



**PUBLIC INVESTMENT
CORPORATION®**

Est. 1911

Public Investment Corporation SOC Limited

SCOF PRESENTATION

02 December 2020

Committed to serving our clients

BACKGROUND

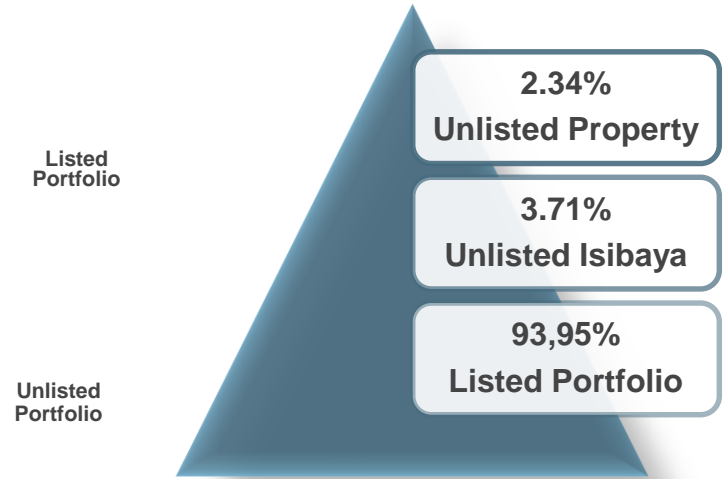
On 4 October 2018, the President of the Republic of South Africa, Mr Cyril Ramaphosa, established a Judicial Commission of Inquiry into allegations of impropriety at the PIC. The President acted in terms of section 84(2)(f) of the Constitution of the Republic of South Africa, published in the Government Gazette No. 41979 of 17 October 2018, under Proclamation No. 30 of 2018, to enable the Commission of Inquiry to conduct investigations and make several findings and recommendations in accordance with its Terms of Reference, which are set out in the schedule to the Proclamation.

This presentation provides a summary of the progress made in resolving Key matters affecting Investment transactions, Litigation cases & Governance.

The Conceptual Framework reflecting the response structure to the PIC Commission Report is presented in subsequent slides.

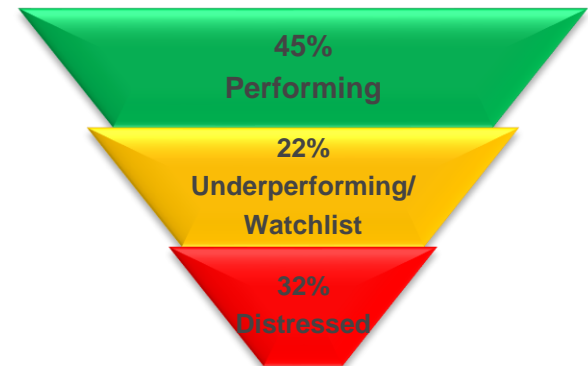
PIC OVERVIEW OF AuM

Exposures (30 September 2020)	Total	Percentage
LOCAL LISTED EQUITY	919 388 305 870,66	44,03%
LOCAL BONDS	681 955 941 797,18	32,66%
CASH & MONEY MARKET	146 234 910 251,49	7,00%
PROPERTY Listed	25 439 366 393,63	1,22%
OFFSHORE EQUITY	128 348 923 171,15	6,15%
INTERNATIONAL CAPITAL MARKET	38 271 593 851,27	1,83%
AFRICA EQUITY (EX SA) Listed	22 076 223 755,24	1,06%
AFRICA (EX SA EQUITY) Unlisted	11 015 999 054,28	0,53%
PROPERTY Unlisted	48 830 967 119,25	2,34%
LOCAL UNLISTED (ISIBAYA)	66 442 763 994,33	3,18%
	2 088 004 995 258,48	100,00%



