

Transforming the PIC

via

Radical Economic

Transparency



About us

Develop investigative journalism → open, accountable, just democracy

- Best practice of investigative journalism – expose wrongdoing, empowering people to hold power to account
- Investigations support – helping other journalists do it too
- **Advocacy – helping to secure the information rights that are the lifeblood of our field**

We limit our comments to sections of the Bill that impact on the free flow of information, since this falls within our advocacy mandate.

Information rights are indivisible. Whatever benefit there may be for investigative journalists also apply to the rest of the media and the public in general.

Rationale for greater transparency

PIC is SA's biggest investor. What it does affects entire economy – us all.

- Limited disclosure provisions currently. Recurring allegations PIC power is abused for individual benefit or political/factional patronage.
- Disclosure deters bad decision making.
- Proposed Section 5 – expanded public role for PIC: jobs, development, transformation – means entire public has a stake in outcomes.
- **PIC invests on behalf of GEPEF, whose obligations to civil service pensioners are guaranteed by the state. If PIC fails, govt has to make good with public money.**
- PIC R2-trillion size: systemic shocks if it fails.

Transparent selection of board

Clause 3: Minister appoints board members in consultation with Cabinet.

- Like other institutions exercising significant public power and oversight, appointments to PIC board should follow a **public interview process** conducted by the National Assembly.
- Stakeholders *and* members of public to make nominations.

Disclosure: annual report on investments

Clause 4: Amends Section 10 – requires annual disclosure of investments

(4) A report reflecting all investments of deposits, whether listed or unlisted, must annually be—

- (a) submitted to the Minister for tabling with the annual report of the department; and
- (b) published on the website of the corporation.

➤ We **support** this provision. It is key to the transparency required.

Disclosure: annual report on investments

Treasury/PIC/GEPF objection to disclosure

“The PIC as asset manager should not be compelled to disclose information about another entity, i.e. its clients and that are also the assets owners (e.g. the GEPF) without consent.”

BUT

- This would merely codify practice of past two years.
- No evidence that these disclosures have done harm.
- GEPF is also a public entity. Legislature can impose “consent”.
- Nothing new: GEPF Law imposes significant disclosure requirements.
- **GEPF obligations guaranteed by state – its investments concern us all.**

Disclosure: annual report on investments

Regulations need to prescribe classes of info to be disclosed.

- Bill requires only “*a report reflecting all investments ... whether listed or unlisted*”.
- Regulations could prescribe e.g:
 - ✓ the price paid
 - ✓ the extent of any discount
 - ✓ the external fees associated with the transaction and to whom they were paid

Disclosure: annual report on investments

Regulating process could be strengthened.

- Clause 7 obligates Minister to *consult* National Assembly.
- We **welcome** this, but it could go further:
 - ✓ Require that the minister prescribe the **classes of information** to be disclosed by PIC.
 - ✓ Require **public** participation.
 - ✓ Require National Assembly **approval**.

Extending disclosure: minutes of decisions

Leaks show internal concerns about risky investments ignored, conditions precedent not applied. Solution: radical transparency.

- Insert PAIA-like provision for access to investment decision minutes.
- PAIA itself not appropriate as it excludes “*minutes of a meeting ... to take a decision in the exercise of a power or performance of a duty conferred or imposed by law*”.
- Propose: Any member of public can request and PIC must provide in 7 days any minute regarding an investment decision, provided:
 - ✓ A prescribed period has passed after the investment was made;
 - ✓ Disclosure may be refused for reasons of commercial confidentiality, subject to reasonable efforts to redact; and
 - ✓ No record may be refused if overriding public interest.

Case studies

Examples over the years:

- Political exposure
- Some frequently empowered people
- Deals of questionable value for PIC
- Unclear or questionable terms

PIC may well be justified in supporting BEE, but the potential for abuse means we need transparency.



Publication: Sunday Times Issued: Date: 2006-10-08 Reporter: Simpiwe Piliso

ANC Chief in R50m Get-Rich-Quick Deal

Publication	Sunday Times
Date	2006-10-08
Reporter	Simpiwe Piliso
Web Link	www.sundaytimes.co.za

Ngonyama central in controversial dumping of Telkom shares

Smuts Ngonyama, the ANC's Head of the Presidency, has emerged as a central figure in the secret sale of a large chunk of Telkom shares.

The shares are part of a R9-billion stake that the Elephant Consortium bought from a US-based company last year in one of the country's biggest empowerment deals.

