JUDICIAL COMMISSION OF INQUIRY INTO ALLEGATIONS OF STATE CAPTURE, CORRUPTION AND FRAUD IN THE PUBLIC SECTOR INCLUDING ORGANS OF STATE

STATEMENT OF DR ALEXANDER WEISS

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for the purpose of the

JUDICIAL COMMISSION OF INQUIRY INTO ALLEGATIONS OF STATE CAPTURE, CORRUPTION AND FRAUD IN THE PUBLIC SECTOR INCLUDING ORGANS OF STATE

Introduction

1. I am a Senior Partner in the Berlin office of McKinsey & Company ("McKinsey"). I serve utilities globally for McKinsey's Electrical Power and Natural Gas Practice. I have been employed by McKinsey since September 2000, and hold a PhD in Civil Engineering and a PhD in Business Administration. During the period of July 2013 to July 2017, I served as Co-Lead of McKinsey's Client Service Team ("CST") at Eskom Holdings SOC ("Eskom").

2. This statement is intended to provide the Commission with information relating to my recollection of McKinsey's work at Eskom, including but not limited to the period of January 2015 through February 2017.

3. At the outset, I confirm that I worked with Eskom for many years, and never witnessed or otherwise became aware of any bribery or corrupt activities during that time, by either individuals at Eskom or by my colleagues at McKinsey.

4. I would also emphasize that while Eskom faced many challenges, I believed strongly that McKinsey could help Eskom restore a reliable power system to South Africa. I became personally invested in working to help Eskom, and South Africa, succeed. I believed that through our hard work with Eskom, McKinsey could help make a real difference in the lives of the people of South Africa.

5. If McKinsey's work involving Regiments and Trillian in any way made it possible for corrupt individuals to steal money from the people of South Africa, this was unknown to me at the time, was contrary to our efforts to assist South Africa, and is personally painful to me to learn now.

6. This statement sets out my recollection and understanding of events at the time they occurred. The facts described herein are within my personal knowledge unless otherwise indicated, and are true and correct to the best of my knowledge and belief. As significant time has passed since many of the relevant events occurred, my memory may be limited, inaccurate, or incomplete, but I have endeavored to recollect the relevant circumstances as completely as possible.

7. This statement has been prepared voluntarily to assist the Judicial Commission of Inquiry (the "Commission") in relation to its investigation. This statement supplements and amends my April 2019 statement, following a request by the Commission to address certain topics not discussed in my April 2019 statement.

McKinsey's Work at Eskom (2005 – 2015)

8. I began working on consulting projects at Eskom for McKinsey in 2005, after developing expertise in power utilities and capital productivity through my PhD programs and work experience. Between 2005 and 2015, I worked on projects at Eskom related to strategy, operations, logistics, capital expenditures, capital productivity, and construction. Over time, Eskom became a significant share of my client portfolio. Although I am a German citizen and am based in McKinsey's Berlin office, I frequently traveled to South Africa and to Eskom facilities. During some periods, I made weekly trips from Germany to South Africa to work with Eskom.

9. McKinsey worked with Eskom throughout the period between 2005 and 2015, in some years more than others. The institutional knowledge of Eskom that McKinsey developed during this time was particularly valuable given the frequent turnover of senior executives at Eskom. By mid-2015, I had worked at Eskom under more than a dozen CEOs and CFOs. Our mission was to help Eskom as an organization, not to serve the personal interests of any particular individuals.

10. Because McKinsey had deep institutional knowledge of Eskom as well as significant expertise on energy and electricity-related issues from our work globally, when a new executive management team joined Eskom we often helped onboard the team, who in some cases did not have prior experience at Eskom or in the energy industry. We provided in-depth information on subjects such as Eskom's organizational health and challenges, results achieved through prior projects, and proposed priorities to consider. We provided this extensive insight and analysis at no additional charge to Eskom.

11. Between 2005 and 2015, McKinsey also devoted significant resources to programs designed to enable Eskom to become less reliant on external consultants, including McKinsey. In particular, the "Top Engineers" program started in early 2013. The program increased Eskom's ability to internally execute projects that they otherwise would have outsourced. By 2015, McKinsey had recruited and trained two cohorts of Eskom Top Engineers–skilled Eskom internal technical consultants who were deployed across the business and led Eskom project teams. Each Top Engineer received a year of training (partly on McKinsey's premises) and access to valuable McKinsey intellectual property. **Annexure AW1 Mandate to Negotiate.**