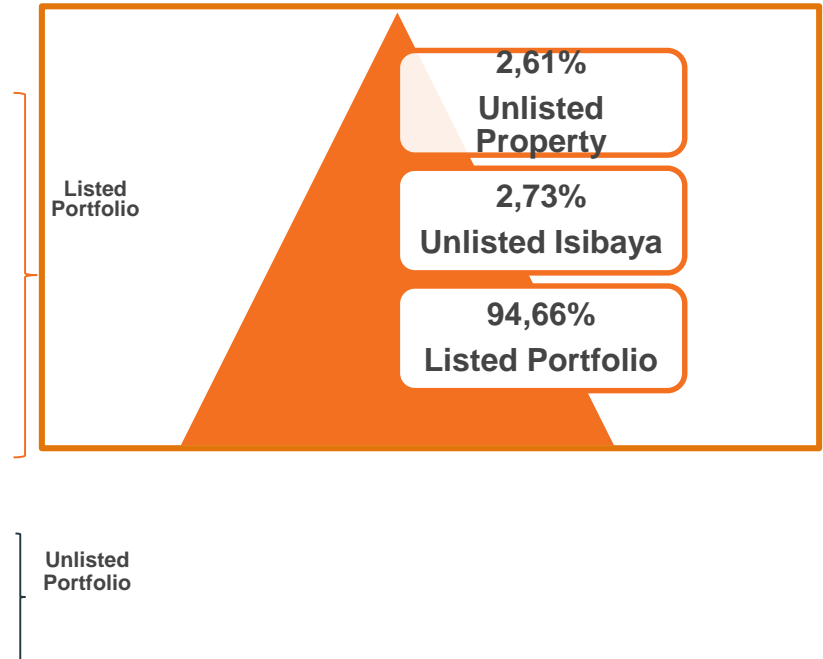
UNLISTED ISIBAYA AS AT JUNE 2020

Unlisted Isibaya	Total	Percentage
Performing	40595	45,0
Underperforming	7781	8,6
Watchlist	12270	13,6
Distress	29616	32,8
Invested Capital	90262	100,0



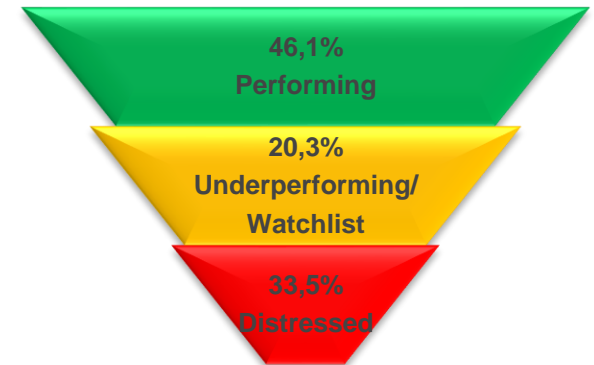
GEPF AuM

Exposures (30 September 2020)	Total	Percentage
CAPITAL MARKET	R 301 488 754 157,24	16,31
INFLATION LINKED BONDS	R 288 264 786 533,64	15,60
MONEY MARKET & CASH	R 65 507 478 889,51	3,54
EQUITY	R 878 915 008 550,65	47,56
LISTED PROPERTY	R 23 034 168 251,87	1,25
AFRICA EQUITY	R 11 015 999 054,28	0,60
GLOBAL EQUITY	R 142 768 334 861,71	7,73
GLOBAL BONDS	R 38 271 593 851,27	2,07
ISIBAYA	R 50 508 788 080,33	2,73
Unlisted PROPERTY	R48 201 343 938,03	2,61
	R 1 847 976 256 168,53	100,00

