine, lay bare mistakes, miss steps and short coming experience by the PIC as a changing and transforming organisation and importantly to ensure that South Africans in general and pensioners in particular that their hard earned income is safe and growing and that the highlights of miss steps that the Commission has highlighted are an exception rather than a norm.

As I have said from the beginning when I introduced the subject of my exit from PIC I wanted to assist this Commission to uncover as much facts and truth about the happenings at the PIC in the 15 years which I served.

I hope I have fulfilled this task and now as I move on with my life I pray that one day the efforts me and my team made would be – would have contributed in whatever small way in assisting this country to achieve its objective of inclusive economy or bringing a sense of pride in particular to many black professionals who stand no chance in
10 a surprisingly hostile economic environment.

And in the end the preservation, protection and growth of our pensioners monies and hopefully that those who would come after us will not betray this objective and if I may Commissioners I also think it is important that the Commission dispels the perception which may or may not be correct that the targets of investigation by this Commission exclusively look at Black Entities – Black Owned Entities.

It has occurred to me that all transaction that came under serious scrutiny are those that one way or the other involved black participants, it may just be my perception but very difficult to dismiss in
20 the – in view of the fact that we dealt with many mainly white owned companies.

Finally I thank the media for the intensity of its focus on our work, not because we were powerful but we were charged with an important task of being trustees of other hard earned money and fervently believe that reporting has not been done with a ...(indistinct)

attitude of a ...(indistinct) observation that when a black person enters reason escapes.

Finally thank you to my legal team for the efforts they put in this response and believing in my story when all others possible out of ignorance, malice and perhaps those who draw inspiration from the ...(indistinct) theology which know no forgiveness, no compassion, no humility to which the quality of mercy is foreign and so they neglect(?) his down, finish him – finish him and he is down and crucify him, crucify him.

10 I sincerely hope that the Commission will not join these quarrels to finish and to crucify me, I am certain and I will rise again and still make a contribution to a better South-Africa, thank you very much and best of luck with the rest of the work.

ADV SECHABA MOHAPI: Thanks Dr Matjila, you know like it has been a very long journey when I saw your statement it is like a book you know, it is like 229 pages so I was like saying shjoe it is a long read. But I must say you know from my side I actually found the first part quite informative actually because I knew the PIC but I did not know the sort of internal workings.

20 So I mean your full statement was quite interesting for me and I know we have to look at transactions and victimization but I really think it taught me a lot you know. So thank you very much for coming here to the Commission thank you.

CHAIRPERSON: We might have rushed into this but I need to ask both councils whether they have any further questions to you.

UNKNOWN: Mr Commissioner it had been arranged with my learned friend that there are questions on ...(indistinct), I do not know whether the Commission intends to deal with that. It is mentioned in - ...(indistinct) has mentioned in his statement but we have actually had virtually conclusion addresses and one wonders now how we deal with that transaction.

ADV SECHABA MOHAPI: Mr Commissioner we are quite happy to then not deal with it at this stage, it is part of the investigation, and it is part of the deals we have been looking at ...(intervention).

10 **CHAIRPERSON:** Can I suggest that you list the questions that you want to ask and give them to mister – Dr Matjila’s council and to Dr Matjila and then we can have his responses on affidavit, would that suit you Mr Roelofse?

ADV ROELOFSE: Mr Commissioner that would suit us, there is a very full and detailed statement by Mr Kekane which I believe has been made available to yourselves and which I am instructed accords with Dr Matjila’s view of what happened in respect of that particular transaction and I think that at this point in time that matter should lie where it is with respect and I certainly do not have further questions for Dr Matjila

20 I think that he has answered and said enough in the time that he has been here with respect.

CHAIRPERSON: Did I understand you correctly that it is okay for the questions to be listed and sent to you?

ADV ROELOFSE: Indeed Mr Commissioner we do not have any difficulty with that.

CHAIRPERSON: Yes thank you. You said you are find with that?

ADV SECHABA MOHAPI: Mr Commissioner we are quite happy with that suggestion that we put questions and which would then be answered under – on – under oath by way of affidavit.

CHAIRPERSON: Thank you, nothing further. Yes what I – since you have kept track of our proceedings you know by now that at the end of a witness's testimony I thank the witness and I want to do the same with you. But with all the others I said to them you might be called back and I hope it will not happen with you after the 12 days, but thank
10 you very much for the time that you offered in order to place everything before us. You certainly cleared up certain things that might not have been clear and so on and we thank you for that. I do not know yet what our report will look like, I just hope that and I think that there will not be any crucification of anyone, our report will be in terms of the facts that are placed before us and that is it, our recommendations will follow those. So fine you asked us not to crucify you but it will never be our intention to crucify you or anyone else for that matter okay, thank you so much. Thank you Mr Roelofse and your team.

ADV ROELOFSE: Thank you Commissioner.

20 **CHAIRPERSON:** *Ja.*

UNKNOWN: Thank you Mr Commissioner, thank you for assisting us and – over the past days that Dr Matjila has testified.

CHAIRPERSON: We will then adjourn until tomorrow morning at 09:30.

ADV SECHABA MOHAPI: Pardon me Mr Commissioner can we revert

back to the 10 o'clock arrangement as the witnesses we have got lined up tomorrow are – in our planning I understand that we would start at 10:00.

CHAIRPERSON: That is fine, we will then adjourn until ten o'clock tomorrow morning.

REGISTRAR: All rise.

INQUIRY ADJOURNS TO 12 AUGUST 2019