Challenges at Eskom as of 2015

12. By the end of 2014 and beginning of 2015, South Africa was experiencing severe load-shedding due to operational issues at Eskom. Eskom was running an unplanned capability loss factor of 25% across its fleet of power stations, which meant that one-quarter of the fleet's generation capacity was being lost due to unplanned shutdowns, load reductions, or unplanned extensions of scheduled outages. The energy availability factor ("EAF"), which measures output as a percentage of potential capacity, of key power stations had fallen significantly. Frequent and widespread power outages affected day-to-day life and also jeopardised South Africa's economic prospects. At that time, McKinsey had worked at Eskom for many years and knew the company very well, and we felt a sense of duty to help. McKinsey therefore provided emergency support to Eskom at no charge. **Annexure AW2 Proposal: Offering Eskom our Pro-Bono Support.**

13. In early 2015, Eskom was in a precarious financial position and continued to experience frequent turnover of senior executives. When Mr Brian Molefe (CEO) and Mr Anoj Singh (CFO) began to transition to Eskom from Transnet SOC Ltd. ("Transnet") starting in mid-2015, first on secondment and then permanently, they did not have prior experience working at Eskom or in the energy industry. To help Mr Molefe and Mr Singh succeed in leading Eskom during this difficult time, my colleagues and I provided extensive insight and analysis to assist senior management, as we had done in many prior leadership transitions. As in the past, we did not charge for this advice. I personally had not worked with Mr Molefe or Mr Singh before.

14. During this onboarding, McKinsey also provided additional advice over a two-month period for Mr Singh, without charge. Our objective was to determine what performance improvements would enable Eskom to keep electricity price increases below inflation, while also ensuring the security of South Africa's electricity supply and restoring Eskom's investment-grade credit rating. The financial component of this work was performed by Regiments Capital ("Regiments").

15. The concept developed during Mr Singh's onboarding was later developed in further detail and incorporated into the annual Corporate Plan that Eskom was required to submit to South Africa's Department of Public Enterprises by March 2016.

Eskom Proposal of the At-Risk Fee Structure

16. Around late 2014 or early 2015, Eskom approached McKinsey about training a third cohort of Top Engineers. While the program had been very successful, we understood that Eskom would not be able to fund another cohort. At Eskom's request, in late January 2015 my colleagues and

I prepared a proposal in which McKinsey would train a third cohort of Top Engineers, and Eskom would only pay McKinsey for the training if Eskom realised savings from certain procurement projects on which McKinsey worked. **Annexure AW3 Proposal: Rapid Realisation of Procurement Savings.** My understanding is that the Eskom board was receptive to approving the program if the payments were in fact based on savings realised by Eskom. However, Eskom did not move forward with the third iteration of the program at that time.

17. Around May 2015, McKinsey began to discuss the possibility of a larger "turnaround" program with Mr Molefe, Mr Singh and others at Eskom. We eventually agreed with Eskom to conduct this larger turnaround program in conjunction with the Top Engineers program, and to train a greater number of Top Engineers than previously discussed.

18. Eskom requested that the entire program be funded on an impact or "at-risk" basis. Whether and to what extent impact had been achieved, and therefore whether payment was owed by Eskom to McKinsey, would be determined through a validation process that would involve determinations by both Eskom and McKinsey. While it was possible for McKinsey to earn substantial fees over the course of the three-year contract, those fees were contingent upon achieving measurable, validated success in improving Eskom's performance and reducing its costs. In other words, McKinsey would only be paid a portion of the benefit that it achieved for Eskom.

19. Once we started work under the Turnaround Programme with Eskom in early 2016, McKinsey dedicated significant resources to address Eskom's immediate challenges, with no guarantee of ever being paid. At the peak of our engagement, there were approximately 130 McKinsey consultants working on the ground at Eskom, with many more working at the back office to support the Turnaround Programme.

20. I had supported working on the Turnaround Programme on an at-risk basis because I believed McKinsey was doing crucial work and could help Eskom improve its performance. However, this arrangement created a significant risk to McKinsey as a firm and to me personally as the Co-Head of the Eskom CST. For instance, we would be paid for our work on the power stations only if we increased availability of power by a required amount. Since the power stations had experienced systematic deterioration in availability over a period of more than five years, it was uncertain whether we would achieve sufficient availability increases to earn payment. This was a huge risk for McKinsey and it also put significant pressure on the project teams on the ground.