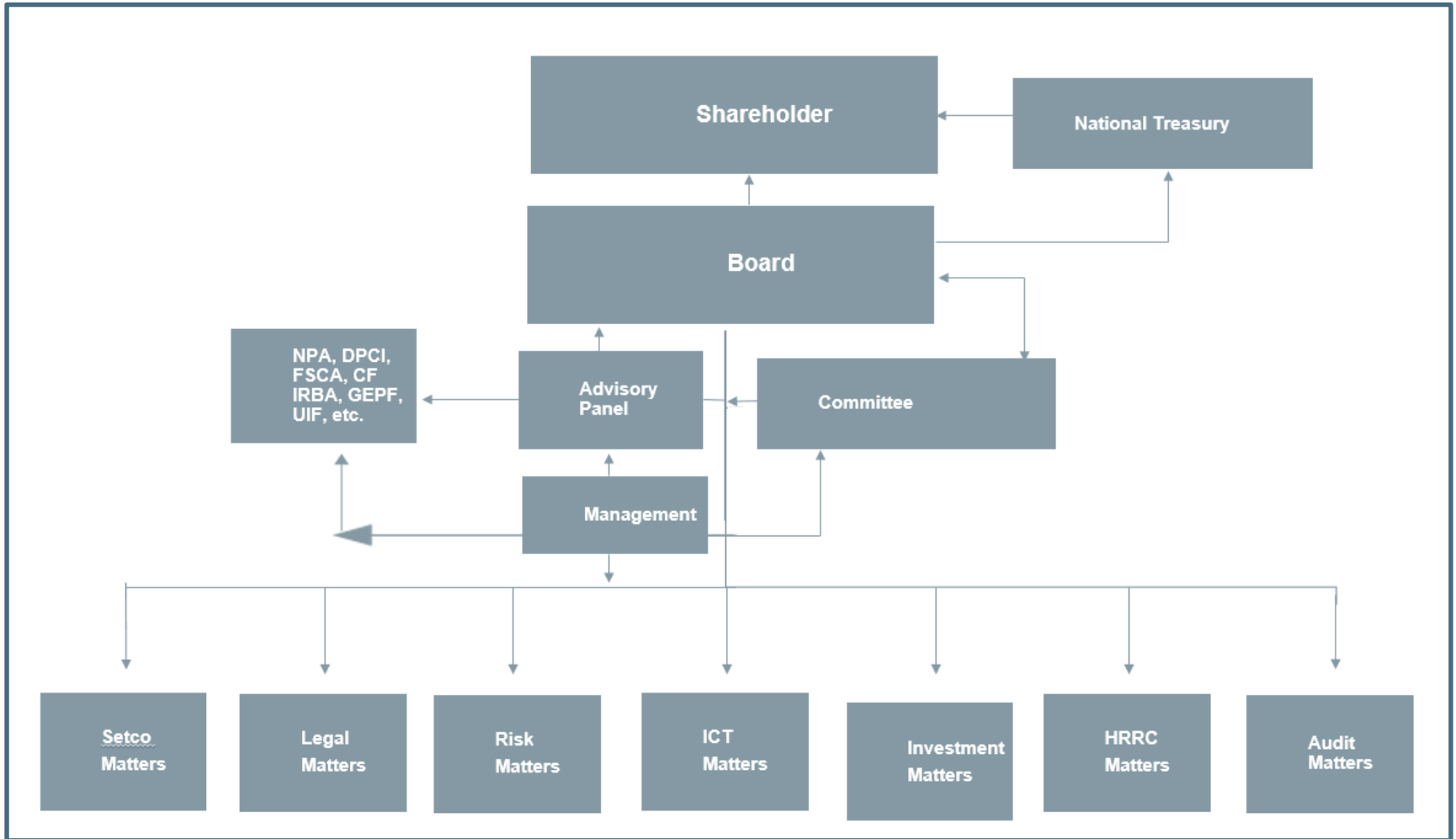


UNLISTED ISIBAYA AS AT JUNE 2020

Unlisted Isibaya	Total	Percentage
Performing	32015	46,1
Underperforming	5375	7,7
Watchlist	8782	12,6
Distress	23278	33,5
Invested Capital	69450	100,0



CONCEPTUAL FRAMEWORK- RESPONSE STRUCTURE TO PIC COMMISSION REPORT



ADVISORY PANEL

The Board of Directors has established an Advisory Panel (AP) to assist with the implementation of the Report



The AP is established in terms of section 72(2) of the Companies Act, clause 7.6.4 of the PIC's Memorandum of Incorporation, Principle 8 of the King IV Report on Corporate Governance for South Africa, item 5.10 of the PIC's Board Charter, and item 4.3 of the PIC's Delegation of Authority Framework, to assist with the balancing of power, the promotion of independent judgement and the effective discharge of the Board's responsibilities

