



## **ANNEXURE A**

# DUE DILIGENCE QUESTIONNAIRE FOR A SA ACTIVE LISTED FIXED INCOME MANDATE ONLY

August 2023

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## 1 COMPANY INFORMATION

1.1. Full name of company:

1.2. Company registration number:

1.3. Inception date of company:

1.4. Website address:

1.5. Insert contact details

|                          |  |           |  |
|--------------------------|--|-----------|--|
| Name of Contact Person   |  | Job title |  |
| Company physical address |  | Telephone |  |
|                          |  | Fax       |  |
| Postal Code              |  | Email     |  |

1.6. FSCA licenses: Is the company registered for:

- Category I and II License
- 13B License

1.7. FSB license registration number:

1.8. Names of key individuals and authorized representatives registered with the FSB in relation to the company's registration: Please provide names of former/current employees disbarred by the FSB if any:

1.9. If the company is registered with any other regulatory bodies outside of the Republic of South Africa, please provide details.

- 1.10. Please provide information on the history of your company: (e.g., founders, corporate actions, changes in shareholding, significant milestones, etc).
- 1.11. Please provide a business organogram of your company (holding companies, affiliates, subsidiaries, etc.).
- 1.12. Please provide a description of the firm's culture.
- 1.13. Has there been any period in the organization when you believe there was a material shift or change in the culture of your organization?
- 1.14. What do you believe drives the culture of your organization?
- 1.15. What sets your organization apart from your competitors?
- 1.16. What are your objectives for the business over the next two to three years and how will those objectives be achieved?

## 2 SUSTAINABILITY

- 2.1. If you are not already managing assets, when do you expect to receive your first mandate?
- 2.2. What is the size of your first commitment? Please provide details?
- 2.3. How much risk capital are you prepared to inject into the business to maintain operations and staff?
- 2.4. Do you have external funding? Provide information regarding your firm's liquidity and capitalization. Are there any personal guarantees?
- 2.5. Has your current business reached profitability? Please provide details on the profitability of the firm?
- 2.6. What level off assets under management defines critical mass in your business?
- 2.7. For how long will you be able to sustain the business until you reach critical mass?
- 2.8. How is staff currently being remunerated?

### 3 PEOPLE

- 3.1. How many full-time employees are employed by the firm? Is the firm operating at full capacity?
- 3.2. Please enclose an organisation chart of the company depicting the names of **all** employees and their areas of responsibility (we recognise that there may be overlap between the areas). Please include executive committee profiles and the names of all the divisional heads.
- 3.3. Please provide a detailed background of **all** investment professionals that will be responsible for the management of a SA Listed Fixed Income Mandate. Background should cover the following per employee:

|   |  |
|---|--|
| Name:   |  |
| Age:  |  |
| Title:  |  |
| Role/responsibilities:  |  |
| Qualifications (institution):                                     |  |
| Previous employment and responsibilities:                         |  |
| Years with the company:   |  |
| Years of experience in managing a SA Listed Fixed Income Mandate: |  |
| Total Industry Experience   |  |

3.4. Who are the key decision makers in the business and for the strategy in question?

3.5. Have there been any investment professional losses or gains over the last 24 months?

Losses:

| Name | Role | Qualifications | Years with company | Date resigned | Reason for leaving |
|------|------|----------------|--------------------|---------------|--------------------|
|      |      |                |                    |               |                    |

Gains:

| Name | Role | Qualifications | Years' experience | Date joined | Previous employer |
|------|------|----------------|-------------------|-------------|-------------------|
|      |      |                |                   |             |                   |

3.6. What criteria will be used to assess the performance of the investment team?

3.7. Please provide details on remuneration structures (salaries, bonuses, equity).

- Short term Incentive pay determination.
- Long term Incentive pay determination.
- No of employees that hold equity (% held and voting rights attached)

3.8. For any equity related incentives can you please outline the vesting / deferral process applicable? Can you please provide the rationale concerning the vesting / deferral process?

