

8 March 2019

Attention: Mr Zolani Rento zrento@parliament.gov.za

Mr Zolani Rento
3rd Floor 90 Plein Street
Cape Town 8000

Dear Zolani Rento,

Submission: Public Investment Corporation (PIC) Amendment Bill

The following submission is made on behalf of The Association of Black Securities and Investment Professionals (ABSIP). The recommendations and comments below should be explicitly incorporated in the PIC Amendment Bill.

Amendment of section 6 of Act 23 of 2004

The nature of a non-executive role (more so at the PIC) demands that board members be highly independent, act with utmost integrity, to promote and upkeep the integrity of the PIC in safeguarding the assets and pension fund beneficiaries of South African citizens.

Any potential nominees being considered for the non-executive role on the PIC board must be fiercely independent as defined and/or guided by the King IV Code. Each board member should not hold more than four other directorships in listed and/or unlisted companies/entities. The King IV Code supported by the Institute of Directors allows for nine other board memberships; this entrenches the "old boy network" club and discourages independence and diversity by not limiting non-executive directorships to four positions. More than 50% of the non-executive members of the board must be independent and have good investment experience in investment management firms and investments. No board member should have a conflict of interest in any of the PIC investments or transactions and not only recuse themselves from such decisions but resign from PIC board positions if a potential conflict position arises.

Comprehensive and thorough probity assessments of professionals must be conducted on each nominee of the board. Given the size (approximately R2 trillion) of government assets that the PIC manages, when appointing individuals within the PIC's Investment Team, the recruitment committee must ensure that they only appoint highly skilled, appropriately qualified persons with integrity and

NATIONAL EXECUTIVE COMMITTEE

Sibongiseni Mbatha (President), Steven Seaka (Deputy President), Azola Mayekiso (Deputy President), Ntlai Mosiah (Secretary-General), Saleem Symallin (Deputy Secretary-General), Siyabonga Dube (Treasurer-General), Ephraim Moletsane (Deputy Treasurer-General), Max Malinga (Student Development), Snowy Masakale (Women In Focus), Lindelwa Farisani (Events and Marketing), Tinyiko Ngwenya (Young Professionals), Lesiba Mothata (Economic Research & Policy), Mandla Mbuyazi (Banking), Asief Mohamed (FSC, Legislation and Regulation), Malungelo Zilimbola (Asset Management), Mbulelo Ngubelanga (Development Finance Institutions)

honesty. This big pot of “easy” money at the PIC tends to attract deals that may not be sustainable and in the best long-term interests of the fund, beneficiaries and South African citizens.

Amendment of Section 10 of Act 23 of 2004

The report reflecting a detailed list of all investments, listed or unlisted must be submitted to the Minister and published on the website of the corporation on a bi-annual (not annual) basis, within three months after the bi-annual reporting date. A brief basis of the valuation must be provided for each unlisted asset.

General:

The role of Policy and Law makers should execute on its objective to transform South Africa in achieving wealth and income levels distribution based on population and gender demographics. ABSIP strongly supports the Broad-Based Socio-Economic Empowerment objective of achieving a normal and equal society (lowering inequality) in the Financial Sector value chain and the broader South African society. A normal and equal society is where the citizens of South African share in the wealth and income based on population race and gender demographics.

ABSIP proposes that all mandated investments (retirement funds, umbrella funds, collective investment schemes, medical aid funds, mandated funds such as the Public Investment Corporation and Industrial Development Corporation etc.) on a look through basis gets counted in the determination of the Black and Women ownership of companies in the Financial Sector (and other sectors). This encourages more broad-based empowerment as opposed to narrow BEE. The PIC should disclose on its website the demographic and gender liability profile of its beneficiary members to enable investee companies to get B-BBEE ownership credits for broad based Black and Women shareholding on a look through basis. However, the B-BBEE targets should first be changed to reflect population and gender demographics. The “Once Empowered and Always Empowered” notion is not consistent with reducing increasing inequality in South Africa and should be removed from all B-BBEE legislation.

Please contact us should you require us to present the submission.



Asief Mohamed

National Executive Committee (FSC, Legislation & Regulation)

For and on behalf of ABSIP

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