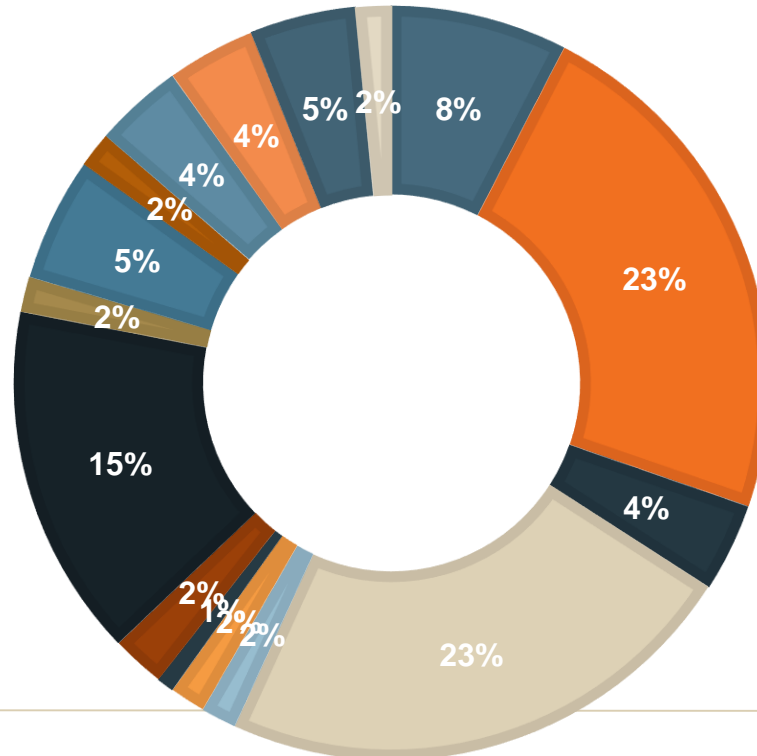
The AP is chaired by retired Justice Yvonne Mokgoro complimented by senior counsel Kgomotso Moroka (Legal Expert) and Mr Sello Moloko (Financial/Asset Management Expert)



Terms of Reference outlining the governance principles, requirements and processes of the AP have been established