21. My colleagues and I were aware prior to the start of work on the Turnaround Programme that National Treasury approval might be required, and discussed this with several individuals at Eskom in late 2015. Eskom explicitly told us that they had secured approval from the National Treasury. Indeed, minutes of a 9 February 2016 Turnaround Programme Steering Committee meeting attended by myself and numerous representatives from Eskom and McKinsey reflect that Eskom confirmed at the meeting that approval had been obtained. **Annexure AW4 Steering Committee Meeting Minutes, 9 February 2016.**

Extensive Negotiation of the Turnaround Programme

22. Together with McKinsey's in-house counsel and a McKinsey risk director, I led the firm's negotiations with Eskom for the Turnaround Programme. McKinsey was also represented at the negotiations by several McKinsey partners who worked on the Eskom CST. The negotiations began in July 2015 and were largely completed around October 2015. **Annexure AW1 Mandate to Negotiate; Annexure AW5 Report to the ExCo Procurement Sub-Committee (EXCOPS), 2 October 2015.** Negotiations on the final workstream took place in November 2015.

23. Eskom was represented at these sessions by its lead negotiator, several other employees, and its own in-house counsel. Both McKinsey and Eskom also brought in subject-matter experts as needed — for instance, when we negotiated the Generation workstream, a number of Eskom employees who worked in Generation participated in those sessions. Additionally, personnel from Regiments participated in negotiation sessions with Eskom in November 2015 with respect to the Balance Sheet workstream, which they were expected to execute alone given their finance expertise. Though I had not worked with Regiments prior to mid-2015, I understood that several of my McKinsey colleagues had worked with them for a number of years at Transnet and were familiar with their work.

24. We conducted approximately 30 full-day negotiation sessions at Eskom's headquarters, meeting one to two days per week from July 2015 through September 2015, with two additional negotiation days in November 2015 regarding the Balance Sheet workstream. Around October 2015, the McKinsey and Eskom negotiation teams had reached agreement on nearly all material provisions of the Turnaround Programme.

25. I understand that Eskom submitted the results of the negotiations to its senior management and its board, both of which confirmed the engagement in October 2015. Eskom formally accepted our proposal and the negotiated terms and conditions of the Turnaround Programme in a letter

of acceptance dated 17 December 2015. **Annexure AW6 Letter of Acceptance, 17 December 2015.**

26. The negotiations we conducted with Eskom were lengthy, hard-fought arm's-length commercial negotiations with multiple representatives present from both sides. Eskom asked many questions and was a tough counterparty. For example, both sides vigorously negotiated the baselines and methodology that would be used to calculate impact, as well as what percentage of those impacts McKinsey would earn as fees.

27. McKinsey was forced to make numerous concessions to Eskom in order to reach agreement. For example, McKinsey agreed to lower payment rates for projects with recurring impacts, which significantly reduced the total fees McKinsey could potentially earn over the three-year period anticipated in the contract.

28. During the course of negotiations and before work started under the Turnaround Programme, my team and I repeatedly consulted with internal risk committees at McKinsey regarding topics such as negotiation status, the scope of the program, forecasted fees, the calculation of impact payments, and standard risk-mitigation measures for working with supplier development partners ("SD&L Partners") in general and Regiments and Trillian specifically on a project of this scale and complexity. As part of these internal McKinsey discussions, we agreed that we would go forward with the project and conduct diligence of Trillian prior to contracting with them.

29. With the Letter of Acceptance in place, we had a signed agreement between Eskom and McKinsey and we began work on the Turnaround Programme in January 2016. At the same time, we continued to work to finalize the Services Level Agreement (SLA). Despite McKinsey's efforts, Eskom delayed signing the SLA. I eventually received the signed SLA from Eskom in late September or early October 2016. By then, Eskom had terminated the Turnaround Programme and had compensated McKinsey for our work. At that time, I did not expect that McKinsey would receive any additional compensation from Eskom.

30. The SLA that I received was signed on behalf of Eskom as of January 7, 2016. After consulting with in-house counsel regarding the SLA, I signed the SLA on behalf of McKinsey as of January 11, 2016, which was the approximate date that McKinsey began work on the project. I understood that Eskom's preference was that the SLA be signed as of the effective date, which was the date that we began work. I regret any confusion that this may have caused.

McKinsey Did Real Work and Obtained Real Results for Eskom

31. As explained above, by late 2014 and early 2015, South Africa was enduring significant load-shedding. Eskom's power stations had not been maintained properly and were breaking down, and operating staff was often inadequately trained. McKinsey provided emergency support to Eskom at no charge to address some of these challenges — we viewed it as a chance to support Eskom on important work. **Annexure AW2 Proposal: Offering Eskom our Pro-Bono Support.**

32. Additionally, McKinsey invested substantial resources in undertaking the Turnaround Programme at Eskom in part because we recognised the importance to South Africa of helping Eskom operate more effectively. McKinsey remained fully committed to Eskom's success — and thus the success of South Africa — even after Eskom informed us in June 2016 that their board had decided to terminate the Turnaround Programme. We performed work for Eskom at no charge during this period, including working at Eskom's power stations until August 2016 and at its cost-plus mines until November 2016, and supporting the Top Engineers program until July 2017.

