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Zondo commission – Koko tells Zondo he had no part in in McKinsey, Trillian payments

Eskom's payments to McKinsey & Co as well as Trillian Management Consultants in relation to the power utility's turnaround strategy in 2016 once again came under the spotlight at the state capture commission on Tuesday.

Former executive Matshela Koko detailed his role in the process, denying an allegation by former Trillian senior executive Mosilo Mothepu that he was instrumental in the negotiations of the unlawful contract. Koko said McKinsey itself cleared him of any part in the negotiations, as per the affidavit of its South Africa manager, Dr Alexander Weiss, to the commission. He named Mothepu among witnesses who have lied to the commission without their versions coming under scrutiny.

Previous witnesses have told the commission that Eskom and McKinsey started the early work of the turnaround plan in 2015, upon the arrival of new CFO Anoj Singh. At this point, McKinsey brought in a black empowerment partner in the form of Regiments Capital. When several of Regiments' executives started breakaway company Trillian at the end of that year, McKinsey was informed that the BEE partnership of Regiments, worth 30% of the overall contract value, would go to Trillian.

By early 2016, while negotiations began on implementation of the strategy, McKinsey conducted a due diligence check on Trillian, which was majority-owned by Gupta associate Salim Essa. Around the same time, Eskom's steering committee, dedicated to the plan, held meetings over the course of several weeks before Eskom was told that McKinsey would not be partnering with Trillian after it failed the test. In June of that year Eskom informed McKinsey of its intention to terminate the agreement between the two companies, on the basis that it was unlawful and had contravened national treasury directives.

Koko said on Tuesday because of Eskom's policy that suppliers must be paid regardless of a contract being "defective", the power utility made arrangements to settle with McKinsey. A settlement was finally reached where Eskom paid McKinsey R1.6-billion for work that the company had done to date in terms of the agreement. In his defence of McKinsey, Koko said the company had added great value to Eskom's work in the time that the agreement was in progress.

In the settlement agreement, from which Koko also distanced himself, mention is made that the payment from Eskom would go to McKinsey and its BEE partner despite Eskom not being directly contracted to the partner, noted evidence leader Advocate Pule Seleka. Koko agreed that this was yet another anomaly in the process. The reference to the partner was ambiguous, Seleka added, and could carry more meaning than on face value. To this, Koko also agreed.

"It says, 'we are going to pay McKinsey and its BEE partners', and ordinarily it would stop at McKinsey because that's our contracting partner; that's the person we are settling with and the payment must go to them," Koko said.

The Trillian payment of R30-million in April 2016 also happened without Koko's knowledge. He told the commission that he learned of it for the first time when he was questioned on it by the media during his suspension as acting CEO in 2017. He added that he ended up with egg on his face because he was categorical that Eskom would never pay Trillian as it was not contracted to the company, and even said as much to then minister of public enterprises Lynne Brown, when she enquired.

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