



## **COMPETITION COMMISSION OF SOUTH AFRICA**

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In the matter of

### **ONLINE INTERMEDIATION PLATFORMS MARKET INQUIRY PUBLIC INQUIRY (OIPMI)**

held at

**DTI Building  
Sunnyside and virtually via MS TEAMS**

on

**03 November 2021**

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**PANEL:** *James Hodge – Chairperson  
And Doris Tshepe*

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**PROCEEDINGS ON 03 NOVEMBER 2021**

CHAIRPERSON: Good afternoon this is the afternoon session of the Market Inquiry into Online Platforms in South Africa. This afternoon we have Naspers and also Naspers Foundry coming to address the inquiry, and I have the CEO of Naspers, Ms Mahanyele-Dabenwa.

Welcome and thank you for making the time to come and grace this inquiry with your knowledge and insights.

MS MAHANYELE-DABENWA: Thank you very much. Good  
10 afternoon to you and members of the technical team. My name as you said is Phuthi Mahanyele-Dabenwa and I am the South Africa CEO of Naspers Ltd. I am here with my colleagues from Naspers as well as our legal advisor and I will ask him to introduce himself.

MR DINGLEY: Hi James, Dorris and technical committee. Daryl Dingley from Naspers.

MAHANYELE-DABENWA: Naspers welcomes the opportunity to submit in this online activity platform market inquiry public hearings and we are fully committed to constructive  
20 engagement with the Commission throughout the inquiry process.

To this end, Naspers has made several submissions which have included economic analysis in an effort to assist the inquiry. We reiterate our... we reiterate our offer to assist the Competition with the execution of its mandate to

evolve Competition law and policy to create an inclusive, innovative and equitable digital economy that will contribute to and accelerate South Africa's economic recovery.

Our view is that further industry engagement will better serve all participants in and beneficiaries of the complex digital markets in South Africa. Naspers will use this opportunity to provide insight into Naspers's background and business model, market trends impacting the technology sector, as well as public interest  
10 considerations related to Naspers.

We remain firmly committed to our roots and home country of South Africa and we are proud to have been able to make consistent and meaningful investments in South Africa. As demonstrated over the years and as per our ongoing commitment share as part of the President's investment drive launched at the Inaugural South African Investment Conference.

We see tremendous opportunity for technology to drive inclusive economic wealth in the country. The pace of  
20 this growth will however depend on an enabling, regulatory environment which supports innovation and where investors are in a position to fund them.

To give you a brief background, Naspers is a 107 year old company that has evolved from a local print and television media business into a 100% global consumer

internet company in 2019. South African revenue accounts for 14% on a consolidated basis and 2% on an economic interest basis.

The rapid development of technology encourages the expansion and innovation of traditional business models and fundamentally challenged industries as we see in the retail industry of South Africa, including traditional media businesses which are all facing pressure to pivot online presence.

10 Naspers has embraced these changes and the accompanying challenges and transformed itself into a global consumer tech player by identifying the opportunities created through digital transformation in mason markets, both locally and globally.

Throughout our journey, Naspers was guided by its commitment to operate and invest in tech companies with high growth potential that improved the everyday lives for millions of people around the world. This has been achieved through assisting companies world-wide to reach  
20 their potential through investment and technologies that addressed the needs of people across the globe, with our focus on investing in local entrepreneurs who stimulate social and economic progress in high growth markets.

Buying products of these investments, include employment, training and skills development, product and

services for consumers and taxes for governments, as Naspers has invested in companies that have created job, realise economic efficiencies and spurred innovation.

Some of the companies that Naspers has invested in in South Africa, include TakeALot, Mr D Food, Superbalist, Auto Trader, Property 24, Pay You and Media 24. This remarkable journey of transformation has reinforced our commitment to building local internet and E-Commerce companies.

10 This is made possible through Naspers Foundry, our early stage tech investment vehicle. Naspers Foundry currently has investments in Suds Up Nigeria and on demand home cleaning services company that has scaled to Kenya and Nigeria.

The robotics, an edutech business that has scaled to the USA. Student hub, and edutech business that has partnered with Tivot Colleges across South Africa. Wheres My Transport, a mobility technology company that has scaled into the rest of Africa, Latin America and South East  
20 Asia.

Control, an online short term insurance market place and Naked, South Africa's first end to end driven gadget car home and building in short tech amongst others. We remain excited about the possibilities that arise from investing in digital transformation.

These include growing South Africa's tech eco system and economy. Creating opportunities for its people, both SME owners and independent workers as well as consumers. We believe Naspers has proven its ability to recognise the opportunity and to adapt accordingly.

This has resulted in the development of a strong, differentiated strategy that has proven its worth and remains well suited to the future as we see it. This sees Naspers partnering with local entrepreneurs to build technology  
10 leaders with the aim of turning promising businesses into thriving companies across a strategic priority segment.

This is done by accelerating investment in product, tech and innovation. Creating eco systems to deliver superior consumer value and continue to accelerate artificial intelligence into productive assets to companies to assist in organisational decision-making.

Simply put, Naspers operates at the intersection of high growth markets and technology to address major societal needs at scale. It is from this vantage point that  
20 we believe Naspers is in the position to humbly share insights with the inquiry.

The technology space is gaining traction in South Africa and we have seen a rapid rise in the user adoption of different online intermediation platforms in South Africa. This was further accelerated by the Covid-19 pandemic.

Despite this rapid adoption however, online market places remain a small segment of the broader market.

For instance E-Commerce retail sector that is estimated to account for between 2 and 3% of all non-food retail. A recent report found that 65% of online shoppers multi home or shop in multiple businesses. Where South Africans do make use of online platforms, we have seen the use of a variety of online platforms to purchase various consumables.

10           The most popular categories amongst South African consumers are clothing, electronics, footwear, household appliances and health products. Digital markets are dynamic and the case of technological advancement means that these markets are subject to constant change.

          This digital acceleration present a significant opportunity for local businesses. In many instances though, these business require the backing of investors to seize the opportunity. This is where companies like Naspers come in. Naspers is of the view that it would be helpful if the inquiry  
20 fully understands and appreciate our business model, and the considerable benefit that are derived from this model, which is geared towards innovation.

Naspers operates a de-centralised approach in respect of its business segments and companies in South Africa and globally. Our approach is hyper local when it

comes to investments. This means that we invest in local entrepreneurs to find local solutions for local needs and business ideas that seek to change people's lives for the better.

Naspers works in partnership with founders and their teams. Providing advice and expert resources to assist them to scale their businesses successfully for the long term growth. Our aim is to facilitate and accelerate growth in our investee companies.

10 Fostering and providing impetus to the proven innovation. Our decentralised business model is specifically geared towards optimising the ability of firms to innovate. Naturally there are certain areas where there are linkages.

These include the likes of governments, funding and knowledge sharing. However, these are areas where... there are areas where there are no linkages and this includes the sharing of data and I will go into greater detail later in this presentation on this.

20 The Naspers board of directors guides the group strategy by applying appropriate corporate governance policies and practices, aimed at being implemented across the group. When it comes to governance, Naspers exercises oversight through a clear frame work, authority levels and reporting processes.



But the authority for day to day operations remains the responsibility of the relevant management team. The Naspers businesses therefore have a high degree of independence within the Naspers Group to implement approved business plans and budgets.

As an investor, Naspers provides funding to the companies in which it has invested. We have stringent capital allocation standards in place, with the funding dependant on the nature or structure of the relevant  
10 company, backed by the requisite financial and strategic justifications.