33. The work we did at Eskom in 2015 and 2016 — before and during the Turnaround Programme — had a real, visible impact on Eskom's operational performance and on South Africa in a short period of time. One area in particular that demonstrates the impact McKinsey had in unlocking Eskom's potential was with respect to the availability of electricity, something Eskom had struggled with for many years and indeed again struggles with now. By mid-July 2016, Eskom had continued to avoid load-shedding and even had surplus capacity. Its fleet-wide EAF had increased to over 75%, from less than 70% a year prior. Unplanned failures at the Majuba station were cut by more than half, from 19% to 8%. **Annexure AW7 Top Consultant Programme – MSA Update and Process Going Forward.**

34. The trend of improved Generation performance continued well into 2017 and beyond. Majuba became a top-performing station in Eskom's fleet, and fleet-wide performance continued to improve. Eskom avoided significant load-shedding until June 2018, nearly two years after the Turnaround Programme was terminated. I believe that if the Corporate Plan that McKinsey developed with Eskom had been fully implemented through the complete, three-year turnaround program that was envisioned, Eskom would have been in a stronger position operationally and may have avoided the serious challenges that it currently faces.

35. In addition to improvements in power availability, the work that McKinsey did at Eskom had a substantial impact on Eskom's financial health, which was in a precarious condition in 2015. As

one specific example of this impact, McKinsey helped Eskom achieve between September 2015 and September 2016 a 1.5% decrease in primary energy costs, which had increased by an annual average of more than 18% in the previous five fiscal years. More broadly, work done under the Turnaround Programme resulted in cost savings to Eskom of more than R8 billion. **Annexure AW8 Eskom Group Reviewed Interim Results Six Months Ended 30 September 2016.**

36. McKinsey's work under the Turnaround Programme also helped further develop Eskom's human capital. The Top Engineers program provided opportunities for more than 30 Eskom engineers to develop valuable professional management consulting skills, receive one-on-one coaching from senior McKinsey colleagues, and work on high-impact, top-priority projects. These engineers could then lead projects that Eskom would have otherwise outsourced to external consultants. McKinsey also provided leadership training to power-station managers, and revived much-needed technical trainings for station operating staff. **Annexure AW7 Top Consultant Programme – MSA Update and Process Going Forward.**

Introduction to Regiments/Trillian at Eskom and Subsequent Dealings with Regiments/Trillian

Introduction to Regiments at Eskom

37. I first recall being introduced to Regiments around mid-2015, through my work at Eskom. I understood from colleagues that Regiments had worked extensively with McKinsey at Transnet for a number of years, including when Mr Molefe and Mr Singh were employed there.

38. As discussed above, when Mr Molefe and Mr Singh transitioned from Transnet to Eskom in mid-2015, Regiments worked with McKinsey on a two-month project that arose out of the CEO/CFO onboarding. I understood that Regiments was an established firm and had relevant expertise on the financial and balance-sheet aspects of the project, and thus was well-equipped to lead that portion of the project. I was aware of the project but had limited personal involvement in it, and thus limited interaction with Regiments at that time.

39. I also understood from my colleagues that McKinsey had previously undertaken a due diligence review of Regiments while working with them at Transnet, and was comfortable with the team involved in the work at Eskom.

Mid-2015 Work with Regiments at Eskom

40. McKinsey presented the model developed during the two-month project to Mr Singh around July or August 2015, and was asked to support Eskom in writing its annual Corporate Plan based on the model. Though McKinsey had not previously been engaged to provide support to Eskom in writing this annual submission, I believe the model was representative of the extensive institutional knowledge we had of Eskom, and that Mr Singh recognised the importance of such existing knowledge during a period of great challenges for Eskom, when a sound Corporate Plan was urgently needed.

41. We wrote a proposal, and the letter of acceptance we received from Eskom specified that McKinsey was required to engage an SD&L Partner. Given Regiments' financial modeling capabilities and work on the previous project, which formed the basis of the Corporate Plan, we envisioned Regiments as the SD&L Partner for the Corporate Plan project.

42. As explained further below, in October or November 2015 we learned that a Regiments partner with whom we had worked on the two-month project was planning a spin-off of the management-consulting arm of Regiments, which would ultimately result in the creation of an entity called Trillian Management Consulting ("Trillian"). We did not have a formal subcontracting agreement for the Corporate Plan, but we worked alongside Regiments/Trillian, who provided the financial component of the modeling required for the Corporate Plan.

43. While McKinsey was working with Regiments/Trillian on the two-month modeling project and the subsequent Corporate Plan, negotiations with Eskom for the Turnaround Programme were ongoing. I understood that an SD&L Partner would be required, and that Regiments/Trillian might become the SD&L Partner for the Turnaround Programme.