3.9. Is there any restraint of trade agreements in place? If so, what are the key features of the restraint?

3.10. What procedures are in place for retaining key personnel?

- 3.11. Please outline your succession planning process concerning key investment personnel.
- 3.12. What are the main criteria for appointing investment professionals?
- 3.13. If applicable, describe the firm's formal mentorship program.
- 3.14. How does your business facilitate learning?

#### 4 FUND INFORMATION

- 4.1. What are the total assets under management of the company? Please provide details per asset class, strategy and mandate type.
- 4.2. Provide a summary of the inflows and outflows in the last 12 months.
- 4.3. Please provide the 5-year/ 3-year performance numbers of the Fund (please indicate the period for which there have been material changes to the investment professionals/team responsible for the fund performance)
- 4.4. Does the company comply with the Global Investment Performance Standards (GIPS)? (If not, please explain)
- 4.5. For this SA Listed Fixed Income fund previously managed by your firm or lead investment professional (include previous employment), provide the following information:

|  |  |
|--|--|
| Name of fund:                                    |  |
| Date of inception:                               |  |
| Fund size:                                       |  |
| Type of mandate: general, core, specialist bond: |  |
| Investment objective:                            |  |



|  |  |
|--|--|
| Benchmark:   |  |
| Type of investors, institution and retail:   |  |
| % of assets represented by the largest investor:   |  |
| Was the fund pooled/segregated/unit trust?   |  |
| Provide details of any significant withdrawals.<br>Provide date, % of fund at the time and reason. |  |
| Provide a list of the 5 biggest drawdowns, the recovery period and explained why they happened?    |  |

## 5 INVESTMENT PHILOSOPHY AND PROCESS FOR A SA LISTED FIXED INCOME MANDATE ONLY

- 5.1. Describe in detail your investment philosophy.
- 5.2. Has the investment philosophy changed in the last five years? If so, please provide details as to why.
- 5.3. What are the defining aspects of your philosophy that you believe will lead to outperformance overtime. How well and how long are those defining aspects expected to persist over a full market cycle?
- 5.4. Describe in detail your fixed income investment process and any enhancement to that process over time.
- 5.5. List the alpha sources utilized in generating returns.
- 5.6. In which market environment do you believe your investment strategy works best/worst? (Provide examples).

- 5.7. Does your investment philosophy impose any constraints on your ability to manage a growing pool of assets successfully? Will you cap growth?
- 5.8. Is your investment philosophy supported by any empirical/academic evidence, if so can you please cite the sources of said evidence?
- 5.9. Describe how the team managing a SA Listed Fixed Income Mandate will interact with each other. Is there a key decision maker or is it a team-based approach? What is the level of discretion of the portfolio manager?

## 6 RESEARCH AND PORTFOLIO CONSTRUCTION FOR A SA LISTED FIXED INCOME MANDATE ONLY

### 6.1. Research

- 6.1.1. Please describe your research process.
- 6.1.2. What are the positives and negative aspects of this process?
- 6.1.3. Has this process ever changed or evolved over the past five years?
- 6.1.4. What outside sources are used and what percentage of the firm's research do you complete internally vs obtained from external sources?
- 6.1.5. Describe your filtering process that leads you to the universe out of which you make your instrument selection.
- 6.1.6. How are top-down macro inputs utilized in generating your investment ideas and how are they generated?
- 6.1.7. Elaborate on formulating of views on credit exposure (whether sectors or Counterparties or industries)
- 6.1.8. How do you manage duration of your credit instruments?
- 6.1.9. How is credit valued and priced?
- 6.1.10. Elaborate on your process to review these valuations?
- 6.1.11. Describe the models used in your decision-making process.

6.1.12. How are investments decisions arrived at, and how much time is usually required to come to a final decision?

## 6.2. **Portfolio Construction**

6.2.1. Describe your portfolio construction process (Including the determination of position sizes)

6.2.2. How are sector allocation decisions made?

6.2.3. What constraints are imposed on the portfolio regarding individual position sizes, market cap profile, or sector, credit, quality and duration?