Naspers's extensive experience in funding technology companies has informed the company's prudent funding structures. These in turn enable companies in which Naspers invest to focus on providing innovative offerings to consumers.

Naspers's aim is to assist companies to reach their full potential and funding is critical for these companies to reach the scale necessary, to compete in digital markets.  
20 Successfully the possibility of attracting capital investment from companies such as Naspers, drives companies to be more innovative.

Naspers's long history means that we have exceptional experience and insight, but we remain curious and learning. This culture underscores our knowledge and

insight sharing across the group. Naspers encourages its business to share ideas and best practices in return.

This results in consumers throughout the world benefitting from innovations developed in different geographies. It provides disruptors facing competition from global tech players, with the benefit of intellectual capabilities and a global network.

This access to knowledge and insight does not extend to the sharing of data, as there is no sharing of consumer data between the Naspers business units. Further, Naspers 10 complies with competition laws where applicable to ensure that the sharing of competitively sensitive information is restricted.

When it comes to data, Naspers's federated data structure enables each company to maintain separate data systems. This decentralised model necessitates that the data sits where it is collected, and it is not shared in a centralised manner.

Each business unit has its own data cyber. The 20 advantages of this decentralised model include Naspers being able to maintain its security and data integrity. As well as isolate and manage certain commercial risks. In addition, each business can choose the methods and systems that work best for it, which fosters innovation.

Naspers is guided by relevant regulations and laws,

such as POPI here in South Africa and GDPR to ensure the protection of personal data. For platforms to be sustainable in the longer term, they need to attract enough users on both sides of the platform.

Often referred to as a critical mass of users. Having sufficient scale reduces unit costs and generates sufficient revenue to realise profit. Although initial losses are common when growing a platform. This does not mean that such losses can be sustained indefinitely.

10 Investors no longer insist on businesses being profitable soon after their initial investment. There is a willingness to allow businesses the time and space to develop and scale in a sustainable manner. There are many innovative companies that have strong growth potential and who can benefit from Naspers's funding systems.

It is important for Naspers not to sustain prolonged losses, if the funding could be used elsewhere to assist more promising ventures. In addition, Naspers as an investor and operator, may make the decision to sell a  
20 successfully operated business if they realise that the business may be better off in the hands of another company.

Innovation comes from identifying new opportunities in the market, often aimed at addressing pressing society needs. Technological innovation requires knowledge sharing and access to capital. However, currently limited

funding is available to enable innovative firms to grow their business into meaningful contributions to the market and the broader economy.

Innovation within an eco-system that provides funding and knowledge sharing is vital to technology companies being able to develop. Eco systems are being developed by companies from major economies and these business models are the way of the future.

10 Naspers is of the view that a successful eco-system is one where society also plays a role and is one where everyone benefits. Eco systems have the potential to be inclusive and non-exclusionary. These types of eco systems can create considerable consumer welfare benefits and drive innovation.

In order to compete with large global technology players which operate as eco systems, developing an eco-system is important. However, Naspers business units within South Africa do not operate as an eco-system. For instance TakeALot and OLX do not form part of an eco-  
20 system, and are distinct entities.

To this end, TakeALot and OLX have different reporting lines and oversight structures within the Naspers Group. Naspers is proud of its collaborative culture, as it provides its companies with access to funding, knowledge and insight across the group.

We have committed... we have committed ourselves to growing the Naspers Foundry which is the early stage business funding initiative, focussed on supporting a range of diverse South African technology entrepreneurs that seek to address big societal needs.

Naspers's contribution to the South African economy has been significant. From a shareholder perspective and considering its support of the existing portfolio of assets, and backing of local tech companies. The Naspers  
10 approach is a hyper local one.

We have a partner with local tech founders to address local needs and find local solutions. In South Africa, Naspers is one of the foremost investors in the technology sector, and we are committed to building local internet and E-Commerce companies.

Naspers is a South African company. A significant tax contributor, we are an investor, and have made several substantial contributions to the development of the South African society. These include Naspers labs, Naspers  
20 Foundry, the Naspers bursary fund, contributions to the SME fund, and the Nelson Mandela Foundation and Covid support contributions as well as other Naspers businesses such as Media 24, TakeALot, Property 24 and Auto Trader.

Naspers directly employees 4808 permanent employees in South Africa. The company and its

subsidiaries have linkages to other sectors in the economy causing a multiply effect. The economic activities of Naspers's direct suppliers, generate another 16200 full time equivalent jobs in other sectors, and a total of 21008 jobs in South Africa.

We have made great strides in transforming our employee base. Currently 64% of our employees are female and we have doubled the representation of black African employees in the last two years. Naspers is a significant  
10 contributor to the business.

The company and its subsidiaries contributed 1.1 billion in direct taxes. Total taxation generated by Naspers and its subsidiaries, amount to 7.3 billion rand in the last financial year, FI21. Naspers Foundry, the 1.4 billion rand investment vehicle, is successfully delivering on the recommendations as set out in the report of the Presidential Commission on the fourth industrial revolution, by supporting promising, early stage businesses run by diverse local entrepreneurs, enabling them to become globally  
20 competitive industrial players.

Since 2019, Naspers Foundry has invested 400 million rand in early stage tech companies. Naspers labs is a youth development program aimed at increasing economic participation of South Africa's historically disadvantaged communities, helping to address youth unemployment in

poverty-stricken communities.

Naspers is nurturing the talent for tomorrow and contributing to the nation's digital transformation through the youth development program. Naspers Labs is designed to address the skills and educational needs that South Africa's youth require to become productive participants as the economy becomes more digitally driven.

Naspers Labs is also backing nuclide micro entrepreneurship through funding and support. Naspers  
10 Labs which are focussed on the... at Naspers Labs we are focussed on the education and employment of a minimum of 1500 youth per annum.

Naspers Labs has set a target of digitally skilling and providing employment to a minimum of 10000 youth within a five year period. The Naspers Labs spent in the current financial year is 76.8 million rand. when we look at that and look at it just as CSI spent, but when one takes into account the fact that South Africa is a net importer of digital skills, you realise the importance of it.

20 Naspers is committed to making a positive contribution to South Africa's progress and we have contributed to the country through significant social impact initiatives. This includes 17 million rand per annum for the Naspers bursary fund.

This is for the education of predominantly black

African tertiary students, as well as the contribution of 6.9 million for the Nelson Mandela Foundation, eat one feed one program. Other initiatives include our contribution of 75 million rand to the SME Fund.

97% of Naspers corporate employee learning and development, benefitted black South African recipients in 2020. Our bursary program is focussed on academically and financially deserving students in stem subjects. The program includes holistic support geared towards the  
10 success of the student.

At the onset of Covid-19 Naspers made a significant one and a half billion rand contribution to combat the devastating impact of Covid-19 in South Africa. This one and a half billion rand comprised of 500 million rand to the Solidarity Fund and one billion rand to the sourcing and distribution of personal protection equipment.

Furthermore, Media 24 kept the public informed throughout the Covid 19 period. Mr D Food contributed towards the sustainability of restaurants through food  
20 deliveries in a safe method. TakeALot enabled consumers to procure goods, essential goods safely.

Naspers endeavours to support South Africa's industrial policy and is committed to being part of the solution. South Africa needs to develop local technology companies that can become national champions with the



requisite scale to compete globally.

For example, Mr D Food has over time developed the scale to compete with an international entrant, Uber. TakeALot has developed to a point where it is able to compete with the world's largest E-Commerce platform, Amazon, and with Africa's largest E-Commerce platform, Junior.