44. I understood from my McKinsey colleagues that Mr Singh had spoken positively about engaging Regiments at Eskom based on his experience with their work at Transnet. It was not unusual in my experience for executives to develop opinions on particular firms based on the work that they did, and to seek to engage firms that had performed well for subsequent projects. Additionally, as I noted above, I understood from my colleagues that Regiments had relevant expertise with financial modeling. I did not have any understanding, never heard any suggestion, and never saw any indication that Regiments or Trillian was suggested by Eskom so that it could be used to make improper payments to third parties, or for any other corrupt purpose.

Regiments/Trillian Transition

45. As discussed above, around October or November 2015, we learned that a Regiments partner, Dr Eric Wood, was in the process of buying out the management-consulting arm of Regiments

from his business partners, and would spin it off into Trillian. At that time, Regiments was already working on the Corporate Plan and McKinsey was finalizing the Turnaround Programme with Eskom, which envisioned Regiments as McKinsey's SD&L Partner. Though my personal interactions with Regiments were limited at that time, I understood that many consultants then at Regiments would move over to Trillian with Dr Wood, and conduct the same management consulting business under the Trillian corporate name. Thus, McKinsey would continue working with essentially the same consulting team after the spin-off of Trillian from Regiments. McKinsey's internal committees raised no concerns in relation to Dr Wood, with whom McKinsey had worked for several years during his time at Regiments.

46. I understood that an SD&L Partner was required by Eskom. I also recognised the important value in building up local firms through the SD&L program, and had previously worked on McKinsey engagements at Eskom with SD&L Partners. For example, the firm Letsema had acted as our SD&L Partner on a number of projects with Eskom. In anticipating partnering with Regiments, and eventually Trillian, I understood that McKinsey would work to build up the capabilities of a local firm while together doing work that Eskom needed. We anticipated providing professional coaching and working side-by-side with our SD&L Partner, on real work.

47. Although Trillian was a new company and still establishing itself as of late 2015 and into early 2016, I understood it to be a genuine company that did real work as its predecessor company had reportedly done. From my early interactions with them, I understood that Trillian was eager to get started on work. However, because they were still building their company, they would initially need to rely on subcontractors to secure sufficient staffing. In order to build up internal staffing, I understood that Dr Wood planned to bring current Regiments employees to Trillian and do additional hiring. He also brought in two executives from another company, Anglo-American Plc, to help manage Trillian.

McKinsey Anticipated Working with Trillian

48. In late 2015, there was a great sense of urgency at Eskom to begin our work on the Turnaround Programme, given the significant and serious challenges that Eskom faced. At the same time, I understood that Regiments was a known partner that had worked with my colleagues for many years, and that Trillian would be a spin-off of Regiments with much of the same team. Given these considerations, I believed that it was prudent to prepare to work with Trillian and start delivering results to Eskom as soon as possible, in anticipation of Trillian becoming our SD&L Partner. I fully expected that Regiments/Trillian would perform real work, and ultimately saw that

they did perform real work. Moreover, I had no understanding or belief that anyone intended to use these companies to make corrupt payments.

49. In addition, my Eskom CST colleagues and I continued to engage with McKinsey's risk committees in November and December 2015, keeping the committees informed of our progress and seeking recommendations and best practices for mitigating risks related to working with SD&L Partners.

50. In preparation for starting work on the Turnaround Programme, my colleagues and I drafted a potential fee table, which was based on forecasts of the program's total impact over the course of the complete three-year program. Eskom would only pay these impact-based fees in the event that the entire Corporate Plan was successfully implemented through the Turnaround Programme. Consistent with the SD&L requirement formulated by Eskom, the fee table calculated that 50% of the total impact fees would be allocated to work done by an SD&L Partner by the end of the three-year period. **Annexure AW9 Draft Table of Potential Fees, December 2015.**

51. In December 2015, my colleagues and I had a series of discussions with Dr Wood and other individuals at Trillian. Included among the topics addressed were McKinsey and Trillian's roles on different workstreams of the Turnaround Programme, plans for professional development of Trillian consultants, and the proposed division of the impact-based fees that were forecast at that time.

Ownership Questions and Due Diligence

52. At the same time, I understood that it was necessary to confirm, as part of our diligence, that Trillian was black-owned as this was required for McKinsey to satisfy our SD&L obligations. I requested that Trillian provide its Black Economic Empowerment ("BEE") certificate around November or December 2015. Dr Wood informed me that they did not yet have the certificate because the ownership and board structure of Trillian was not yet settled but assured me it would be forthcoming. At this point, I expected that Trillian would be able to expeditiously provide its BEE certificate and that it would become our SD&L Partner. However, I would not agree to formally engage them as our partner until they confirmed their BEE status.

