

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 300 [NW316E]
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300. Mr W W Wessels (FF Plus) to ask the Minister of Finance:

- (1) With reference to his reply to question 1578 on 4 July 2018 regarding the Public Investment Corporation (PIC) and the Government Employees Pension Fund's approval of a loan of R5 billion to Eskom, what are the due diligence criteria for PIC when a short-term loan is considered;
- (2) (a) are the specified due diligence criteria an acceptable process which has been approved by the PIC board and (b) does the process correspond with industry acceptable investment criteria;
- (3) was a proper due diligence conducted in terms of the specified criteria on the R5 billion loan to Eskom; if not, what is the position in this regard; if so,
- (4) whether he will furnish Mr W W Wessels with the supporting documents regarding the loan?

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REPLY:

- (1) All transactions entered into by the Public Investment Corporation (PIC) has to adhere to the mandate requirements of its clients. The money market mandate of the Government Employees Pension Fund (GEPF) allows for investments up to a 12 month tenure, whereas the capital market mandate allows for investments for a longer tenure. Both of the mandates for these asset classes explicitly state the credit rating of the issuer and/or the instrument being the main criteria for such investment. The Eskom loan in question was done on the explicit condition that the loan should be government guaranteed , which implies that it has the highest credit quality in the domestic ZAR denominated market.
- (2) The GEPF's mandate requirements for money market and capital market transactions are in line with acceptable industry norms and standards. The GEPF's mandate was approved by

the GEPF's Board of Trustees. The mandates of all the clients of the PIC are also approved by the Financial Sector Conduct Authority (FSCA).

- (3) The PIC's Research and Project Development Team has conducted detailed research ("deep dive") into Eskom.
- (4) Due to the confidentiality of the information pertaining to the Eskom loan of R5 billion, the supporting documents cannot be made available. It should, however, be stated that this loan was granted on 1 February 2018 and repaid in full, with interest, on 1 March 2018.