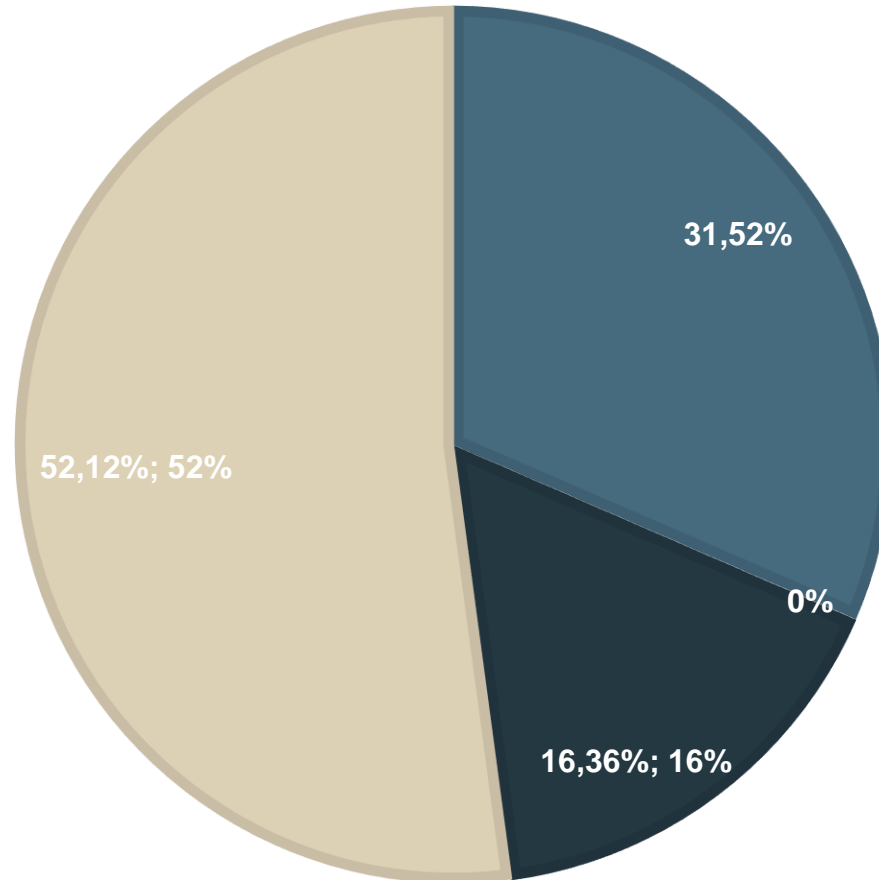
RECOMMENDATION THEMES

- Develop clear policies
- Review Policies and Procedure
- Revise DOA
- Governance process
- IT Infrastructure
- Legislation
- Further Investigation
- Implement new model
- Review structure
- Recover monies
- Disciplinary Action
- Post Investment Monitoring
- Law and regulations
- Review Process
- Obtain legal opinion
- Review contract and transaction



RECOMMENDATION IMPLEMENTATION DASHBOARD

■ Not implemented ■ Risk Acceptance (None) ■ Implemented ■ Partially implemented



ACTIONS TAKEN TO STRENGTHEN GOVERNANCE

Board and its committees

- New/Interim Board was appointed to rebuild the integrity of the organization
- Board Committees have been reconfigured to strengthen governance and the ToR reviewed.
- The Social and Ethics Committee's function was enhanced to include monitoring the implementation of transformation and renamed the Social, Ethics and Transformation Committee
- The Audit and Risk Committee was separated to ensure that the management of risks impacting the PIC are given required attention

Ethics

- Establishment of Ethics office and Ethics officer appointed to drive the ethics strategy
- PIC will be implementing organisation wide ethics training and annual awareness sessions
- Approval of the Anti-fraud and corruption policy and the investigation model

Policies

- The PIC embarked on an enterprise-wide review of Policies and Standard Operating Procedures to further strengthen governance and compliance within PIC. About 50 internal policies and standard operating procedures currently under review and 70% have been approved to date

ACTIONS TAKEN TO REDRESS GOVERNANCE

Amendment to MOI

- MOI was revised and implemented with changes to the Operating Model.
- The major structural weakness caused by an overconcentration of executive power has been addressed by the approval of an interim organisational structure , through which C-suite positions were reinstated in line with the MOI
- The investment operations are now overseen by the CIO, while the PIC's operations are overseen by the CEO with the support of the COO, CFO, CRO and CTO, who are no longer involved in the investment selection process

Framework on Mpati and other investigation reports

- A framework for investment decisions related directly or indirectly to individuals and/or entities cited in Mpati report or any other investigation reports with potential ethical implications has been developed to provide guidelines to manage and mitigate potential reputational risk that the PIC may be exposed to through association with persons cited in various investigative reports (“Citees”)

ACTIONS TAKEN TO REDRESS GOVERNANCE

DOA

- The Delegations of Authority have been reviewed and where necessary revised to incorporate appropriate separation of duties, avoid concentration of executive power and raise the levels of accountability.

Information Technology

- A new state of the art system is being implemented to automate and integrate PIC's Unlisted Investment Management capabilities
- The acquisition of the Listed Investments Management solution, which replaces an old and disparate solution, was initiated.

Communication

- Detailed Stakeholder Engagement Plan developed which lists various engagements to be held with stakeholders, including clients, media as well as regulators.

ACTIONS TAKEN TO REDRESS GOVERNANCE

Human Resource management

- 'Charting the way forward' programme was introduced by the CEO. Staff engagements and contribution to the PIC of the future are currently underway in respect of this programme.
- The Recognition agreement was concluded and signed by the PIC and NUPSAW on the 7th of February 2020, paving the way for effective engagement on matters of mutual interest.