53. To that end, my then-colleague Mr Vikas Sagar and I requested ownership and shareholding information from Trillian numerous times, first orally and then by email. **Annexure AW10 Email from B. Smith to A. Weiss and V. Sagar, 9 February 2016.** McKinsey eventually made formal requests in letters dated 25 February 2016 and 10 March 2016, as Trillian repeatedly failed to

provide the requested information. **Annexure AW11 Letter from McKinsey to E. Wood, 25 February 2016; Annexure AW12 Letter from McKinsey to E. Wood, 10 March 2016.** The little information we did receive was incomplete and did not answer our questions. For example, Trillian's then-CEO, Ms Bianca Smith (now Goodson), simply responded by stating that Trillian Management Consulting, our anticipated partner, was 100% owned by another entity, Trillian Capital Partners. **Annexure AW10 Email from B. Smith to A. Weiss and V. Sagar, 9 February 2016.** Dr Wood repeatedly informed Mr Sagar and me that he was still finalizing BEE shareholders and directors, but failed to provide the information we requested. Given the continued lack of transparency from Trillian and increasing concerns about whether they were in fact black-owned, McKinsey engaged an external due diligence firm in February 2016 to try to obtain more information. During this time, my team and I had several discussions with McKinsey's risk committees and individual risk colleagues regarding our efforts to obtain information from Trillian regarding its ownership.

54. While we were attempting to obtain Trillian's ownership and BEE information, news reports published in mid-February 2016 raised questions regarding the political connections of a former Regiments employee, Mr Mohamed Bobat. Mr Sagar, who had worked with Regiments for several years while on the Transnet CST, asked Dr Wood to provide information about Mr Bobat's relationships with Regiments and/or Trillian. We also received a formal request from Eskom on 19 February 2016 for a response to the news reports about Mr Bobat. **Annexure AW13 Letter from Eskom to McKinsey, 19 February 2016.** As with Trillian's responses to McKinsey's inquiries regarding its ownership during this period, Trillian's response that Mr Bobat had no relationship with Trillian was evaluated by McKinsey's risk committees as part of a broader risk review.

55. On 22 February 2016, McKinsey additionally learned that Trillian was working on both sides of an Eskom boiler-purchase transaction, which was potentially a material conflict of interest. What was particularly concerning about this was that Trillian had not disclosed the potential conflict — McKinsey only became aware of it during a meeting at Eskom. McKinsey then formally requested additional information from Trillian regarding the potential conflict. **Annexure AW14 Letter from McKinsey to Eskom, 24 February 2016; Annexure AW11 Letter from McKinsey to E. Wood, 25 February 2016.**

McKinsey Determined Not to Partner with Trillian

56. By mid-March 2016, McKinsey still had not received satisfactory responses from Trillian regarding its ownership, despite sending an additional formal request by letter on 10 March 2016.

Annexure AW12 Letter from McKinsey to E. Wood, 10 March 2016. On 14 March 2016, I attended a teleconference of McKinsey's Client Services Risk Committee, during which it was decided that McKinsey would terminate all further partnership discussions with Trillian, a decision which I supported. Given Trillian's lack of transparency and their failure to provide BEE credentials, McKinsey determined that we would not partner with them.

57. On 15 March 2016, McKinsey provided Dr Wood with a letter informing Trillian of our decision not to proceed with them as our envisaged partner on the Turnaround Programme. **Annexure AW15 Letter from McKinsey to E. Wood, 15 March 2016.** Mr Sagar and I informed Mr Singh of Eskom of the decision not to partner with Trillian orally. I then co-signed (with McKinsey's then-Managing Partner for Africa) a formal letter to Eskom regarding the decision on 30 March 2016. **Annexure AW16 Letter from McKinsey to A. Singh, 30 March 2016.** We made it very clear to Eskom on multiple occasions that we were not partnering with Trillian, both verbally and in writing.

58. McKinsey still had an SD&L requirement under the Turnaround Programme, but still did not have a partner. We had not identified any alternate firms, as we had anticipated working with Regiments and then Trillian. At this time, we developed the idea of creating an SD&L "fund" — the SD&L share of McKinsey's impact-based fees would go into the fund as fees were accrued. McKinsey would then decide with Eskom how to allocate fees to meet SD&L requirements, such as by identifying additional BEE-qualified firms to work on the Turnaround Programme. I raised this idea informally to Mr Singh and Mr Prish Govender (who was at the time an executive in Group Commercial) in late April 2016, and later presented it formally to Mr Govender and Mr Edwin Mabelane (then Chief Procurement Officer) in mid-May, as well as to the Turnaround Programme Steering Committee in June 2016. We understood that such a fund would still comply with the BEE requirements. **Annexure AW17 Steering Committee Meeting Minutes, 31 March 2016.** (Note that there is an error in the date on the front page of these minutes. This Steering Committee meeting took place in June 2016, as reflected on the last page of the minutes and the cover slide of the attached presentation deck.)