6.2.4. What specific factors e.g. duration management, yield curve positioning, asset allocation, sector selection, maturity structure etc. are integral to the portfolio construction process? What is the relative importance of these factors?

6.2.5. What is your rebalancing policy and how often do you rebalance?

6.2.6. How do you ensure that adequate liquidity levels are maintained?

6.2.7. Please discuss your alpha targets relating this to the achieved alpha over the longer and recent period (recent 12months).

## 6.3. **Use of Derivatives**

6.3.1. Do you make use of derivatives? If so for what purpose do you make use of derivatives?

6.3.2. Describe in detail your process for executing (implementing) and the ongoing monitoring of derivatives usage.

6.4. **Attribution**

6.4.1. How is the effectiveness of the investment decisions and the investment process evaluated?

6.4.2. At what level of the portfolio is attribution done? What system(s) do you utilize for this purpose and is it a returns, holdings or transaction based attribution system?

6.4.3. How are individual investment calls measured?

6.4.4. Describe how consistency with the investment philosophy is measured and monitored.

## 7 **RISK MANAGEMENT FOR A SA LISTED FIXED INCOME MANDATE ONLY**

### 7.1. **Risk Management Process**

7.1.1. Describe your Risk Management Process detailing the main sources of risk you monitor.

7.1.2. Describe the involvement of Risk Management in the Portfolio Management Process, including -

7.1.2.1. Detail of the investment risk management process with regards to managing risk (i.e. credit risk, market risk, counterparty risk, liquidity management, valuation, and stress testing as applicable to this mandate).

7.1.3. Do you have an approved and implemented Investment Risk Management policy/manual?

7.1.3.1. Does the policy/manual include any soft/hard investment thresholds / guidelines? If yes, please provide these and further explain the use of the thresholds where applicable.

- 7.1.3.2. Can the PIC review the Investment Risk Management policy/manual? If yes, please share the Investment Risk Management policy/manual.
- 7.1.4. Who is responsible for risk management within your organization?
- 7.1.5. Please provide evidence that supports the existence of effective management of risk within investment activities.
- 7.1.5.1. Is there an independent risk management function within the organization? If so, please provide a list of the Committees that oversees investment risk management and frequency thereof.
- 7.1.5.2. Please detail what procedures the Risk team can follow to escalate any material risk concerns?
- 7.1.6. What type of risk monitoring reporting do you perform? (i.e. ex-post & ex-ante monitoring, key risk indicator monitoring, breach monitoring and escalation etc.)
- 7.1.6.1. What key measures do you use to measure risks?
- 7.1.6.2. How is the risk budget allocated/distributed across portfolio assets and factor premiums (i.e., value, momentum, low volatility etc.)?
- 7.1.6.3. How are unintended risks managed?
- 7.1.6.4. What is the frequency of your risk monitoring and reporting?
- 7.1.6.5. What is the process and authority levels of reporting and curing any breach?
- 7.1.6.6. Who is the recipient of the investment/market risk reports?
- 7.1.6.7. Please provide sample comprehensive risk reports and stress test reports of the funds/asset class that you will be managing with details of the risks highlighted.
- 7.1.7. Describe in detail your process for executing (implementing) and the ongoing monitoring of derivatives usage (if any).
- 7.1.8. Describe in detail how tail-risk is measured, monitored, and managed.
- 7.1.9. How are 'unlisted/illiquid' securities valued? Who can override these asset prices and is there a formal documented process for overriding prices? If yes, please share the documented process.
- 7.1.10. Do you have an asset price validation process in place to ensure that all instrument prices are correct?