Investment process

- Mandate review is underway.
- Process for submitting investment proposals to approving structures has been reviewed to ensure accessibility and consistency .
- Established of a separate Turnaround Business Unit to attend to distressed investments.
- Training and workshopping of policies/procedures to staff.
- Establishment of the Central Application point accessible to all members of the public.

PROGRESS UPDATE IN KEY INVESTMENT TRANSACTION AND LITIGATION CASES

AYO

- An internal investigation was instituted in 2018, which found breaches which were also raised by the Commission. Consequence management processes were undertaken and are now complete.
- Legal action undertaken to address the recommendations of the Commission include:
 - Summons issued against AYO, who filed a notice to defend the matter.
 - The status of the litigation is that the PIC has filed its Replication to the Defendant's Plea to deal with each point and filed discovery affidavit. Pursuant the discovery process, the PIC will request a pre-trial conference, after which, a court date will be requested.
 - Once a trial date has been allocated, PIC shall proceed with issuing subpoenas to plaintiffs to secure their attendance at court on the trial date.

PROGRESS UPDATE IN KEY INVESTMENT TRANSACTION AND LITIGATION CASES

SAHL

- An internal investigation was instituted in 2018, which found breaches which were also raised by the Commission. Consequence management processes were undertaken and are still ongoing against those implicated.
- The application to set aside the summons was set down on the opposed Court roll for hearing on 5 October 2020 wherein the Judge dismissed the PIC's application. The PIC has since filed a Plea.
- As per the recommendations of the forensic report commissioned by the PIC into the allegations at SAHL, the PIC finalised its particulars of claims to declare Mr Maponya a delinquent director. The Court papers have been issued.

PROGRESS UPDATE IN KEY INVESTMENT TRANSACTION AND LITIGATION CASES

VBS Mutual Bank

Investigation

• An internal investigation was instituted in 2018, which found breaches which were also raised by the Commission. Consequence management processes were undertaken and are still ongoing against those implicated.

Complaint with Legal Practice Council (LPC) – Nesane

- PIC lodged a complaint against Nesane with the LPC to strike him off the roll of attorneys.
- The LPC has since written to the PIC on 27 February 2020 requesting an all parties discussion before it can make a determination on a hearing. PIC has not been able to secure the meeting given the lock down restrictions. In correspondence received on 14 October 2020, the LPC has indicated that it would be prudent to hold their investigation in abeyance for the criminal case to be finalized.

Criminal Investigation by DPCI

- Pursuant to PIC management submitting the VBS forensic report to senior officials of the DPCI, the appointed investigating officer in the VBS matter engaged the PIC to assist the enforcement agencies.
- The PIC will commence with the necessary action to recover monies paid in accordance with the recommendations of the Mpati Report.

PROGRESS UPDATE IN KEY INVESTMENT TRANSACTION AND LITIGATION CASES

SEKUNJALO / INMSA

- GEPF has filed its founding papers in relation to the liquidation proceedings. Sekunjalo filed an answering affidavit which raised frivolous defence as it has no genuine defence to the GEPF's claim. In its answering affidavit, Sekunjalo raised, *inter alia*, a defence to the effect that the GEPF lacks the necessary locus standi, authority and capacity to initiate any proceedings against it as, according to it, the GEPF has sold its shares and/or any legal entitlement it had against it, to Sagarmatha Technologies Limited ("Sagarmatha").
- The matter will be dealt with in trial proceedings in order for the parties to properly ventilate the issues raised. The PIC received Sekunjalo's Plea on 16 September 2020. After consideration of the Plea, the PIC filed its replication.

PROGRESS UPDATE IN KEY INVESTMENT TRANSACTION AND LITIGATION CASES

STEINHOFF

Criminal Investigation

- The PIC has finalised its affidavit which details the PIC's exposure to Steinhoff and how Project Sierra and Blue Buck were consummated. The DPCI have accordingly accepted the affidavit as part of the evidence to be utilised during the criminal proceedings. The matter is now closed.

Application to Compel Disclosure of PWC Report

- PIC has filed its application to compel the disclosure of the PWC Report. The application was opposed by Steinhoff. The PIC has filed its supplementary affidavit. Steinhoff contends that it instructed PwC to prepare the report, in contemplation of litigation, and that legal privilege therefore vests in the report.

