

NATIONAL ASSEMBLY

**QUESTION FOR WRITTEN REPLY
TRANSFERRED FROM
ORAL REPLY**

QUESTIONS NUMBER: 804*262 [NO1036E]

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★262. MRS W R ALEXANDER (DA) TO ASK THE MINISTER OF FINANCE:

- (1) What is the status of the implementation of the recommendations of the Report of the Judicial Commission of Inquiry into Allegations of Impropriety at the Public Investment Corporation to address governance, operational and/or ethical shortcomings within the Public Investment Corporation;
- (2) whether he has found that the implementation of the specified recommendations has rectified some of the deficiencies identified by the Commission; if not, what is the position in this regard; if so, what are the relevant details? NO1036E

REPLY:

- (1) The PIC has completed the implementation of the recommendations of the Mpati Commission Report into allegations of impropriety at the PIC, which were aimed at addressing the governance, operational and ethical deficiencies within the entity which were identified by the Commission.
- (2) The implementation of the recommendations has rectified the deficiencies identified by the Commission as per the key highlights detailed below:

Recommendation Theme	Key interventions implemented and gaps addressed
Implement new Operating Model	<p>The review of the organisational structure has addressed challenges relating to the balance of power and strengthened risk governance, by reinstating key positions; including the Chief Investment Officer (CIO), Chief Technology Officer (CTO), Chief Operating Officer (COO) and Chief Risk Officer (CRO) alongside those of CEO (Chief Executive Officer (CEO) and Chief Financial Officer (CFO). The CEO, CIO and CFO are also Ex-Officio Board members.</p> <p>The CIO is responsible for implementation of the investment strategy while the CEO, as the Accounting Officer, is accountable for overall performance and operations of the organisation.</p>

Recommendation Theme	Key interventions implemented and gaps addressed
	<p>The Memorandum of Incorporation (MOI) was reviewed and aligned with the PIC Act, as amended (Public Investment Corporation Amendment, Act 14 of 2019).</p>
Governance	<p>The Board Charter and MOI address the governance issues relating to responsibilities of the Board, its committees, (terms of Reference) (ToR), caliber and credibility of directors, tenor of non-executive directors, Board induction, etc.</p>
	<p>Risk oversight and governance has been strengthened by separating the Audit Committee from the Risk Committee.</p>
	<p>The Board was appointed by the Minister, in consultation with Cabinet, and in accordance with the PIC Act, 2004, as amended, effective 1 November 2021.</p> <p>The Board also gives effect to the PIC Amendment Act, where the Minister had due regard to the Amendment Act, which states that the non-executive members must include:</p> <ul style="list-style-type: none"> • A representative of the Department (National Treasury); • Two representatives from the largest depositor (GEPF); • One representative from any other depositor whose assets under management of the corporation constitute 10% or more; and • Three representatives of registered trade unions: <ul style="list-style-type: none"> ○ Two of which must come from the trade union, with the majority of the members of the Government Employees Pension Fund; and ○ One must come from any other trade union, who are to be selected by the trade unions, at the Public Service Coordinating Bargaining Council, referred to in section 35 of the Labour Relations Act, 1995 (Act No. 66 of 1995), based upon their proportional composition. <p>Independent Experts were also appointed for use by the Board members, as well as for the different Investment Committees.</p>
	<p>Quarterly meetings which were established between the PIC and key stakeholders such as the SARB, FSCA and large clients have helped to restore trust and confidence in the PIC, and to mitigate reputational risks. All client mandates are also approved by the FSCA. Meetings with clients take place at different management- and Board and Board committee levels.</p>

Recommendation Theme	Key interventions implemented and gaps addressed
	<p>PIC submits a report reflecting all investments (both listed and unlisted) of deposits, to the Minister for tabling with the annual report and publishes it on its website in line with subsection (3) of the PIC Amendment Act. This ensures transparency and eliminates room for impropriety, by making information on investment decisions readily available.</p> <p>These investments are also disclosed in the Annual Report of the GEPPF, which is available on the GEPPF's website.</p> <p>The governance structures of the Investment Committees were recently amended and now includes the following:</p> <ul style="list-style-type: none"> • Group Investment Committee • Group Investment Committee – Listed Investments • Group Investment Committee – Unlisted Investments • Group Investment Committee – Unlisted Property Investments <p>The same approach was taken at Management level, with the following Committees:</p> <ul style="list-style-type: none"> • Group Management Investment Committee • Group Management Investment Committee – Listed Investments • Group Management Investment Committee – Unlisted Investments • Group Management Investment Committee – Unlisted Property Investments. <p>All minutes of Board and Committee meetings as well as Management meetings, reflect discussions that led to decisions and dissenting views are captured, and all resolutions are recorded. This ensures appropriate record keeping and that decisions are correctly implemented by the investment teams.</p>
	<p>All recommendations made by the Mpati Commission that needed further forensic investigations, have been completed and where required, matters were referred to the relevant law enforcement agencies including the Directorate for Priority Crime Investigations (the Hawks) and the FSCA.</p>
Review of internal processes	<p>Investment Mandate and Rest-of-Africa Investment Strategies were reviewed and approved in April 2022.</p>
	<p>A Conditions Precedent checklist is included as an Annexure to the Disbursement memorandum for each transaction. This ensures that</p>