When the deal was announced, Elephant's purchase sparked an outcry and was billed as a get-rich-quick scheme for a select few.

The consortium included Ngonyama, former government Telecommunications director-general Andile Ngcaba, Gloria Serobe of women's empowerment group Wiphold, and a string of former civil servants and businessmen.

Ngonyama and the consortium bought a 15.1% stake in Telkom from US-based Thintana, but the deal became mired in controversy when it emerged that the Public Investment Corporation (PIC), which manages R600 billion in civil servants' pension savings, had warehoused the shares to allow

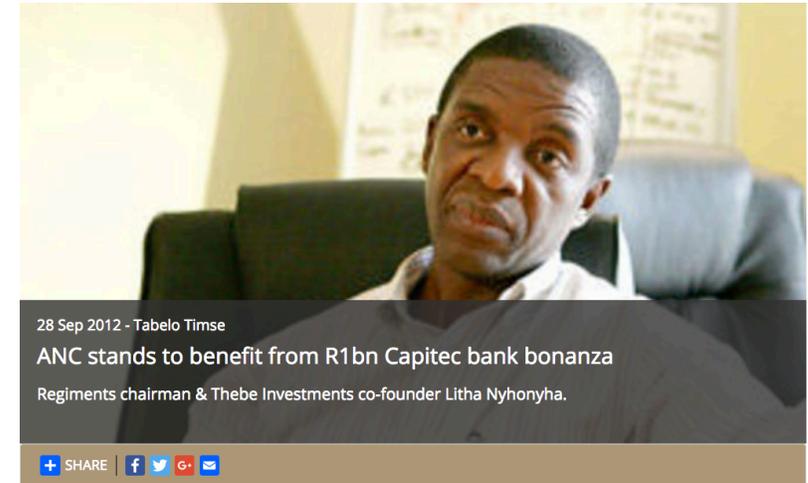
Capitec Bank

2012: free shares worth \pm R1bn + dividends

Political exposure:

- ANC fundraiser - Nzama
- ANC-linked trust and “sponsor” - Batho Batho
- ANC donor – Regiments
- PIC/Isibaya former – Mahloele, Harith (cf. Telkom)
- Deputy president’s life partner - Mtshali
- JHB mayor’s wife – Tau
- Lotto boss - Khumalo

PIC has funded some of these again (\pm 2.2bn)



Free shares worth almost R1-billion in Capitec Bank, the stand-out stockmarket success. That is what a consortium intimately linked to financing the ANC has scored thanks to finance from two state bodies: the Public Investment Corporation (PIC), which is supposed to focus on growing state employee pensions, and the Industrial Development Corporation (IDC), tasked with economic development.

Alongside a funding trust set up by ANC leaders, individual beneficiaries include Gugu Mtshali, the life partner of Deputy President Kgalema Motlanthe, Lotto boss Bongani Khumalo and Pilisiwe Twala-Tau, the wife of Johannesburg mayor Parks Tau.

The deal was simple. The consortium, assembled by a controversial ANC fundraiser, bought an empowerment stake in Capitec using funds provided by the IDC. Later, exploiting strong growth in the Capitec stock price, it sold just enough to the PIC to pay off all debt associated with the original purchase.

Independent Newspapers

Dr Iqbal Survé, 2013

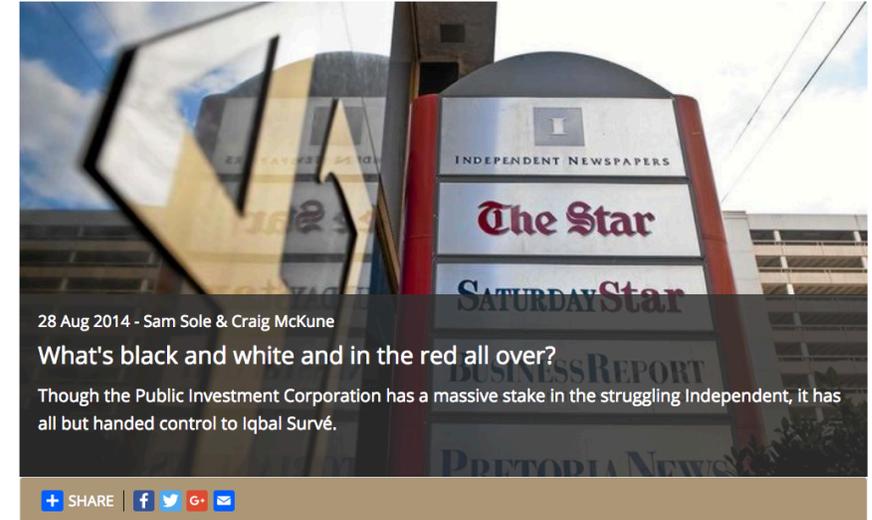
Other potential investors – “over priced”

