

**NATIONAL ASSEMBLY**  
**QUESTION FOR WRITTEN REPLY**  
**QUESTION NUMBER: 814 [NW973E]**

**814. Mr G G Hill-Lewis (DA) to ask the Minister of Finance**

- (1) With respect to the 2020 Annual Report of the Public Investment Corporation, what are the reasons that the corporation did not ensure that investment activities performed complied with investment policies and guidelines required by section 10(1) & (2) of the Public Investment Corporation Act, Act 23 of 2004, as identified by the Auditor-General;
- (2) what are the reasons for omitting to perform enhanced due diligence on politically exposed persons (PEPs) at pre-investment and PEPs that was identified after the approval of an investment as required by the specified policy;
- (3) what are the reasons for the lack of adequate pre-investment due diligence, including pre-investment valuation of investment deals, due to supporting documentation not being available and inadequate justification of assumptions used in the valuation;
- (4) what are the reasons for the lack of a collateral management policy/framework which led to the Auditor-General being unable to confirm the adequacy of collateral on debt instruments?

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**REPLY:**

- (1) There were no breaches of the Public Investment Corporation Act, 2004 (Act 23 of 2004), however, as reported in the Report of the Mpati Commission of Inquiry, there were certain breaches of internal investment policies. Policies and standard operating procedures as well as delegations of authority have been reviewed and approved by the Board. These have been implemented and are being complied with.
- (2) The PIC first implemented a Politically Exposed Persons (PEP) policy during 2015. The formulation of the policy is aligned to prevailing best practice and Financial Action Task Force (FATF) recommendations. Process changes have since been implemented to enhance controls. Interventions also include procuring additional system licenses for the Environmental, Social and Governance team, along with the Risk team, to enable them to be adequately resourced to undertake the necessary checks where changes to investee company profiles are noted. The PEP policy has also since been reviewed and it is being duly implemented.
- (3) Due to inadequate document management, certain supporting documentation were not available, however, this has been addressed through an electronic document management

system and will be further enhanced with an electronic investment system. All policies and procedures in this regard were also benchmarked against best practice.

- (4) A manual collateral management system is in place. A process has started to upgrade to an automated system.

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