

13 February 2018

PIC Media Statement: Repayment of loan advanced to Eskom

PRETORIA - The Public Investment Corporation (PIC) is concerned that false, misleading information continues to be presented to the media and into the public domain, about the decision by the PIC and the Government Employees Pension Fund (GEPF), to provide Eskom with a short-term R5 billion loan facility.

This creates unnecessary anxiety amongst pensioners, GEPF members and their dependents, and public sector employees about potential risks to their pensionable savings and benefits. The PIC wishes to put the following facts on record—

- The GEPF is a defined benefit fund, the benefits of which are guaranteed by government.
- The type of loan granted to Eskom by the PIC is a short term money market instrument. The bridging finance facility of R5 billion is to be repaid in 30 days and is fully backed by a government guarantee.
- The investment returns for the GEPF in this transaction is above the benchmark return prescribed by the investment mandate.
- The decision to advance the bridging loan facility to Eskom was taken in consultation with the GEPF. Government employees, through their labour unions, are represented on the GEPF's Board of Trustees. There is no obligation for the PIC to consult with individual unions whenever investment decisions are made.
- The PIC is accountable to the GEPF directly in terms of the Investment Mandate signed between the two institutions, which mandate is approved by the Financial Services Board (FSB). Any communication to stakeholders like labour unions, about investment decisions, is out of courtesy.
- The Investment Mandate gives the PIC full discretion to invest in short-term money market instruments without having to seek approval from the GEPF, provided that the credit quality of the money market paper is investment grade and/or is fully guaranteed by government.
- The PIC expects Eskom to honour the terms of the facility that the loan will must be settled within 30 days. It is incorrect that Eskom must repay the PIC by 15 February 2018 as reported in the media.

When the PIC board approved the bridging finance to Eskom, it took into account the best interest of the South African economy, the interests of its clients and the fact that the PIC was acting in accordance with the GEPF investment mandate. Without this investment, Eskom would have been unable to service its debt which would have led to a default and the breaking of its debt covenants with financial institutions during the first week of February 2018. This would have resulted in a cross default of all government obligations with catastrophic consequences that would have collapsed the domestic economy.

The PIC remains committed to the obligations of its investment mandates with all its clients and to work constructively and transparently with all stakeholders. Engagements with the PIC, however, must be conducted in good faith, based on mutual trust and professional integrity and must desist from misleading pensioners, beneficiaries, public sector employees and the public at large.

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("an FSB approved Financial Services Provider")



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