**7.2. Risk Decomposition**

- 7.2.1. Please provide details on the portfolio risk decomposition at security level and factor level.
- 7.2.2. Please provide an assessment on the outcome of the factor contribution to the overall portfolio tracking error:

**7.3. Risk Management Team**

- 7.3.1. What is the staff complement of the investment risk management function (provide an organogram) in relation to the mandate(s)?
- 7.3.2. Please detail the names, qualifications, and experience of the risk management individuals for this mandate. Background should cover the following per employee:

|   |  |
|---|--|
| Name:   |  |
| Age:  |  |
| Title:  |  |
| Role/responsibilities:                        |  |
| Qualifications (institution):                 |  |
| Previous employment and responsibilities:     |  |
| Years with the company:                       |  |
| Years of experience in Risk Management:       |  |
| Provide detail on Risk Management experience: |  |

**7.4. Data Management**

- 7.4.1. Can you provide a sample of your holdings and transactions reports?
- 7.4.2. Is there a central data repository for portfolio data/AUM (holdings, transactions, performance history etc.)? Do clients have access to the data repository? If so, when can they access the portfolio data?

## 8 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

### 8.1. Governance

- 8.1.1. Provide details of shareholders' structure:
- 8.1.2. Please provide shareholder information which should include the following: Details of Shareholders – individuals (indicating race, gender, nationality, and people living with disability where applicable) and entities beneficiaries, if applicable.
- 8.1.3. CVs of Board of Directors of the contracting entity (indicating gender, race, nationality, age, people living with disability (where applicable) and experience)
- 8.1.4. CVs of Senior Managers of the Company responsible for investment decisions (indicating gender, race, nationality, age and people living with disability (where applicable) and experience). If the contracting entity does have a Board, please indicate and provide details of the Board that provides governance oversight.
- 8.1.5. Does the firm have anyone identified as a Politically Exposed Person (PEP) in the ownership structure, board and executive management level? If so, please provide the details.
- 8.1.6. Board Charter
- 8.1.7. Company MOI

### 8.2. Audit, Risk and Compliance, Social and Ethics and Investment committees

- 8.2.1. Provide role of the committees and copies of the Terms of Reference
- 8.2.2. Provide members of the committee
- 8.2.3. What is the current public interest score for your firm?

### 8.3. Other Board committees

- 8.3.1. Role of the committees – copies of the Terms of Reference
- 8.3.2. Members of the committee

### 8.4. Auditing and accountability



8.4.1. Who are the auditors and what is the relationship between the auditors and the audit committee?

8.4.2. How long have the auditors been in service?

### **8.5. Remuneration Framework or Policy**

Provide details on remuneration structures (salaries, bonuses, equity):

8.5.1. Short Term Incentive pay determination.

8.5.2. Long Term Incentive pay determination.

8.5.3. No of Employees that hold Equity (% held and Voting Rights attached)

### **8.6. Transformation and Succession Plans**

8.6.1. Copy of Transformation plan and Policy

8.6.2. Copy of Succession plan and Policy

### **8.7. ESG and Sustainability**

8.7.1. ESG Commitment statement and policy

8.7.2. Sustainability policy

8.7.3. Does your firm have an Environmental, Social and Corporate Governance (ESG) Policy and / or Proxy Voting Policy (If applicable)?

8.7.4. Describe your approach for identifying and evaluating material ESG risks and opportunities.

8.7.5. Does your firm incorporate ESG into the investment process? If so, how? How do you monitor and measure success and report to clients?

8.7.6. Who within your organization has oversight and/or implementation responsibilities for ESG integration?

8.7.7. Does your firm utilize an external service provider for data on ESG factors?

8.7.8. Does your firm vote at all investee companies' meetings? (If applicable)

8.7.9. Does your firm record and publish voting records? (If applicable)

8.7.10. How many Investees Company Engagements were done over the last 12 months?

8.7.11. How do you monitor success and report to stakeholders on your voting and engagement initiatives?

8.7.12. Does your firm manage any ESG specific mandates?

8.7.13. Is your firm a UNPRI signatory and/or endorse CRISA principles?

## **9 AUDITING, COMPLIANCE AND OPERATIONS**

### **9.1. Auditing**

9.1.1. Who are your company's external auditors and what is the relationship between the auditors and the audit committee?