South African industrial policy seeks to enable South Africa to become a more technologically driven country, which prioritises innovation and the use of technology. Naspers fully supports the president and the South African government in this regard.

It is important for all stakeholders to create and invest in an environment that encourages technological innovation. South African business must be empowered, and enabled to innovate which is a challenge where South Africa's industrial policy must seek to address.

As evidence at the South Africa Investment Conference, building South Africa's technological capabilities, rests largely on the country's ability to foster innovation. In this regard technological capability does not simply mean copying inventions from elsewhere, but actually applying these technological advances within a South African context.

One of Naspers's strengths has been identifying new

concepts and technologies and applying them to the South African context. This has led to job creation, consumer welfare and efficiencies. Often foreign companies enter the market and are unable to deliver the same local solutions.

Not only does innovation result in consumer benefit, firms operating within markets that are rife with innovation, face consistent competitive threats. The report of the Presidential Commission on the fourth industrial revolution, recommends that support for small and medium size enterprises is required to enable SME's to become globally competitive industrial players.

Naspers fully supports this recommendation and views the Foundry, its South African focus SME cond- initiative as a model that achieves this. In its paper on competition in the digital economy, published on the 7<sup>th</sup> of September 2020, the Commission emphasised the need to support national champions in strategic sectors.

Naspers agrees with this stance and would welcome further engagement on, and the development of this notion of developing national champions. In addition, South African consumers benefit from South African technology companies, having the scale to complete and improve their product offerings.

The multiply effect throughout the country is to the benefit of all South Africans. Naspers is investing in

technology that will solve major societal needs. The public policy concerns faced by South Africa are unique. Restrictive policies that hinder investment may reduce the diversity of beneficiaries successfully securing early stage investment.

A careful balance must therefore be struck between promoting competition and investment. Given the particular dynamics and peculiarities of the South African economy, adopting a one size fits all approach to regulation is not  
10 appropriate.

Naspers is committed to contributing to the development of policy that is in the best interest of all stakeholders. There needs to be a balance between attracting investment and ensuring that there is economic inclusion.

Across the globe there is rivalry for attracting capital. As capital is vital for innovation and growth, despite its potential to be a leader in technology and innovation on the continent, South African continues to lag behind its African  
20 peers in terms of investment into early stage technology business.

In the last calendar year South Africa lagged behind Nigeria, Kenya and Egypt for international venture capital for digital businesses. It is therefore necessary for South Africa to develop a policy and economic environment that

attracts investment and fosters innovation and economic development.

To achieve this, the focus must be on policy certainty and coordination. Up skilling of South Africans, encouraging innovation and modernising our economic reasoning to reflect an updated and more relevant approach to these issues.

South Africa has an existing comprehensive competition law frame work that is sufficient for regulating  
10 digital markets. There is need for greater understanding of the dynamic and innovative nature of digital markets. However, it may be the case that existing enforcement tools are sufficient.

Naspers appreciates the opportunity to participate in these public hearings. Further engagements with the Commission will enable us to provide industry insight and help shape the future of competition law in the digital economy in a manner which is inclusive, drives innovation and it attracts investment.

20 Thank you.

CHAIRPERSON: Thank you very much. The panel just have a number of questions for Naspers and I just wanted to start by just understanding your governance model from the Naspers Group to the groups of businesses or subsidiaries that lie below them.

So you have talked about a degree of independence, but also oversight. So maybe if you can just expand upon with the role of Naspers overseeing the TakeALot group and the OLX group.

MS MAHANYELE-DABENWA: Governance is something that we take very seriously, and from that perspective we ensure that we are you know, we are managing all of the businesses that we are responsible for in a responsible way. So if I look at the governance of TakeALot as an example,  
10 TakeALot will report into the board, the group board of Naspers and you know they also report into the investment committees of the board with respect to the activities of TakeALot.

In addition to that, they also report into separate segments within the business and so as an example, TakeALot reporting to a separate segment from an OLX which would report to our classifieds business, and so we ensure that from a governance perspective, that there is that independence in terms of oversight.

20 We also ensure that there is consistent focus on ensuring that we are focussed on you know, guiding the group activities, and we additionally at a group level keep abreast of all regulatory developments and ensure that we have independent audits from time to time into the business.

We look at risk management, we look at a number of issues with respect to all of the businesses that were invested in. The management and the board run a process of identifying major risks in each of the businesses and we use a top down and a bottom up approach.

So with respect to the governance issue, whilst an entity such as TakeALot reports into the board of Naspers, at a management level, the business is run independently by the management of that business.

10 CHAIRPERSON: Ja, because I mean as I understand from your submissions and I just want to read out from one of them, you know. Naspers is looking also just beyond compliance with laws. There is, I mean to put it coming out of your presentation, this idea of best interest of all stakeholders, inclusiveness. You are a South African company, those objectives you seek to develop.

So you say as a technology investor Naspers has a responsibility to ensure that it is a responsive and inclusive corporation. It encourages entrepreneurs to exploit new  
20 digital technologies, but still holds them to account within the wider society within which they act.

You say simply put, technology companies do not live in a vacuum. The more mature, the more regulated era it creates important responsibilities and opportunities for the world's leading global consumer internet companies. This

informs the oversight role that Naspers plays in relation to the companies in which it invests.

So as I understand that is there is almost an ethic that the board applies to the businesses. So they may be free to implement their business strategies, but the overall framework or principles in which they may act, is determined by Naspers still.

MS MAHANYELE-DABENWA: Yes. We had the board which is seeking all of this, however at a management level the  
10 interaction is within that management level. So whilst the you know, the management may bring a strategy to the board, the implementation of it will be at a management level.

However, as you correctly say the board does have oversight of all of the businesses that they invested in.

CHAIRPERSON: And more than just oversight, trying to get an ethic. You talked about the kind of inclusive economy, holding them to account to broader, wider society and I suppose that fits in, in many respects the purposes of the  
20 Competition Act and also the objectives of the economy and the development of the economy in South Africa.

An inclusive growth, an inclusive economy. Is that correct?

MS MAHANYELE-DABENWA: Yes, that is correct. We are focussed on ensuring that we remain focussed on...

ensuring that all our investments are done in a responsible manner and in a sustainable and ethical manner as well, and from that perspective, over and above that within our ventures team, we are also focussed on... we have a process where we are testing you know, the business models before they actually you know scale up and become one of you know, of the segments of the group.

So from that perspective it is important to us that we continue with that process.

10 CHAIRPERSON: And then I would understand at a board level you would sign off the business plan, because that is what the management then take to be implemented and the broad business plan that at board level is really looking at your revenue cost streams, profitability and how you are going to shift if it is a loss making one, towards sustainable means of operating.

Would that be right?

MS MAHANYELE-DABENWA: Yes, that is correct.

20 CHAIRPERSON: So I think leaving on my mic gives feedback on your side. I apologise, and just from a governance perspective and imposing this ethic and oversight, is there a sort of monitoring reporting from the different business units to Naspers as a group?

I mean you ultimately report to shareholders on the Naspers Group as well. So I would presume there are those



sort of monitoring and oversight aspects to business report?

MS MAHANYELE-DABENWA: Yes, there is consistent monitoring and oversight and you know, one of the committees that we have at the group board level, is the social and ethics committee which an entity such as TakeALot or OLX would report into on a quarterly basis, and you know, and so you know monitoring is something that is important to us.