2014 amaB report:

- “buckling under the weight of its huge debt, falling revenue, retrenchments and plunging staff morale”
- No PIC board rep
- PIC CEO: **“We will make no further comment on this investment.”**

Often partisan journalism

Recent info: huge losses and liabilities



The Public Investment Corporation (PIC) risked state pensioners' cash to help to buy Independent newspapers last year, whereas other investors rejected the deal as overpriced and potentially toxic.

Now Independent is buckling under the weight of its huge debt, falling revenue, retrenchments and plunging staff morale (See "Grim picture of declining revenues (and morale)" below).

Despite this, the PIC has not taken up seats on the Independent board to safeguard the huge investment – estimated at R1.4-billion – it made a year ago.

The corporation, which invests Government Employees' Pension Fund money, has imposed a news blackout on the issue.

The chief investment officer, Dan Matjila, told the *Mail & Guardian* at the end of July: “We will make no further comment on this investment.”

Independent has also rebuffed several attempts by the *M&G* to raise issues with the group.

Erin Energy (ex Camac Energy)

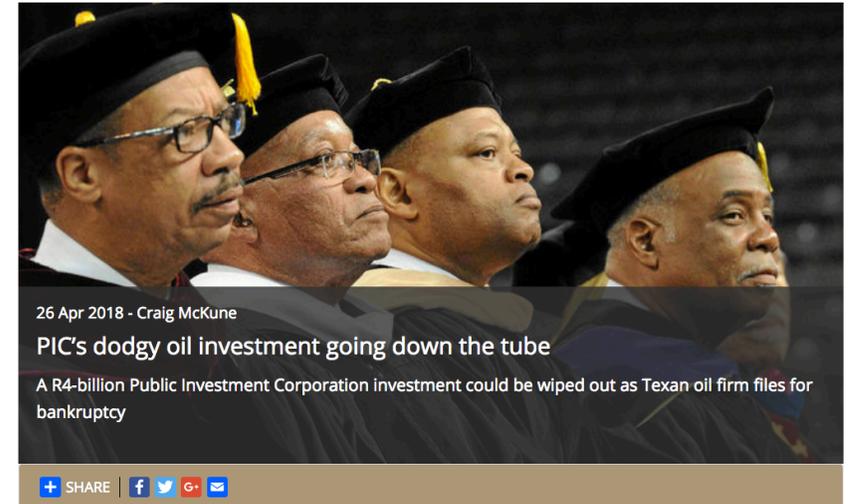
Zuma friend, funder – Lawal

PIC funded ±R3bn (2014), most went to Lawal

“Led to PIC CEO Masilela resignation”

Dodgy Nigerian oil asset:

- US Judge: Lawal rep’d PIC, Camac and seller, **“negotiating with himself in shifting around assets for his own benefit”**
- Poor oil production
- PIC “ignored” own finance conditions
- “Over priced”
- Useless SEC, JSE disclosures
- Eg. oil license ownership dispute – asset seizure
- Now bankrupt (April 2018)



Another politically connected, multibillion-rand Public Investment Corporation (PIC) booby trap has blown up in state pensioners' faces.

The threats that lead to this might have been evident to PIC for years, but it threw good money after bad, and now it faces a good chance of losing roughly R4-billion.

This underscores concerns that, for years, the PIC might have been used as a piggy bank to support cronies, distorting its investment decisions. The PIC manages assets worth nearly R2-trillion, mainly for the Government Employees Pension Fund.

Houston-based Erin Energy's New York and Johannesburg listed stocks went into freefall on Wednesday, following a hurried, after-hours statement from it the day before – and this came just three hours after we sent Erin our questions for this article.

Our questions explained how Erin was in the process of losing its only cash-generating asset – a Nigerian oilfield –, that this risk had been evident for years and that Erin had failed to tell investors about it.