59. It was McKinsey's intention that multiple SD&L Partners would work on the Turnaround Programme and be paid from the SD&L fund. We began an internal process to identify potential candidates to work with for the remainder of this large, three-year engagement. However, McKinsey and Eskom had not decided on any alternate SD&L Partners by the time Eskom's board terminated the Turnaround Programme in early June 2016, approximately two to three weeks after McKinsey formally presented the SD&L fund concept to Eskom. Nor was the SD&L fund concept ever finalized prior to Eskom's termination of the Turnaround Programme.

9 February 2016 Letter

60. In late January 2016, Trillian asked that McKinsey authorize Eskom to pay Trillian directly for work that it performed. Trillian subsequently requested in early February 2016 that McKinsey issue a letter authorizing Eskom to pay Trillian directly for such work. If Trillian had ultimately been engaged as a subcontractor to McKinsey, one option for payment would have been for Eskom to pay McKinsey, and then McKinsey would have in turn paid Trillian. I understood that Trillian and Eskom preferred that Eskom pay Trillian directly for work that Trillian performed.

61. Direct payment by clients to subcontractors is not unusual in my experience and did not raise concerns for me at that time. I understood that direct payment of SD&L Partners ensured that Eskom, not McKinsey, received the benefit of BEE supplier spending. Additionally, I understood from consultations with McKinsey's risk committees in relation to the Turnaround Programme that it is McKinsey's preference to have subcontractors paid directly, rather than McKinsey acting as an intermediary between the client and the subcontractor.

62. I understand that Mr Sagar provided a letter to Eskom on 9 February 2016, which was drafted by our in-house counsel and addressed direct payment from Eskom to Trillian for work on the Corporate Plan, which had already been performed. The letter did not address direct payment to Trillian in relation to the Turnaround Programme.

63. I understand that the letter incorrectly described Trillian as McKinsey's subcontractor. While I was included on email communications regarding the letter, I was not responsible for drafting the letter and did not read it at that time, and hence was not aware that the content of the letter was inaccurate. I did not believe that it was necessary for me to review the letter, as I understood that Mr Sagar would send the letter and would be advised by McKinsey's in-house counsel.

64. I was not then and am not now aware of any improper motive on the part of anyone — at McKinsey, Eskom, or Trillian — in relation to the 9 February 2016 letter. Rather, I understood that the letter related to mechanics for payment for work that Trillian had performed under the Corporate Plan contract.

65. I now understand that my colleague Mr Sagar may have been in contact with Mr Salim Essa (**Mr Essa**) regarding Trillian's work at Eskom. I was not aware of any such discussions during the time that McKinsey was working with Eskom and/or alongside Trillian.

Eskom Continued to Work with Trillian

66. Although McKinsey had decided to terminate partnership discussions with Trillian, Eskom continued to work separately with Trillian. I understood that while McKinsey had determined not to engage Trillian as its SD&L Partner, Eskom was able to contract with Trillian if it wished to do so. As described above, my concerns with Trillian primarily related to whether it was in fact BEE-certified and thus whether contracting with Trillian would satisfy McKinsey's SD&L obligations.

67. I recall that Trillian worked on three workstreams at this time. It worked separately from McKinsey on projects related to procurement and Eskom's balance sheet. Trillian also worked alongside McKinsey on a project related to generation, which involved teams from both McKinsey and Trillian working on the ground at the Majuba power station. While the McKinsey team sought to be polite and professional with Trillian, we made it very clear to both Eskom and Trillian that Trillian was not our partner.

68. At the same time, my team and I had some visibility into the work Trillian was doing. I observed that Trillian had teams on the ground, and I understood them to be doing actual work and trying to help Eskom. I did not have any understanding or reason to suspect that Trillian's continued engagement was intended as a mechanism for any improper payments.

Turnaround Programme Settlement Negotiations

69. As mentioned above, Eskom's board decided in June 2016 to terminate the Turnaround Programme. As of this time, McKinsey had not been paid anything for the extensive work performed on the contract. After Eskom informed us of this decision in writing on 16 June 2016, I exchanged several letters with Mr Mabelane over the next two weeks about negotiating a financial settlement. **Annexure AW18 June Correspondence Between Eskom and McKinsey.** Ultimately, at Eskom's direction, my team and I prepared a cover letter for McKinsey's share of an initial settlement payment calculated by Eskom. We explicitly stated in the letter that the invoiced amount did not include any BEE partner share. **Annexure AW19 McKinsey Invoice, 11 August 2016.** I understand that Eskom paid the amount that was invoiced by McKinsey on or around 16 August 2016.