In fact, all group entities report into this social and  
10 ethics committee.

CHAIRPERSON: You see, because I suppose you will be aware, there is a global debate around the tech industry, some of the practices, and the degree of potential inequity, fairness and relationship between the platforms and also the business users.

I mean that is one thing that has obviously informed this inquiry as well.

MS MAHANYELE-DABENWA: Yes.

CHAIRPERSON: So I suppose from this inquiry's  
20 perspective, inclusiveness goes beyond just compliance with competition law per se, where it is a market inquiry and we are looking at the fair treatment of business users that does lie within our ambit.

So it is not just the success of the platform and the opportunities it creates, but it is the balance. The balance

of interest between those on the platform and also the platform itself.

MS MAHANYELE-DABENWA: Yes, that is correct yes. Just give me one second please. Sorry, I just wanted to check. If you could just... I just want to make sure that I respond in a way that addresses your concern.

CHAIRPERSON: Sorry, there is no concern at the moment. so I was just... just painting a context more than anything because you know again in Naspers's submissions, this was  
10 from the terms of reference through their submissions, you have said that competition law at least the Commission's concerns around dominant firms in the E-Commerce and online sectors, have been comprehensively addressed by power regulations and amendments to existing price discrimination provisions in the Act.

So in that you say for example the use of supplier sales data and the information that is gathered by an E-Commerce or online service provider in order to compete with the supplier, is regarded to be as an unfair trade  
20 practice.

I mean I assume that is your position, that is your submission. That businesses in the Naspers Group were to be undertaking that, you as the Naspers Group would consider that to fall fowl of the Social and Ethics Committee mandate.

MS MAHANYELE-DABENWA: Well, we do not. Sorry.

CHAIRPERSON: Sorry, I will ...[intervenes]

MS MAHANYELE-DABENWA: Sorry, could you repeat the question again?

CHAIRPERSON: I was just making an observation that in your submissions you have felt that the amendments to the Act are comprehensive response to any concerns in the digital market. So for instance under buyer power, if it is supplier sales date, so a seller let us say on TakeALot, if  
10 their data and information is gathered by an E-Commerce or online service provider in order to compete with them, that would be regarded as unfair?

Those sort of practices are unfair, you would agree? I mean that is your submission.

MS MAHANYELE-DABENWA: So the current legislation I think is adequate with regards to policy enabling and so from that perspective you know, we were comfortable with the current legislation in terms of its adequacy.

CHAIRPERSON: Alright, I suppose my question is as I  
20 understand Naspers's view expressed through your submissions, practises such as that would be unfair and unlawful. You continue to say the same applies to self-preferencing.

So you know, in this regard it is unlawful for a dominant firm to apply differential and favourable treatment

to goods or services supplied by the E-Commerce or online service provider itself, at the expense of third parties.

MS MAHANYELE-DABENWA: Ja. I think what is important for us is that we do need to have enabling practices and to ensure that we have legislation that is enhancing investments. So that is something that is important, but I will just... I wonder if Daryl... I wonder ...[intervenes]

MR DINGLEY: I wonder if you can tell us where...[intervenes]

10 MS MAHANYELE-DABENWA: Is there an area in the submission that you would like us to focus on?

CHAIRPERSON: No, I am just asking you as the CEO.

MS MAHANYELE-DABENWA: Ja.

CHAIRPERSON: I mean, this relates to your governance practices and your views. I mean you indicate that you wanted a digital economy that is in the best interest of all stakeholders, that is inclusive and so where are these lines of ethics and as I understand from your submissions, things like taking data from a seller and using it to compete  
20 against them would violate those unfair practices.

If you are self-preferenced. So you are the platform and you were to treat yourself differently compared to others, that would also be an unfair practice and you proceed to say that you know, in price discrimination if you were to discriminate against SME's or historically

disadvantaged firms, and impede the ability to compete, that again would be something that is unfair and you go on to say you know, it would apply to anti-competitive volume rebates or other incentives as well.

I am just trying to establish within the digital economy and your businesses, where that inclusiveness lies and where that balance for all the stakeholders involved, also lies.

MS MAHANYELE-DABENWA: Well, I think certainly the  
10 issue that you raise with respect to ensuring that we are protecting our consumers. These are issues that we are consistently looking at and so from that perspective you know, I mentioned the fact that we have decentralised data and so you know, I also explained the fact that you have a TakeALot which would not have access to the data of an OLX as an example.

So for us it is important to ensure that we are taking into account all of these issues that are important from the competition policy perspective and you know, we also are  
20 continuously looking at you know, a number of regulations in all the countries that we operate in to ensure that we are adhering to competition law.

We take competition law very seriously and I think if you look at any of our businesses, you will see that this is something that we take very seriously.

CHAIRPERSON: Ja, I suppose you know, in the digital economy and at least within online platforms, the question is maybe partly about consumers, but it is also about the business users in the eco system. That is where our Act and the market inquiry which actually looks beyond dominant firms, looks to strike the balance between the various interests.

So we do have within our Act important public interest requirements around the protection of small businesses and  
10 their equitable opportunity to participate the promotion of transformation. So it is not just about the consumer interest alone.

It is around all of those within the eco system that are important. I mean even in the preamble to the Act it is balancing not just consumers but workers and owners. It is not just one category.

MS MAHANYELE-DABENWA: That is correct and in fact you know, when I look at the number of companies that have been able to develop on you know, I could look at the  
20 TakeALot platform as an example. You know, we have companies such as Masodi Organics.

This is a business that is black female led which has been able to gain considerable revenue through their participation on the TakeALot platform, and so we are very much conscious of ensuring that we are you know, ensuring

that all of the participants on our platforms are engaging in a responsible way and in a manner that is you know, that is meaningful to them as a business as well.

I think over and above that you know if you look at the entire eco system that we have, you will see that whether it is through our work in the various parts of Naspers, that we are continuously looking to ensure that we are engaging in a fair and responsible manner.

CHAIRPERSON: I am glad you raised TakeALot because I  
10 am sure you are aware that TakeALot actually contests the right of this inquiry to look at their business practices in relation to the sellers on the platform. So they believe that in fact we cannot interrogate that at all, and the fairness of those.

MS MAHANYELE-DABENWA: Yes, and that is a question that you can please James put to TakeALot when you meet with them. I believe you will be meeting with Kim Reed.

CHAIRPERSON: We will, but I just wanted to find out from  
20 the Naspers Group. I mean, that is why I asked you about the governance and oversight.

MS MAHANYELE-DABENWA: Yes.

CHAIRPERSON: You know, you look to ensure that the companies in your business comply with the law. You look to ensure that they follow certain ethical practices and an inclusive. So it just surprises us if you are the oversight

company, that you would permit one of your companies to in fact try and undermine the process around looking at the fairness but also not want to have those interrogated.

If we are for an inclusive economy, if we are looking for one that balances the needs of shareholders... stakeholders, then surely you would be interested to know that the conditions on these platforms are fair or not. If they are not, you would want to address it as you put in your own submission.

10 MS MAHANYELE-DABENWA: Yes. So our underlying premise is to support small businesses and I you know, I think just to add onto what you were saying. They have management implementation of policies and you know, adherence to what is required from them and I am speaking here of management at the TakeALot level.

20 However you know, I think that you know, from a group perspective we are continuously focussed on ensuring that all of the businesses that were invested in, are focussed on doing the right thing and so you know, in terms of engaging with the Competition Commission, that is something that we believe needs to be done and that is why we are here.