Total BEE deal (2015)

Last-minute addition of PEPs and multiple PIC beneficiaries:

- A Zuma trust trustee and “backer” – Shezi
- Mulaudzi and Mseleku: multiple PIC deals
- Mulaudzi: PIC CEO Matjila allegedly asked him to bail out “girlfriend”

Cronies score in R1.7bn PIC deal

A confidant of Jacob Zuma finds himself a wealthy Total SA shareholder, thanks to pensioners' money. Another beneficiary owns R122m in assets 'for charity'

Inside the R1.7bn PIC bonanza
The Kilimanjaro Sakhumtho Consortium received R1.7 billion of PIC money, but publicly available documents don't give many clues of who stands to benefit. Based on share registers and documents from the Competition Commission, here's who is involved.

Kilimanjaro Sakhumtho Consortium
50% owned by Molo Oil & Gas
50% owned by Kilimanjaro Capital

Molo Oil & Gas
100% owned by Sakhumtho Oil & Gas

Kilimanjaro Capital
72% owned by Shira Holdings

Shira Holdings (when the deal was done)
3% owned by Velwato Investor
3% owned by Previn Pillay
2% owned by the Blackgold family trust (Lawrence Mulaudzi)
25% owned by Blackgold Oil & Gas (Lawrence Mulaudzi)
3% owned by the Commission
3% owned by Mseleku (Siphiso Mseleku), this differs from what Sakhumtho told the Competition Commission
3% owned by Marthasa Logistics
8% owned by Sakhumtho Group (the Global Business Roundtable and the Global Fund for Christ)
8% owned by Olayo Joseph
20% owned by TheMan
3% owned by Blackgold Oil & Gas (Lawrence Mulaudzi)

R122m
THE VALUE OF THE SHARES RECEIVED BY THEMAN INVESTMENTS, A COMPANY OWNED BY SIZWE SHEZI

22.95%
THE PERCENTAGE OF TOTAL SA THAT THE R1.7BN PIC LOAN WAS MEANT TO PAY FOR

TALK TO US
Should the PIC be more transparent in the way it uses the public's pension funds?

SUSAN COMRIE
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A City Press investigation has established how a close confidant of President Jacob Zuma landed a significant stake in a controversial R1.7 billion deal - and then had his shareholding doubled shortly before the deal was signed. Sizwe Shezi has served as a trustee of two of Zuma's trusts - the Friends of Jacob Zuma Trust and the Jacob Zuma RDP Children's Trust - and has been described as "one of Zuma's most committed backers". His company, TheMan Investments, received shares worth an estimated R122.4 million courtesy of a generous loan from the Public Investment Corporation (PIC), which makes investments using government workers' pension money. The lucrative deal, to buy a 22.95% stake in oil company Total SA, was one of the deals that United Democratic Movement opposition leader Bantu Holomisa red-flagged in his letter to Public Protector Thuli Madomela last week. Holomisa said he had "anonymously received serious allegations [of] possible corruption" at the PIC, including allegations that the governing party had benefited from PIC funds. City Press' investigation raises several red-flags the Public Protector may wish to consider.

The deal
During mid-2015, a company called Kilimanjaro Capital approached the PIC with a request for funding to acquire a 25% stake in Total's South African operations from its BEE partner, Tosco. Consortium chairperson Lawrence Mulaudzi said: "We approached the PIC, Standard Bank and Nedbank. Standard Bank and Nedbank offered us term sheets - the PIC said they could not give us term sheets until we were selected as the preferred bidder, but they gave us an expression of interest." Although Kilimanjaro Capital was only registered in February last year, it asked the PIC to fund 100% of the acquisition. Apart from Mulaudzi, Kilimanjaro Capital's directors included businessman Kinesh Pather, MD of the politically connected Bataung Group. It is not clear why the PIC did not bid directly for the shares but chose to work through a middleman. However, Mulaudzi claims theirs was not the only consortium the PIC was negotiating with.



...brief interruption: PIC CEO's "girlfriend"

- Allegedly "channelled PIC funds to "girlfriend"
- Matjila denies the allegations.
- PIC board: "the allegations were baseless and that Dr Matjila is cleared of any wrongdoing".
- Police still investigating.

■ NATIONAL

PIC cleared Dan Matjila on 'incomplete evidence'

BL PREMIUM

30 MAY 2018 - 05:54 by CAROL PATON



Dan Matjila. Picture: SUNDAY TIMES

The board of the Public Investment Corporation (PIC) exonerated CEO Dan Matjila of corruption charges in September 2017, even though the evidence on which it based its decision was incomplete.