9.1.2. Are you up to date in terms of audited financial statements?

9.1.3. Please share your last 3 years of audited financial statements

### **9.2. Compliance**

9.2.1. Who is responsible for compliance in the company?

9.2.2. Is the compliance function adequately resourced to discharge its responsibility regarding providing assurance in respect of level of compliance?

- 9.2.3. Is the compliance function in-house or outsourced?
- 9.2.4. If the function is outsourced: How long have you had the relationship with the external compliance practice?
- 9.2.5. Is the external compliance officer approved by the Regulatory Authority?
- 9.2.6. Do you have an investment compliance monitoring system?
- 9.2.7. Outline your procedures when dealing with compliance and mandate breaches.
- 9.2.8. Has the company, its principles or any of its employees ever been the subject of any action or warning from a regulatory body?
- 9.2.9. Is there currently any litigation against your organization because of lack of compliance and /or negligent behavior? If so, please list the size of the potential loss.
- 9.2.10. Are there, or have there ever been any criminal, civil, regulatory or administrative proceedings against the company or any of its principals, or any similar such matters including reparations, arbitrations and negotiated settlements?
- 9.2.11. Has the firm ever terminated any service providers (including auditors)? If so, explain the circumstances.
- 9.2.12. List any affiliations and memberships of the company and/or its principals, as well as any potential conflicts of interest (eg. parent/subsidiary relationships).
- 9.2.13. Are any of the company's principals involved in other businesses? Describe and quantify how much of their professional time is dedicated to each.

9.2.14. Do you have the following policies and mechanism in place to ensure that there is absolute adherence by your institution and employees to the policies?

- (a) Risk Management and Compliance Program (RMCP)?
- (b) Personal Account and Insider Trading Policy.
- (c) Conflict of interest management policy – FAIS
- (d) Debarment policy – FAIS

9.2.15. Do you pay commissions or rebates to affiliated companies, consultants, clients or any other party?

9.2.16. Do you have any softing arrangements with brokers?

9.2.17. Do you have any fee sharing arrangements with third parties?

9.2.18. Do you segregate your company's funds from your clients' funds?

### 9.3. **Insurance**

9.3.1. Does the company currently hold insurance for the following?

- Director & Officers Liability, Professional Indemnity, Fidelity cover

### 9.4. **Disaster Recovery**

9.4.1. Does the company have a formal disaster recovery plan? What contingency plans are in place in terms of?

- Computer system fault
- Incapacitated investment decision makers
- Presence of in-house computer technician
- Back-up systems

9.5. **Fees**

9.5.1. What is your preferred fee structure for an SA Listed Fixed Income Mandate?

9.6. **Firm Stability**

9.6.1. Has your current business reached profitability? Provide details on when profitability was reached. If not profitable, provide detail on why profitability has not been reached.

9.7. **Business Development**

9.8. Does the business have a dedicated resource that only focuses on business development or is this role being played by the principals of the firm?

## 10 **FUND ADMINISTRATION AND REPORTING**

10.1. **Fund Administration**

10.1.1. Who will be responsible for fund administration? Provide name of company.

10.1.2. Describe the daily checks, balances and reconciliations that will be performed on:

- Bank balances, scrip, portfolio values, daily trades confirmation
- Corporate events
- Cash transfers
- Unit prices, NAV