Our, you know our understanding is that they will also be participating in this and that is why I think it is best if you know, on TakeALot or OLX, any of those divisional



questions, if they could be put to them when they appear before you.

CHAIRPERSON: Ja, and obviously we will but as I said you know, Naspers is... you have come here and said that you are looking for a balance between stakeholders, an inclusive economy. I just want to know whether that is lip service or whether that is pushed down to the businesses that operate within the group or not.

MS MAHANYELE-DABENWA: We certainly do ensure that  
10 the businesses that were invested in, and especially a business such as TakeALot is adhering to that as well. Because this is part of who we are as a business.

CHAIRPERSON: Because you see in terms of, I realise that maybe these businesses obviously provide opportunities for small business, but again a lot of the focus globally on digital platforms, from regulators such as ourselves, is that balance, and the fairness of treatment.

But we have many sellers on your platforms that are registering to come forward because they fear retaliation,  
20 because they are dependant on those platforms.

MS MAHANYELE-DABENWA: However, I think you know, whoever has views needs to share them with the Commission. We believe in having a fair playing field, and from that perspective you know, would welcome hearing the views of different entities in the market.

CHAIRPERSON: Well, I suppose our difficulty is that amongst those that have come forward, they have been approached by employees of those operating companies. Now we take that quite seriously because we would see no reason why they should have to approach those who come forward and it appears more like intimidation.

MS MAHANYELE-DABENWA: Does this relate to Naspers Group companies?

CHAIRPERSON: It is your operating companies below.

10 MS MAHANYELE-DABENWA: Ja, I am not aware of any such behaviour at all. So I really cannot comment on that.

CHAIRPERSON: But would it not concern you as the Naspers CEO?

MS MAHANYELE-DABENWA: If it is intimidation it would most certainly concern me.

CHAIRPERSON: Alright, because I would like an assurance from you here in the public forum, that there will be no intimidation but also no retaliation by any of your operating companies against firms that come forward to this inquiry.

20 We take it incredibly seriously.

To be interfering with an investigative or inquiry process is fairly serious and undermines the process fundamentally because there are concerns from those without power, then they will not be heard. The other assurance is that there is a communication to your

operating companies to ensure that this does not take place and that if it does, then action is taken against any employees.

MS MAHANYELE-DABENWA: Could you just give me just one second just to liaise with Daryl? Thank you. Okay, can I respond?

CHAIRPERSON: Please do.

MS MAHANYELE-DABENWA: Okay. So I think as I said before, we certainly would take any behaviour such as this  
10 very seriously. However, I am not aware of any such behaviour. In the event that there was such behaviour, then we would you know, want to act on such behaviour.

However, currently I am not aware of any such behaviour and therefore I would not want to make a public undertaking, not being aware of any such specific behaviours having taken place. I hope that helps.

CHAIRPERSON: I suppose, I mean the difficulty I have with that is I mean surely you can give an assurance to all of those businesses that use your platforms, that there will not  
20 be retaliation. That would not be tolerated within the group.

MS MAHANYELE-DABENWA: [indistinct – 00:53:37] of our business and so that is why I would want to really get some information and understand exactly what is going on here. I am not aware of us having any such culture where you know, any business is you know put under such

circumstances.

So I really would prefer it that I just have a look and find out what exactly is going on in terms of that. Because I certainly was not aware of any such behaviour.

MR DINGLEY: Maybe James, just from my side. In fairness to us, I mean if you have knowledge about you know threats of retaliation then you should put those to us and enable us to then respond appropriately. You know, you are sort of putting us on the spot here.

10 We are not aware of any kind of threats or retaliatory behaviour and all of a sudden we are required to make a you know, an undertaking which almost assumes that we are guilty and I think that is unfair in itself. So I would appreciate if you have evidence then put it to us and then we can respond.

If we need to then you know, give a commitment on these issues we can, but it is kind of a little bit in a vacuum at the moment. You are making the allegation but we are not aware of it and we have not seen any evidence of it.

20 CHAIRPERSON: Alright, we will take this up with you offline, but as I said I think certainly you know, in our experience so far is that there has been a lot of hesitance, a lot of concern and that may hinder this inquiry and that is why we need to clear that pathway.

MR DINGLEY: Maybe James, I think when TakeALot does

appear before you, I mean I think there is evidence that I am aware of, of small suppliers that are very happy with the platform and the opportunities that the platform has given them for example to distribute and sell their products.

So whereas you may be aware of incidents which are you know, unfavourable and where there is threats of retaliation, we are aware of other small suppliers who are very favourably inclined towards the platform. So but again I think these questions more appropriately should be put to  
10 the TakeALot team and we will of course investigate and if you want to take this offline and provide us with that evidence, then we will respond appropriately.

CHAIRPERSON: Alright. I just want to have a couple of more things I just want to traverse. I mean the one is just in terms of your eco systems. As I understand there is two eco systems. TakeALot, Superbalist, Mr D and those may share information within themselves.

Then you have got the OLX, Media 24, Property 24, Auto Trader, the sort of classifieds and news eco systems.

20 MS MAHANYELE-DABENWA: So Naspers South Africa as I mentioned in the presentation, does not operate as an eco-system. We are of the view that eco systems have the potential to build in a manner that is clear towards being inclusive and for the benefit of all parties, including consumers, suppliers and companies and as you will know

James, eco systems are being developed by companies from major economies and these business models are the way of the future.

Naspers is however of the view that a successful eco system is one where society also plays a role, and where everyone is able to benefit because eco systems have the potential to be inclusive and non-exclusionary. These types of eco systems can create considerable consumer welfare benefits and drive innovation.

10 In order to compete with large global technology which operate as eco systems, developing an eco-system is important. So you know, and I say that you know, knowing in the back that we in South Africa do not operate as an eco-system.

CHAIRPERSON: Ja, I was just trying to understand. As I understood, as you said there are at least two groups of companies... TakeALot, OLX that operate within them as a group of companies, with synergies and where they do share information as well between them.

20 MS MAHANYELE-DABENWA: I am not aware of TakeALot and OLX sharing information. OLX reports into the classifieds segment of the business and TakeALot reports into our B to C, so they are in completely different segments in the group.

So I am quite surprised to hear of you know, of data

sharing. You know, we operate on a federated structure basis. So each business unit, like an OLX or a TakeALot, has its own silo of data independent from any of the other business units.

CHAIRPERSON: Ja, and all I was asking is that within that silo within the TakeALot group of companies, that is a group as itself an eco-system that may share information as well.

MS MAHANYELE-DABENWA: Yes, I understand that and that is correct but that does not include OLX. So you are  
10 talking in the TakeALot group, ja.

CHAIRPERSON: Yes, there is the TakeALot eco system.

MS MAHANYELE-DABENWA: Yes.

CHAIRPERSON: Maybe eco system is the wrong word, and an OLX group.

MS MAHANYELE-DABENWA: So there ...[intervenes]

CHAIRPERSON: And they are separate from each other, but within each you are looking for obviously group synergies and they may share information but that is they group together because they I suppose they operate in  
20 similar markets.

MS MAHANYELE-DABENWA: Okay, can I just have just one second? Sorry. Okay, can you hear me now?

CHAIRPERSON: I can, yes.

MS MAHANYELE-DABENWA: Okay. I just wanted to just make it clear just so that we understand each other, that as

I said earlier OLX is a separate business from the TakeALot group of companies. So there is no sharing of data between the two.

You know, and so you know it would be important that we just understand that we operate you know, in terms of the data silo's. The businesses have data silos.

