

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 296 [NW312E]
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296. Adv A de W Alberts (FF Plus) to ask the Minister of Finance:†

- (1) What are the full relevant details of the way in which the trustees of the Government Employees Pension Fund (GEPF) have fulfilled their fiduciary obligations with regard to the transactions entered into by the Public Investment Corporation (PIC) on behalf of the GEPF with the (a) investments in Steinhoff and the eventual write-off of the investment, (b) the investments in Ayo Technology Solutions Ltd, (c) the fruitless investment in Sagarmatha Technologies, (d) the investments in and loans to Sekunjalo and Independent Media and the eventual write-off of the investment(s) and loan(s) and (e) the investments in VBS Mutual Bank;
- (2) in each case, what amount was (a) invested, (b) loaned and (c) finally written off;
- (3) (a) what communication took place in each case between the GEPF and the PIC, (b) whether the trustees of the GEPF were fully informed about the nature of the investments and write-offs and (c) what were the responses of the GEPF trustees in each case?

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REPLY:

- (1) The GEPF has already provided a detailed response to a similar question in broad terms which applies to detailed investment monitoring, refer to the response provided to Question Number: 1220 [NW1316E] dated 2 May 2018.

The GEPF and PIC have entered into a formal arrangement stipulating the terms under which the PIC is authorised to manage the assets of the GEPF. The Trustees have implemented various the monitoring and compliance measures to enable them to effectively discharge their fiduciary duty of investment monitoring. The Board has constituted permanent committees and sub-committees to give effect to its strategic functions, including investment monitoring. All the committees have formal terms of reference that clearly set out the mandate and duties of the each committee. These are briefly described below.

Board Committees:

1. **The Investment Committee** is a committee of the Board whose duty includes monitoring the Investment Managers' investments, including the PIC. Part of the investment committee's duty is to consider various factors including any changes in the Fund's liabilities as reported by the Fund's Valuator, and any changes in the expected return on the Fund's assets, the likely volatility of the value of the Fund's assets and any implications those changes may have on the funding level of the Fund, contribution requirements, or benefits of the Fund, including but not limited to:
 - Monitoring and reviewing the performance of Investment Manager(s) primarily the PIC, to assure compliance with policy, procedures, risk and return objectives as set out in their mandate(s);
 - Monitoring investment performance. The investment committee ensures that an independent review and evaluation of the performance of the investment portfolio is conducted at least quarterly.
 - Reviewing quarterly investment reports and reporting where appropriate to the Board on issues that are considered important or relevant for Board deliberation.
2. **Valuations Sub-Committee:** The Valuations sub-committee is a sub-committee of the Finance and Audit Committee and reports into the Finance and Audit Committee of the Board and the Investment Committee. The Valuations sub-committee has been established to advise the Fund on the relatively complex matter of the valuation of the unlisted investments of the Fund managed by the PIC.

Management Committees:

1. **The GEPF/ PIC Investment Liaison Committee:** The purpose of the Investment Liaison Committee is to bridge the gap between the PIC and GEPF's Investment Committees with the implementation of the GEPF's reporting requirements, resolution of queries and implementation of the investment strategy as set out in the investment mandate of the GEPF. The Investment Liaison Committee also facilitates smooth investment processes and ease the flow of information and communication between the GEPF, PIC, Government Pensions Administration Agency and any third party service providers of the GEPF on investment matters. There are monthly meetings that are augmented by more regular interaction as necessary.
2. **The GEPF/ PIC Exco to Exco committee:** The GEPF/PIC Exco-to-Exco was established to, subject to the direction of the Board of Directors, of both GEPF and PIC, exercise the powers and perform the duties conferred or imposed upon it by the Government Employees Pension Law. Part of the duties include oversight responsibilities in relation to the implementation of the GEPF Investment Management

Agreement. There are monthly meetings that are augmented by more regular interaction as necessary.

3. ESG Working Committee; The purpose of the ESG working committee is to address the environmental, social and governance matters within the PIC and GEPF Investment Committees in order to implement the Responsible Investment strategy as set out in the investment mandate and investment beliefs of the GEPF quarterly.

- (1) (a) The GEPF has not written-off its investment in Steinhoff and this is reflected at its current market value
 - (1) (b) The GEPF's investment in Ayo Technologies is reflected at its current market value and has not been written-off.
 - (1) (c) The GEPF has not invested in Sagamartha.
 - (1) (d) The Fund's investment in Independent Media and VBS have been impaired and this is fully disclosed in the GEPF's 2017/18 Annual Report with their respective impairment amounts of R1058320000 and R374700000.
- (2) Refer to the reply above.
- (3) The PIC does not have to inform the GEPF of the investment that it makes provided that it's within the mandate. Monitoring and reporting takes place as detailed above (answer to question 1).