70. I understand that after Eskom paid McKinsey in August 2016, Mr Singh engaged an external consultancy to conduct an audit and technical review with respect to the Turnaround Programme, in order to validate the impact payment calculations used to determine the appropriate settlement amount. My understanding is that the external review confirmed that McKinsey's

impact was larger than the calculation used for the initial settlement amount paid to McKinsey in August 2016. **Annexure AW20 External Report, 15 December 2016.**

71. Around 14 February 2017, Eskom informed McKinsey that it was prepared to make an additional settlement payment based on the finalization of its external review of the impact of the Turnaround Programme. **Annexure AW21 Letter from Eskom to McKinsey, 20 January 2017; Annexure AW22 Letter from Eskom to McKinsey, 9 February 2017.**

72. The total settlement offer communicated by Eskom in February 2017, inclusive of the Turnaround Programme's SD&L share, was approximately equal to the amount of unpaid impact-based fees that the external report identified as being procedurally validated. Eskom asked McKinsey to provide documents necessary to effect a final payment, and accordingly my team and I prepared a cover letter and invoice to Eskom. **Annexure AW23 McKinsey Invoice, 21 February 2017.**

73. McKinsey's invoice sought payment on behalf of McKinsey only, while acknowledging that a portion of the impact fees accrued would apply toward satisfying our SD&L obligations. To that end, the letter dated 9 February 2017 from Mr Mabelane with regard to the final Turnaround Programme settlement payment to McKinsey references an amount inclusive of the BEE partner's portion of the contract, and the follow-on letter dated 16 February 2017 from Mr Mabelane references "McKinsey and its BBEEE Partner." **Annexure AW22 Letter from Eskom to McKinsey, 9 February 2017; Annexure AW24 Letter from Eskom to McKinsey, 16 February 2017.**

74. The McKinsey invoice did not seek payment on behalf of Trillian. As discussed above, after McKinsey decided not to proceed with Trillian as our envisaged partner on the Turnaround Programme, we discussed and proposed to Eskom an alternative SD&L fund into which the SD&L Partner share of impact payments would accrue. The proposal and discussions we had with Eskom about this fund anticipated that McKinsey and Eskom would decide together on new partners and on the allocation of the fees that had accrued. Given the short period of time between McKinsey's proposal of the SD&L fund and the termination of the Turnaround Programme by Eskom's board in June 2016, we ultimately were not able to identify any new partners prior to the termination of the Turnaround Programme.

75. However, McKinsey was not entitled to the full amount of the settlement offer communicated by Eskom in February 2017, which as noted included the SD&L share of impact payments. After discussions with our in-house counsel and the Finance function of McKinsey's Johannesburg

office, my team and I included the BEE share in an "SDL Fund Value Created" column of the invoice to demonstrate our fulfilment of the Turnaround Programme's SD&L obligations.

76. Any assertion that McKinsey directed Eskom to pay Trillian under the Turnaround Programme is incorrect. McKinsey did not negotiate any settlement on behalf of Trillian at any time, nor did McKinsey direct Eskom to pay Trillian. As I stated earlier, we made Eskom aware on many occasions after our 14 March 2016 termination decision that Trillian was not our SD&L Partner.

Conclusion

77. Between 2005 and mid-2017, I had the opportunity to work on a variety of projects small and large at Eskom. Over time, I came to understand Eskom's challenges and strengths, and saw the positive impact that McKinsey's work could have not only on Eskom, but also on everyday life in South Africa and the country's economic growth.

78. This impact was possible due in part to the working relationships my colleagues and I built with our clients at Eskom, who in my experience were well-intentioned and worked hard to help Eskom succeed.

79. McKinsey worked under many executive management teams during that time period. Throughout, we focused on executing projects that created value for Eskom and helped improve its performance — real work that delivered real results. I never understood it to be the case that the SD&L Partners we partnered or considered partnering with — including Regiments and Trillian — operated any differently or were used as instruments for corrupt purposes.

80. I support the important work of the Commission and its crucial mission in combating corruption and protecting the integrity of South Africa's state-owned companies. I appreciate the opportunity to present my recollection of McKinsey's work at Eskom and wish to assist the Commission however I am able. I trust that this statement will be of assistance to the Commission.

DR ALEXANDER WEISS

25 November 2020