CHAIRPERSON: Ja, no I think we understand that. Can I just then go to the business model? I mean, I think in E-Commerce, delivery, classifieds there is probably a similar  
10 play book for different countries and that is maybe why Naspers and other companies share that knowledge or look to leverage into other markets on the same business model.

So there is a sort of play book you could say and that is maybe why having some of your local businesses share knowledge with global is one way to facilitate that. Is that ...[intervenes]

MS MAHANYELE-DABENWA: So Naspers operates a decentralised approach in respect of our business segments and all of our companies globally and we adopt a hyper  
20 local approach in respect of the investments. We invest in local entrepreneurs, we find local solutions, etcetera.

Our aim is to facilitate and accelerate growth in these investee companies. So our decentralised business model is specifically geared towards optimising the ability of firms to innovate. We work in partnership with founders and their



teams, providing advice and expert resources to assist them to scale their businesses successfully for a long term growth.

Our business model is geared towards driving innovation. Naspers's business strategy is focussed on supporting businesses with high growth potential. We, as I mentioned before we provide funding. We, you know we work with these companies to ensure that better user experiences can be created and we support the business  
10 models and create more value for consumers.

So you know, from that perspective the businesses of South Africa are not interdependent and do not operate as a digital eco system. However, we share knowledge. So you know, as an example we have sessions on a quarterly basis where there is a sharing of knowledge about activities in different markets, and so to the extent that another business can learn from that, that that is something that we also focus on in those sessions.

CHAIRPERSON: And you mentioned importantly funding  
20 and scaling. So I mean as we understand funding is or capital is critical to scaling and that your businesses may make losses and that may happen for many years, but ultimately you want to get them to a sustainable point.

But certainly from what we have read you know, of the foreign CEO Bob van Dyk, I mean he says that sometimes

investors query you around loss making companies, but you are a patient long term investor unlike maybe stock markets which are narrow return focussed and that is the benefit of being I suppose a larger company in that sense.

Is that correct?

MS MAHANYELE-DABENWA: Yes, that is correct. When we invest, we invest in segments that we are familiar with and when we invest in new segments that we are unfamiliar with, we need to assess whether there is a business case  
10 for investment.

Typically this will be in areas where we see a long runway for growth. However, in the process of that growth you cannot expect that that business is able to yield profitability immediately and so you need to provide the scale or the time for the business to be able to reach that point where it can you know have that profitability.

So you know, additionally we are attracted to business models focussed on cracking societal needs for innovation and technology, and when we find a business  
20 that has potential we commit to that business and continue to invest.

You know, notwithstanding and we see business segments that work... have some degree of confidence and we can back that local funder. We are focussed and committed to building significant businesses, and so when

you look at our ventures team, they focus on testing, committing, scaling and then investing.

So we invest in operational growth and that is something that we are continuously doing. However, there could be times where we may decide that we you know, we do not continue to invest in a business and that could be for different decisions.

There could be times where you find that the business is actually successful, but will decide do not continue to remain invested in that business and then we will do our best. In other cases however, we will see limitations in terms of being able to scale that business or perhaps there could be a change in terms of the way we see our strategy and that is when you will divert, but for the majority of our businesses we tend to take a long term view.

And an example of such a business that we have divested in, is Multichoice. Which was a successful business and by divesting we actually yielded a value for shareholders within Multichoice. However, we decided that it was no longer in line with our strategic direction for us to remain invested in Multichoice and so they continue to operate as a separate business from us because we are now a 100% consumer internet business.

CHAIRPERSON: And if you are going to grow faster, I mean we would understand you would need more capital. So how

much capital you have got can determine the growth because if you are going to accelerate growth you need to maybe invest in infrastructure, you maybe need to invest far more in consumer acquisition.

So you may need to even in that sense, either raise awareness, make it more attractive to consumers but there is in essence some trade off. If you have got capital spare and you want to accelerate growth, that may be the short term.

10 Obviously the long term prize is what you are after.

MS MAHANYELE-DABENWA: Correct. Yes, there will be focus on accelerating growth and yes, what you say is correct. But we do not invest into an eco-system. Sorry, at any cost. So just for the sake of investing we have you know, certain parameters within which we are investing.

CHAIRPERSON: Ja, you take a long term view.

MS MAHANYELE-DABENWA: Yes.

CHAIRPERSON: And you are looking at the long term. I mean just in terms of that growth, I mean what we  
20 understand we are looking, and I am looking at it maybe from your view as Naspers CEO, the types of businesses. So I do not want to get into the individual businesses.

That we will do with them as they appear before us. But there are some common themes and that is why I am saying there is a common play book.

MS MAHANYELE-DABENWA: Yes.

CHAIRPERSON: You need capital. You need capital to invest and scale and that will involve losses in the short run, but obviously you want to make some return in the long run. There is often I suppose let us say subsidisation of the consumer side in the short run.

So you may want to keep delivery fees down.

MS MAHANYELE-DABENWA: We cannot hear you.

CHAIRPERSON: Can you not hear me?

10 MS MAHANYELE-DABENWA: We can hear you now, thank you.

CHAIRPERSON: Should I go back a little bit?

MS MAHANYELE-DABENWA: Yes, please if you can.

CHAIRPERSON: Alright. So as I said trying to look across the type of platform businesses, I am not looking here to say naked and ensure tech or fin tech. This is really the scope of our inquiry. But there are certain common features to the global play book around this.

20 The one is capital to funded. You need to scale it fast, put in capital. That may mean losses in the interim but you are building up scale in that interim period. The second thing we would observe is that often there will be a lot of money spent on the consumer acquisition side.

So that may be advertising and drawing consumers to your service, but it may also be bringing down the cost to

consumers. Making delivery free or you know, offering discounts in the beginning. So I mean, is that correct?

MS MAHANYELE-DABENWA: Yes. We follow a model where as I mentioned before, in our ventures team we test, we invest and then we scale. So that is the model that we follow as we look at you know all of the businesses that we invest into.

CHAIRPERSON: And all I am suggesting is that scaling requires the investment but requires getting the consumers.

10 That is... you need to bring the consumers onto your platform because you have got to sell. So scaling is bringing consumers on and that may as I say, require investment on the consumer side.

Make it more attractive to them in order to bring them on. So we see big promotions in food delivery. We see promotions and free delivery in E-Commerce. I mean these are not uncommon across the globe as I understand.

MS MAHANYELE-DABENWA: Yes. It is a competitive environment and so from that perspective you know, it is  
20 you know, what one is continuously looking at different ways of approaching this.

CHAIRPERSON: But I mean as you have said, as an investor it cannot be an endless pit for you.

MS MAHANYELE-DABENWA: That is correct, yes.

CHAIRPERSON: You need to start to make this sustainable.

MS MAHANYELE-DABENWA: Yes.

CHAIRPERSON: And as we sort of are observing, it seems that the way maybe incrementally revenue is grown, on these businesses, is to put more fees on the business side. So Mr D will raise its commission fees gradually over time. We have seen new fees being introduced at TakeALot.

We have seen sponsored rankings. So pay for promotion appearing on these platforms as well, because you need to start generating a little more revenue as well to  
10 close that gap and start making it sustainable.

MS MAHANYELE-DABENWA: Ja, I think James you know, if you do not mind I think this is a question that will be best put to Mr D when you meet with them.

CHAIRPERSON: No, we will but I am just saying as an investor at a board level, you would surely have to be discussing the revenue model and the cost, and looking at that profitability and funding requirement because to be responsible on funding, you need to be engaging.