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	investment decisions, as approved in the governance process, are implemented in the actual transaction, prior to funds being disbursed.
	A portal for investment submissions has been implemented to ensure a single-entry channel, in order to prevent any proposals from being advantaged.
	All new transactions are submitted to the Deal Screening Committee, therefore, all Fund Principals know which transactions the team is working on, that ensures there are no parallel processes on the same transaction.
	All transactions are subject to independent reports by the Risk-, Legal-, ESG-, and Finance Divisions, and all transactions go through all the relevant governance structures in terms of the Delegations of Authority.
	The Ethics Office and Ethics Management Structure was recommended by the Board and implemented under the supervision of SETCO in December 2020 and is now fully integrated into the business of the PIC.
	Prior to Committee meetings, employees declare their Conflicts of Interest to the Company Secretariat.
	On an annual basis, all employees submit a detailed “Annual Declaration of Interests” document, accompanied by a sworn affidavit, to the Ethics Office for scrutiny and the necessary actions, where required.
	Valuations are performed on a regular basis, with that for loan instruments performed monthly, while equity instruments are valued quarterly. Annual valuations are performed by independent valuers and presented to the Audit Committee for recommendation to the PIC clients for final approval.
	The investment strategy is reviewed annually, and the CIO’s Office has been appropriately structured.
	Risk measurement is conducted by the Market Risk and Credit Risk teams and the risk reports are tabled at the Group Management Investment Committee and Group Investment Committee meetings, as well as the Board Risk Committee.

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Ethics	<p>The Social, Ethics and Transformation Committee (SETCO) is mandated by the Board to oversee the PIC's ethics performance, governance documents and policies on ethics, as well as ethics and reputational risks and corporate socially responsible investments (CSI).</p>
	<p>The Ethics Program, as detailed in the 2020 Ethics Strategy and Management plan, has been fully implemented. Between July and December 2023, a follow-up assessment was carried out to evaluate the effectiveness of the already implemented ethics strategy actions, and to identify and address both new and existing ethical risks. The comprehensive results from the 2023 Ethics Risk Assessment (ERA) indicated a significant improvement.</p> <p>All recommendations from the results of the ethics surveys were implemented, and other areas of improvement have been addressed.</p>
	<p>The following Ethics related policies were amended, approved and implemented:</p> <ul style="list-style-type: none"> • Code of Ethics • Anti-Bribery and Anti-Corruption Policy • Whistleblower Policy • Gifts Policy • Conflicts of Interest Policy • Personal Account and Insider Trading Policy. <p>These policies are published on the PIC Intranet, as is all other Policies and Standard Operating Procedures.</p>
	<p>Ethics Awareness Training has been rolled out to PIC staff and the Board.</p> <p>Induction training has been strengthened for new employees and/or Board members.</p>
	<p>Evaluating ethics and reputational risks has become an integral component of the investment due diligence process, and any transaction with the potential of an ethical risk, such as a reputational risk, are referred to the SETCO by the relevant Investment Committee.</p>
	<p>The PIC has a Whistle-Blowing hotline which is independent from the PIC and on an anonymous basis.</p>
Development / Review of policies	<p>All Policies/SOPs were reviewed and approved by the Board, and aligned with current laws, including Investment Policies. Maintenance</p>

Recommendation Theme	Key interventions implemented and gaps addressed
	reviews are done on a regular basis or when there are changes that necessitate a review.
	A Nominee Directors Policy was reviewed, enhanced, and approved by the Board. All nominations of Board members to the boards of investee companies are done by the Directors Affairs Committee, which is Chaired by the Chairperson of the Board and consists of the Chairpersons of all the other Board committees.
	An Information Classification policy was developed, approved, workshopped, and implemented.
	An integrated Talent and Succession Management Framework was approved by the Board of Directors in December 2023.
	<p>In the 2022/23, the PIC Board adopted the PIC Transformation Charter. It provides the overarching principles for effecting transformation through the work the PIC does. It seeks to advance the PIC's transformation agenda amongst investee companies and other stakeholders, to promote gender equality and the empowerment of women, under the Employment Equity Act, the application of the B-BBEE Act, and the Codes of Good Practice (as amended).</p> <p>Charter Objectives for Investee Companies: In terms of the Charter's Objectives, Listed Investee Companies are required:</p> <ul style="list-style-type: none"> • To have a 50% racially diverse Board comprising historically disadvantaged individuals (HDIs). • To have 50% women at Board and at Executive management level, of which a minimum of 30% shall comprise Black women. • These targets are to be realised within three years, starting from 2023. <p>Unlisted Investee Companies are required:</p> <ul style="list-style-type: none"> • To have a specific B-BBEE rating, with levels 1 – 3 being regarded as acceptable. • Companies with B-BBEE levels 4 – 8 will be regarded as laggards. The PIC will engage these companies to develop and implement a transformation plan over a three-year period, starting from 2023. • They will have to show annual improvements in B-BBEE levels as a condition of PIC funding. In the event of non-compliance with a pre-agreed plan, the PIC shall exercise its rights and remedies within its agreement with the investee company to advance transformation.

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	<ul style="list-style-type: none"> • The PIC uses the Employment Equity Act and the B-BBEE scorecard to measure progress on the different elements of B-BBEE in unlisted investments. Emphasis will be placed on ownership and management, skills development and enterprise and supplier development. The support for the youth, women, persons with disabilities and rural development will be measured within the elements referred to.