On 16 December 2019, a damages complaint was filed in the Amsterdam District Court on behalf of the PIC and its clients, including UIF, and approximately 30 other institutional investors against Steinhoff NV, current and former directors and officers, and Steinhoff's auditor Deloitte. On 29 April 2020, the Amsterdam District Court held its first hearing in the damages case. Steinhoff and several executive defendants formally appeared in the action.

PIC is in advanced discussions regarding a private settlement with Steinhoff and Deloitte (auditors' liability).

INVESTIGATIONS AND DISCIPLINARIES

FURTHER INVESTIGATIONS AND DISCIPLINARIES

There are other investigations and disciplinarys that are being handled by the Advisory Panel to ensure independence as management may be conflicted.

Where PIC internal investigations indicate an element of criminality those matters will be referred to the DPCI

ACRONYMS

PIC	Public Investment Corporation SOC Limited
SCOF	Standing Committee of Finance
GEPF	Government Employees Pension Fund
UIF	Unemployment Insurance Fund
CF	Compensation Fund
AC	Audit Committee
IC	Investment Committee
SETCO	Social, Ethics and Transformation Committee
DAC	Directors Affairs Committee
PMC	Portfolio Management Committee
HRRC	Human Resources and Remuneration Committee
EXCO	Executive Committee
FIP	Fund Investment Panel
CEO	Chief Executive Officer
CRO	Chief Risk Officer
CTO	Chief Technology Officer
COO	Chief Operations Officer
CIO	Chief Investment Officer
CFO	Chief Financial Officer

ACRONYMS

AUM	Assets Under Management
NPA	National Prosecuting Authority
FSCA	Financial Sector Conduct Authority
IRBA	Independent Regulatory Board of Auditors
IT	Information Technology
PLE	Pre-listing statement
LPC	Legal Practice Council
PWC	PricewaterhouseCoopers
VBS	Venda Building Society
SAHL	South African Home loans
AYO	AYO Technologies
MOI	Memorandum of incorporation
DOA	Delegation of authority
DPCI	Directorate for Priority Crime Investigation

PUBLIC INVESTMENT CORPORATION SOC LIMITED DISCLAIMER

Public Investment Corporation SOC Limited (PIC), Registration number 2005/009094/30, is a licensed financial services provider, FSP 19777, approved by the Financial Sector Conduct Authority (FSCA) (www.fsca.co.za) to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act , 2002 (Act No. 37 of 2002).

The PIC is wholly owned by the South African government, with the Minister of Finance as a shareholder representative.

Products offered by the PIC do not provide any guarantees against capital losses. Market fluctuations and changes in rates of exchange or taxation may have an effect on the value, price or income of investments. Since the performance of financial markets fluctuates, an investor may not get back the full invested amount. Past performance is not necessarily a guide to future investment performance.

Personal trading by staff is regulated to ensure that there is no conflict of interest. All directors and employees who are likely to have access to price sensitive and unpublished information in relation to the Public Investment Corporation are further regulated in their dealings. All employees are remunerated with salaries and standard short-term and long-term incentives. No commission or incentives is paid by the PIC to any persons and all inter-group transactions are done on an arm's length basis. The PIC has comprehensive crime and professional indemnity insurance.

Directors: Dr Reuel Khoza (Chairperson), Ms Futhi Mtoba (Deputy Chairperson) | Ms Irene Charnley, Dr Angelo David Sabelo de Bruyn, Prof Bonke Dumisa, Mr Bhekithemba Gamedze, Mr Mugwena Maluleke, Ms Tshepiso Moahloli, Mr Pitsi Moloto, Ms Karabo Morule, Adv Makhubalo Ndaba, Ms Maria Ramos, Ms Barbara Watson | Mr Abel Sithole (Chief Executive Officer), Mr Sholto Dolamo (Acting Chief Investment Officer), Mr Brian Mavuka (Acting Chief Financial Officer) | **Company Secretary:** Ms Bongani Mathebula

For more details, as well as for information on how to contact us and how to access information please visit www.pic.gov.za