Matjila was accused by a whistle-blower in 2017 of having channelled PIC funds to "a girlfriend". The board cleared him of all charges on the basis of his written representations and an internal audit report undertaken to verify his explanation.

But the internal audit report, which was sent anonymously to Business Day this week, shows that in one important regard –

...back to Total (secrecy)

A R100-million mystery:

- amaB: Was R1.8bn PIC cash for shares alone?
- PIC: The amount was in respect of [former Total BEE partner] shares.
- amaB: But shares only cost R1.7bn?
- PIC: PIC committed R1.8 billion loan towards the purchase of BEE shares. The R1.7 billion was for the purchase of the shares. The remaining R100 million was for the costs associated with the transaction.
- amaB: So who got the R100m?
- PIC: The response we have given you is sufficient

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Steinhoff BEE deal (2016)

- R9.4bn PIC investment
- Steinhoff crashed – shares now worth little
- Was PIC protected?: “Secured by collar options”?
- We picked up another R400-million discrepancy:
- PIC: **When you do a transaction there are various costs. We’re not going to break it down**
- amaB: But why?
- PIC: **I think we’ve disclosed what we want to disclose.**



08 Apr 2018 - Sam Sole

Iqbal Survé's mythical beast

Analysis

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The full extent of the destruction at Independent Media since the Public Investment Corporation placed the company at the disposal of Iqbal Survé has been laid bare – ironically via Survé's outrageous attempt to use other peoples money to plug the R2,3-billion hole in his media balance sheet.

Last week, on 28 March, a company 73% owned by Survé's family trust issued a remarkable "Pre-listing Statement" inviting selected investors to subscribe for a "private placement" of shares ahead of a planned listing on the Johannesburg Stock Exchange.

The company's name is Sagarmatha Technologies (a grandiose reference to the Nepali name for mount Everest) and the pre-listing statement represents a desperate bid to portray it as a high-tech start-up in the mould of an African Google or Amazon.

In reality, it looks like a desperate attempt to save Independent, which will be incorporated into Sagarmatha if the private placement attracts enough money.

Survé is seeking to raise a minimum of R3-billion via this private placement despite the fact that the company he's selling is technically insolvent and labouring under the burden of some R2,3-billion in debt.

The situation is dire because Survé needs to find R863-million by August this year to repay a 50% portion of loans from a Chinese state consortium and the Government Employees Pension Fund (GEPF) that funded his acquisition and development of Independent Media.

Sekunjalo Independent Media (SIM), controlled by Survé, owns 55% of Independent Media.

Independent is the successor to the venerable but battered Argus newspaper group that was offered up in politically directed sales, first to the Irish Independent group in 1994, and then to Survé's consortium in 2013 in a R2-billion mainly debt-funded deal.

The funds from the GEPF were controversially extended to Survé's consortium via the Public Investment Corporation (PIC), which drew criticism for making an investment driven by political considerations rather



21 Apr 2018 - Sam Sole and Craig McKune

Survé's listing ship

The intended listing of Sagarmatha Technologies was a mirror image of a deal in which the PIC was used to massively underwrite the Survé fortune.

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Friday's extraordinary attack by Independent Media on critics of its executive chair, Dr Iqbal Survé, follows questions amaBhungane sent to Survé on Wednesday about the listing of another company he controls, Ayo Technology Solutions.

Sagarmatha was due to list on the Johannesburg Stock Exchange (JSE) the previous Friday 13 April, but the listing was aborted after the JSE withdrew its approval, based on technical shortcomings in meeting the listing requirements.

AmaBhungane raised concerns ahead of the planned listing, principally about the possibility that Government Employees Pension Fund (GEPF) money, which is managed by the PIC, would be used to artificially boost the value of Sagarmatha.

- [Read Iqbal Survé's mythical beast](#)

Now information has emerged suggesting those fears were well founded – including details of an earlier Survé deal, involving Ayo Technology, which was propped up with R4.3-billion of government pension fund cash.

Private placement

Central to both deals was a process known as a private placement, in which an offer of shares is made to selected private investors.

In these two cases (Sagarmatha and Ayo), this was done prior to the stock listing on the JSE to make shares available to the broader public.

The companies both issued pre-listing statements aimed at selected private investors and setting out the historical performance of the companies and a forecast of their positive prospects.

Private placements are more risky for investors – they are asked to buy shares without a broad