So I am trying to engage at quite a high level with  
20 yourself in fulfilling that oversight role.

MS MAHANYELE-DABENWA: That is correct. We actually have stringent capital allocation standards. There is an expectation that companies that we invest in will perform according to standards that have been set and to ensure performance, Naspers conducts internal review sessions to

ensure targets are met.

Naspers's robust capital allocation requirements focus on ensuring that internal rates of return are achieved on a sustainable basis. Naspers also considers organic revenue growth, trading margins and other indicators to assess the performance of its businesses.

This ensures that Naspers's capital is placed in the correct places. Our capital allocation strategy helps us to vigorously manage the assets for growth, whilst balancing  
10 the importance of making a positive impact on society and so you know, from that perspective I think you know we really are focussed on ensuring that you know, the possibility of attracting capital investment from companies such as Naspers, is able to drive innovation and you know, also to increase the likelihood of continued investment.

CHAIRPERSON: I mean I do understand that because that was in the presentation. I just had a more simple question for you. You are sitting on the board and you are assessing these business and determining whether to allocate funding  
20 and they are explaining you know, the broad strategy and business plan for the upcoming year.

In that it strikes as that as these platforms grow, what we see are increasing fees on the business user side, rather than the consumer side and as I said, I think it would be common cause you know, Mr D may raise his fees,



TakeALot may add fees for its business users.

We add other monetisation tactics like sponsored ranking, premium featured ranking. But those are not paid by consumers. They are paid by business users ultimately.

MS MAHANYELE-DABENWA: As a competitive business, we are continuously looking at different ways to ensure that a business like Mr D is able to continue to operate and we do so in a way that we view as a responsible way in ensuring that we are looking after you know, not only the business  
10 that we invested in but also the consumers of those businesses as well.

CHAIRPERSON: Alright. Look, I still do not have an answer to my question. I can persist but I sense you do not want to answer my question and so I will move on.

MS MAHANYELE-DABENWA: I think if we could, you know if you could pose it in a closed session. You know, I am very much aware of the fact that this is a public forum. So you know, I would just request that perhaps you know there may be questions that are perhaps better put in a closed  
20 session.

Sorry, Daryl can I just ...[intervenes]

MR DINGLEY: Sure.

CHAIRPERSON: I mean there is nothing confidential here. These are visible to the public. So you know, and all the sellers on this platform. So but Daryl you want to

...[intervenes]

MR DINGLEY: Ja, I mean just to you know, just to summarise what Phuthi has said, because I think she has answered the question in the sense that you know profitability is important and these businesses are required to generate revenue.

Otherwise ultimately they will you know, disinvest from these businesses. You know, so there is a need to generate revenue. There is a need for the revenue to you know, to you know to our pace the costs, and so you know if they are increasing revenue through different charges, then that is normal business practice.

But it has obviously got to be balanced within the competitive environment. It still has to be attracted to the consumer. So I think and that is what Phuthi has said. It is important and they do need to seek ways of generating revenue.

CHAIRPERSON: Ja, I suppose my only proposition is that is predominantly through charges raised on the business side, that is the only thing I wanted to get an answer to.

MR DINGLEY: Ja, you can ask the specific business platforms you know, those dynamics in relation to those particular markets and get an answer from them on that.

CHAIRPERSON: And certainly we can do that. As I said from a Naspers perspective looking over these platforms,

there is a common play book that we can see and that play book may become even globally and so I was warning you to comment on that play book.

MS MAHANYELE-DABENWA: So the play book is common with respect to us, be focussed on the segments that we invest in and that is with the exception of here in South Africa where through the Foundry we invest broader than just the segments that we are invested in.

Over and above that we look for businesses that are  
10 making a difference in the lives of people. We look for businesses that we believe we are able to scale. So that is really the common play book that is you know, that is relevant for us.

Locally there is no you know, none of the business operates altogether. The businesses are hyper local. So you will have an OLX which is focussed on ensuring that it is providing the right access to vehicles for its consumers, etcetera.

However, you know we... they do not all operate as  
20 one team so to speak. We do not dictate how they operate either. But they do engage with us at [indistinct – 01:20:09].

CHAIRPERSON: Alright. I had hoped to have a more of a debate around the sort of broader picture business model, but let me make one observation and obviously if there is

sizeable funding for growth and losses, there must be casualties along the way from others that are in the market.

You do not have the capital resources that some of the businesses as your backing do. I mean, that it follows ...[intervenes]

MS MAHANYELE-DABENWA: Well, that is the nature of any business I guess that you do have casualties. You know, and but as I mentioned earlier, we try to ensure that the businesses that we invest in are able to continue to be  
10 sustainable in the long term and when we do divest, it is not necessarily because they are not sustainable, but it may be that perhaps they are no longer in line with our strategies.

So you know, that is something that remains important for us.

CHAIRPERSON: Alright. Let us move on to Naspers Foundry then. Can I just understand what the mandate is given to Naspers Foundry for that 1.4 billion in terms of the categories of spend. Also the phases of start-up because as I understand they do not invest in cede or precede  
20 funding.

Also in terms of historically disadvantaged individuals and entrepreneurs.

MS MAHANYELE-DABENWA: So the Naspers Foundry is investing in early stage businesses where we try to drive technological advancements that address societal needs.

What we provide is access to capital as well as the opportunities for those businesses to be able to scale.

They also get to share in the information that we have through our global businesses on innovation and other areas that were able to add value to them. So that is something that is of importance to us, but I have the head of the foundry here with me so I will ask him to speak more specifically to it.

MR WHATE: Thanks Phuthi, and good afternoon James  
10 Hodge and Dorris Tshepe. I think the question really was around the mandate of Naspers Foundry and what we are trying to achieve, is that we are looking to accelerate the development of the South African early stage eco system, and thereby contribute to the growth of the broader economy of South Africa.

How we need to do that is by backing the next big South African tech success story because we see this as essential to attract tech talent, and capital which the eco system needs to grow.

20 CHAIRPERSON: Alright. So we heard earlier from another venture capitalist that in essence venture capitalist gets a mandate. So it may be the extent of risk that investors are willing to take but it also may be a mandate that covers other objectives.

So what we had discussed with them for instance,

was how much of the mandate is to develop historically disadvantaged entrepreneurs within that fund and so I just wanted to understand from your perspective what is the mandate for the Foundry.

I assume there is a mandate from the Naspers Business, it says you go out and find businesses in these categories, this is the amount of risk we are willing to take. So is there such a mandate and if so, what is it?

MR WHATE: Ja, definitely. So I think to shed light on that,  
10 it is probably best that I talk through our investment criteria. So we have three basic investment criteria. One, we look to back high potential businesses and I will go into detail around what that means.

Secondly we back businesses that address societal needs and then thirdly from a life stage perspective, we are looking to back businesses that fall between sort of to series A to series B, as an initial investment with the view to continue into successful businesses down the line.

Now in terms of high potential, really what we are  
20 looking to do here, is to back phenomenon founders who are... who own material stake in the business, who are lying to us as investors, operate highly scalable software tech business models in large markets.

So that is criteria number one. Secondly, we as I said we look to back businesses that address big societal needs.

So that broadly aligns with the group's core strategic sectors. That includes MTech, Fin Tech, Market Places as well as Food Tech.

Outside of that the Foundry also actively is investing into Ad tech and health tech and then from a large scale perspective, if I ignore the labels for a moment. Really what I am saying is we look for businesses that are post revenue.

