



ESKOM MEMORANDUM: Record of events in the development of McKinsey & Co. Subcontract

7 December 2016

The memorandum captures the record of events and development of the “intended” sub-contact document between McKinsey & Co. (“Mck”), and Trillian Management Consulting (“TMC”) for the Eskom contract.

Mck and TMC never signed off the final “draft ” subcontract document. It is TMC’s view that Mck chose to distance themselves from TMC, in an effort to manage any potential brand risk caused by the negative press exposure of Trillian Capital Partners.

Context:

Mck had been working on the MSA, and the intended contract with Eskom for almost a year. In part the contract needed to address compliance with PPPFMA, and other procurement requirements and the gain share approach in a way that was acceptable to both parties.

Record of Events:

October - December 2015:

- Initial conversation between Mck and Trillian (managed through Integrated Capital), to work as the SDL partner on the Eskom contract. A draft sub contract was established, dated 24 November 2015.

January 2016:

- Mck had earlier been registered on the Eskom management consulting panel.
- A Master Services Agreement (“MSA”) was drafted between Eskom and McKinsey to govern the main relationship.
- Eskom retained the consulting services of McKinsey to assist them over a 3-year period.
- A subcontracting agreement was drafted between McKinsey and TMC, as their Supplier Development partner to provide a portion of these professional services to Eskom.
- Mck lead team started on site 19 January 2016, with the diagnostic work.

February 2016:

- On agreement between Eric Wood and Vikas Sagar (McKinsey), a TMC team was despatched to the Majuba Power Station to commence work on the Generation piece.
- TFR team, joined the Mck team on site. (Included E-gateway and David Knight)

March 2016:

- TMC completed a corporate profile for submission to Mck, to address corporate structure and details. Objective was to provide Mck stakeholders support to enable Vikas Sagar to close the sub-contact
- The Mo Babat newspaper article surfaced, drawing Trillian into the media space (try reference date, details with Jasheer)

April 2016:

- TMC tried to close out their shareholder records, which was the original requirement to enable finalization of the subcontractors agreement
- Vikas Sagar was active in trying to address Mck international's concern about risk of being associated with TMC
- Work continued at Majuba, and at MWP effectively establishing the relationship and indeed "contract by conduct"

May:

- Following the publication of newspaper articles involving TCP, Mck distanced themselves from TCP
- Mck deny any relationship with TCP in the press
- Relationship broken down, and TMC approach Eskom to try enforce the subcontract agreement

June:

- Discussions held between Eric Wood and Vikas Sagar to find way forward
- Relationship on site became very difficult for teams

July:

- Discussions held between Eric Wood and Vikas Sagar to find way forward
- Final Steerco and agreement on invoicing between Eskom, Mck and TMC.
- Eskom decided to terminate the MSA involving both parties.
- On review of the work, Eskom agreed to pay McKinsey and TCP for the work completed as per the MSA contract

- Agreed terms of invoicing with Eskom, effectively paving the way for an initial payment in lieu of the gain shares made (finalization of full amount against MSA were to be calculated once full gains evaluated at a later point)
- All ongoing and future work would have to be done at risk

August:

- Team continued to do work on site with Mck team
- 24 August Demobilized TMC team

Reference: Eskom file, and **ESKOM MEMORANDUM: SECTION 1**

Backup:

We do not have documents for 1.1.

The document in subsection 1.2.1 is:

- The Eskom Turnaround Programme presentation, and it details the management consulting team's (McKinsey/Regiments/TMC) scope and approach of work, including a model for the budget plan and a breakdown of phases of the work.

The documents in subsection 1.2.2 are as follows:

- An email from Vikus Sagar (McKinsey) to Eric Wood and Clive Angel dated 9 February 2016, attached to a letter that Vikus wrote to Prish Govender (Eskom) acknowledging that TMC was subcontracted by McKinsey for 6 months, and that they would be invoicing separately, dated 9 February 2016;
- An email from David Knight to Ben Burnand dated 16 May 2016 discussing David's upcoming meeting with Jonathan Bown from McKinsey the following day;
- An email from Jonathan Bown to David dated 17 May 2016 with suggestions on resolving the contractual challenges between McKinsey and TMC;
- An email from Prish Govender and Edwin Mabelane (Eskom) to Bianca Smith attaching 7 documents (numbered) that give support to the gain share model of compensation commencing on 12 February 2016;
- An email correspondence between David Knight and Jonathan Bown (McKinsey) further discussing the fee split, dated 12 June 2016;
- An email from Ben Burnand to Tebogo Leballo giving a view of the McKinsey/TMC invoicing split, in both percentages and ZAR dated 23 June 2016;
- A presentation from Cutting Edge explaining it and TMC's involvement in the McKinsey-led Eskom Procurement Excellence Programme; and
- An email from Proppie Fraser (Cutting Edge) attaching invoices for services rendered by Cutting Edge dated 5 May 2016. Invoicing was done on a monthly basis, namely November, December and January;

The documents in subsection 1.3 are as follows:

- Signed MSA between Eskom and McKinsey dated 7 January 2016;
- Email from Bianca Smith to Eric Wood regarding the draft Subcontract Agreement with McKinsey dated 10 January 2016;
- Draft Subcontract Agreement between McKinsey and Trillian McKinsey draft 24 November 2015;
- Letter to Anoj Singh and Matshela Koko (Eskom) from Bianca Smith regarding the status of the supplier development relationship between McKinsey and TMC dated 2 February 2016;
- Signed Outsourcing Engineering Consultancy Services Agreement between TMC and eGateway dated 26 January 2016;
- The eGateway KYC document; and
- Email from Eskom to Eric Wood regarding Supplier Registration ESK1439386 quality approval completion with approval and contract award dated 13 April 2016.

We do not have documents for the remainder of section 1.