10.1.3. How will errors be identified? Once identified what will be the process for correction?

10.1.4. Will there be a clear separation of functions between the front and back office?

10.1.5. What is the company's policy with respect to trading?

10.1.6. How will brokerage allocations be determined?

10.2. **Reporting**

10.2.1. Will portfolios be transparent to the client?

10.2.2. Can all trades be reported on a daily basis to the client?

10.2.3. Can the client receive customised reports?

10.2.4. How regular will investment reports be produced?

10.2.5. How often will you be available for direct client reporting?

## 11 BLACK ECONOMIC EMPOWERMENT

### 11.1. Ownership

11.1.1. Measures effective ownership of the company by black people.

|  | Entity 1 | Entity 2 | Entity 3 | Entity 4 |
|--|----------|----------|----------|----------|
| Name:  |          |          |          |          |
| <b>Economic interest</b>   |          |          |          |          |
| % Ownership:   |          |          |          |          |
| % Black ownership:   |          |          |          |          |
| % Black female Ownership   |          |          |          |          |
| <b>Voting rights</b>   |          |          |          |          |
| Exercisable voting rights in the Enterprise in the hands of black people and females                                 |          |          |          |          |
| <b>Bonus points</b>  |          |          |          |          |
| % black female ownership:  |          |          |          |          |
| % ownership by black participants in the Employee Ownership Schemes, Co-operatives or Broad-Based Ownership Schemes: |          |          |          |          |

### 11.2. Management Control

11.2.1. Measures effective control of the company by black people and women.

| Management Control   | Percentage (%) Representation |
|--|-------------------------------|
| Black representation at Board level:                       |                               |
| Black Women representation at Board level:                 |                               |
| Women Representation at Board Level:                       |                               |
| Black representation at Top Management level (Exco):       |                               |
| Black women representation at Top Management level (Exco): |                               |
| Women representation at Top Management level (Exco)        |                               |

### 11.3. Employment Equity

11.3.1. Measures initiatives intended to achieve equity in the workplace.

| Occupational Level         | Male    |        |          |       |           | Female  |        |          |       |           | Total |
|----------------------------|---------|--------|----------|-------|-----------|---------|--------|----------|-------|-----------|-------|
|                            | African | Indian | Coloured | White | Sub-Total | African | Indian | Coloured | White | Sub-Total |       |
| Management:                |         |        |          |       |           |         |        |          |       |           |       |
| Portfolio Managers:        |         |        |          |       |           |         |        |          |       |           |       |
| Analysts:                  |         |        |          |       |           |         |        |          |       |           |       |
| Administration:            |         |        |          |       |           |         |        |          |       |           |       |
| Other:                     |         |        |          |       |           |         |        |          |       |           |       |
| Total permanent employees: |         |        |          |       |           |         |        |          |       |           |       |

### 11.4. Skills Development

11.4.1. How is the company affecting skills transfer to previously disadvantaged groups? The intention is to measure the extent to which employers develop the competencies of black employees.

### 11.5. Preferential Procurement



- 11.5.1. Measures the extent to which companies buy goods and services from BEE compliant suppliers as well as black-owned entities.
- 11.5.2. Does the company have a stated procurement policy, which favours BEE companies?
- 11.5.3. Approximately, what percentage of the company's procurement was from BEE firms over the past 12 months?
- 11.5.4. What percentage of stock brokerage expenses is paid to Black stockbrokers?

**11.6. Enterprise Development**

- 11.6.1. Please provide details of initiatives that contribute to enterprise development:

**11.7. Socio-Economic Development**

- 11.7.1. Please provide details of initiatives that support socio-economic development:

## 12 INFORMATION TO BE ATTACHED

|   | TO BE ATTACHED  |
|---|---|
| 1 | BEE certificate. Such certificate must be issued by a DTI, ABVA or SANAS accredited B-BBEE verification or rating agency and must be valid at the closing date and time of submission.                  |
| 2 | An original SARS tax clearance certificate.   |
| 3 | A certified copy of your FSB license certificate.   |
| 4 | The Previous Three (3) years financial statements, if applicable  |
| 5 | A non-disclosure agreement to be completed, signed and emailed to <a href="mailto:tenders@pic.gov.za">tenders@pic.gov.za</a> by 29 September 2023.  |
| 6 | A separate link to the Know your Client (KYC) Document relevant to your entity has been posted on the PIC website and requires to be completed, signed and attached to the submitted RFP questionnaire. |

### 13 AUTHORISED SIGNATURE OF AGREEMENT

I, \_\_\_\_\_, a duly authorised representative of  
\_\_\_\_\_, confirm the following:

I understand that the submission of the completed Questionnaire does not obligate PIC to purchase any services from me or the company I represent.

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Company: \_\_\_\_\_

Tel: \_\_\_\_\_

Date: \_\_\_\_\_