That have a product. That have strong traction. That  
10 have customers and are looking for capital to scale up.

MS MAHANYELE-DABENWA: I think perhaps let me just respond to your question also with respect to HDP's. So based on socio economic reasons, start-ups owned by HDP's are low and the concept of ownership in the internet space is wide.

There is often more than one owner or even a series of owners in a start-up, including an HDP owner. So if I look at a business that we invested in in the Foundry, like Sweep South. Sweep South is a business that was started  
20 by Isha Pando and her husband and she is a black female.

However, in the process of raising capital, a business like that cannot remain an HDP business and so it is important that we understand that in this process of then raising capital, the different rounds that they go through, it is very difficult for any of the founders to be able to

maintain their shareholding within the businesses.

So the reasons for the lower HDP entrepreneurs are varied. You know, obviously within the South African environment there is also the issue of skilling in the internet sector and access to education, policy regulation, lack of incentives, access to you know to funding and shut down of tax benefits like the S12J investments.

You know, and so what I mentioned earlier that South Africa is behind Egypt, Nigeria and Kenya in terms of  
10 funding in 2020. That shows you just the difficulty that HDP entrepreneurs and other entrepreneurs in South Africa face when they are looking to develop their businesses.

CHAIRPERSON: We understand there may be some socio economic reasons. The question is, is Naspers doing anything about that. That is why I had a specific question is there a mandate? So the SA SME fund has a mandate, 50% of all investment must go to black owned businesses.

So that is a specific mandate from the investor that will start to address the transformation, because venture  
20 cappers must go and find those businesses. So can you just tell me whether there is or is not a mandate to invest a certain proportion of the Naspers Foundry Fund into historically disadvantaged businesses?

MS MAHANYELE-DABENWA: So I think just before I answer you and I am sorry for taking long in responding to



you, but behind us having the Foundry in place, what we were looking at was the whole eco system in South Africa, and our focus was on ensuring that we could you know, fill the gaps where they were required and that is why I spoke about the access to education that we were giving. The access to funding through the Foundry.

The capital that we have allocated to the SME Fund, which as you correctly say, is you know, is funding black owned businesses and so our focus has really been on  
10 ensuring that the entire environment in South Africa is able to become conducive towards the development of the internet sector.

You know, as we are seeing in other markets that we operate in. With respect to your specific question, no we do not have a criteria for you know, for us to have a certain number of black founders. Having said that however, we do look for black founders of businesses.

So that is part of the process of us looking at transactions on a continuous basis.

20 CHAIRPERSON: And what proportion of your funding has gone to black founders?

MS MAHANYELE-DABENWA: At this stage because we... you will recall we have 1.4 billion rand, and of that 1.4 billion rand, 400 million rand has been invested in seven businesses and one of those businesses is black and that is

the business that I mentioned, Sweet South.

CHAIRPERSON: Ja. That was 30 million rand as I understood?

MS MAHANYELE-DABENWA: Yes, that was the first investment that we made. But we continuously are looking for black founders of businesses and you know, also against the parameters. We are not... we do not change the parameters that we set in place.

We... you know we look for businesses that we  
10 believe we can scale. Businesses that are making a difference in the lives of South Africans and we look for them at an early stage, meaning that the founder needs to have driven it to the extent where it has revenue.

So that is something that we are continuously doing and it is not... the reason we have not invested in a black founder led entity, is not for lack of trying and for lack of engaging. We have engaged with black founders of businesses, but we do have criteria that we also have to meet.

20 CHAIRPERSON: Alright. So there is no mandate, I mean just speaking to venture capitalist earlier, I mean the mandate is important and there are entrepreneurs out there, that with a mandate can be found and can be funded, and that is why the SME Fund has been able to meet we understand, some of its mandates around 50% black

ownership.

I mean the other element is the... it would seem is that a seed funding stage that seed funding may be particularly important because of the socio economic environment for historically disadvantaged entrepreneurs, and so a mandate around that may also have some effect.

I mean do you not think that Naspers should be setting a mandate if you are looking at an inclusive and transformative economy?

10 MS MAHANYELE-DABENWA: Well, I will ask the head of the Foundry to respond to that.

MR WHATE: Ja, thanks. So in terms of looking at investing in businesses at the seed stage, we actively... we are actively engaging with businesses at this stage and my sense is that we will in the near future announce some transactions at this stage.

20 In terms of historically disadvantaged entrepreneurs, we continue to... we are continuously engaging with black founder led businesses. As Phuthi mentioned we have invested in one and again, the Foundry is still relatively early on in its development and in future we expect that we will invest further into black founder led businesses.

CHAIRPERSON: Alright, but as I understand it now it is one business and then a contribution to the SA SME Fund which has such a mandate.

MR WHATE: That is correct. Naspers is definitely not the extent of our contribution. I think Phuthi touched on it earlier that we are looking at this from a long term perspective and we are intervening within the eco system at a number of levels.

Some examples includes labs for instance, where we are improving access to digital skills which in the long turn is going to produce more black entrepreneurs within the tech space. We have got the bursary fund where we are  
10 contributing 17 million rand per annum to funding.

97% are black students and again you know, over the mid to long term this is going to contribute to producing of more black tech entrepreneurs. Within labs there is also a micro entrepreneur funding scheme. There is a number of things and then obviously there is the contribution to the SME Fund.

So we are intervening at a number of different levels with the eco system in order to ensure and in order to encourage transformation.

20 CHAIRPERSON: I mean some of the responses have been that really government should be stepping in here. I mean, do you not think that this is an area where eventually the capital industry needs to step up because even we heard earlier, there is maybe a lack of appreciation of the actual risks in say township entrepreneurs than which is much

lower than the perceived risks, just because of potentially a lack of transformation of the industry itself, but also its focus.

Because it may be one thing that we have funder mandates coming down which is one way to start to change this, but the other is for the industry itself to start to actually engage entrepreneurs through all walks of life and especially historically disadvantaged ones and understand and appreciate the risks and promote those opportunities to funders.

Because funders are there also to be persuaded. There are opportunities here and that is the obligation of the, I think the capital industry.

MS MAHANYELE-DABENWA: Ja, I think that is correct and that is something that you know, is important. We cannot be expecting government to be the funder of last resort you know, as people who are in business that is a role for us to play and that is why we are focussing on ensuring that we have access to funding at different levels and so you know, we have mentioned the different ways in which we are providing capital to entrepreneurs.

You know, when I look at the township economy, some of our business... our internet businesses will impact on the township economy. However you know, at this stage we are not directly liaising with you know, with founders from you

know, we are looking at the township economies specifically.

But I do not know Fabian if you want to add to that?

MR WHATE: Ja, the one thing that I would add is that we have engaged with a number of township economy focussed businesses and have to date not found one that we elect to invest in.

CHAIRPERSON: Alright, I think that is all the questions from the panel. I would like to thank you for coming this  
10 afternoon and attending and taking out of your busy schedule to impart some of this knowledge and insight to ourselves and the public as well.

We look forward to in future weeks dealing with the companies within the group.

MS MAHANYELE-DABENWA: Thank you.

CHAIRPERSON: And that closes our afternoon session. We will resume at 17H30 PM with Google and Google Play.

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I, the undersigned, hereby certify that, *in as far as it is audible*, the foregoing is a **VERBATIM** transcription from the soundtrack of proceedings, as was ordered to be transcribed by Gauteng Transcribers and which had been recorded by the client

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1. *Parties sometimes unclear, therefore the "indistinct".*

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