**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 4266 [NW5144E]**

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**4266. Adv A de W Alberts (FF Plus) to ask the Minister of Finance:†**

(1) What legal ground justifies the investment by the Public Investment Corporation (PIC) of funds from the Government Employees Pension Fund (GEPF) in Lonmin, in light of the fact that this mine is almost bankrupt and that currently and in the foreseeable future no profits will be generated by said mine;

(2) whether the PIC and the trustees of the GEPF will be held legally accountable for such an investment in said mine; if not, why not; if so, what are the relevant details;

(3) (a) who proposed the possibility of the specified investment and (b) when was it proposed;

(4) whether any similar investments are currently under consideration; if so, (a) which investments are under consideration, (b) when will such investments be made and (c) what will be the nature of each investment? NW5144E

**REPLY:**

According to Information provided by the Public Investment Corporation (PIC):

(1) The PIC is legally authorised to make investments in terms of the mandates granted by its various clients. These mandates allow the PIC to invest in companies that are listed on the Johannesburg Stock Exchange and the investment in Lonmin is in alignment with these mandates. The investment case for investing in Lonmin at this time is threefold, namely:

* The long-term fundamentals for the Platinum Group Metals (PGMs) support higher prices than what is currently prevailing. These metals will be playing a key role in emissions control measures around the world.
* Lonmin has a sound asset base whose performance has been impacted by the short-term dip in commodity prices. However, based on the PIC’s outlook for PGM prices, value can be restored.
* Management has come up with a plan of action that has been reviewed by independent external experts, for the company to be able to withstand the current low price environment.

It is worth noting that the company held a general meeting for shareholders to vote on the rights issue and 88%of the shareholding represented at the meeting, which included the PIC (on behalf of the GEPF and the Unemployment Insurance Fund (UIF), voted for the company to proceed with the rights issue. The outcomes of the voting is a clear indication that other shareholders see the long-term value of the company. Lonmin is a going concern and has neither been declared bankrupt nor has it applied for business rescue.

(2) The PIC invests and manages funds for various clients and this is done in line with mandates granted by various clients. GEPF Trustees are not exposed to direct liability for investing on the JSE. The accountability, legal or otherwise, for these investments and their management is regulated in terms of the mandates. As the investment manager, the PIC takes full accountability for the performance of any such investments once made in terms of the mandate.

(3) Rights issue is a common method through which JSE-listed companies raise funds for various business initiatives. For an example, companies such as Naspers and PSG have recently gone out to the market to raise capital to fund their strategic business initiatives. In the same way, Lonmin approached all the shareholders, including the PIC about the rights issue, whereupon the PIC considered following its rights. The PIC was approached by Lonmin in early November. Following Lonmin’s approach, the PIC subjected the proposal to the internal investment processes, which entail conducting a thorough due diligence on the company and obtaining approval by the relevant committees within the PIC.

(4) The PIC, like all other shareholders, gets approached from time to time by companies with similar requests. However, as a responsible investor we are not at liberty to disclose whether any such transactions are currently being considered as this could be market sensitive information. In instances where we agree to follow our rights and agree to underwrite the rights issue, these companies would publish information in the notices for meetings. The PIC can disclose that it has expressed support for the ArcelorMittal’s rights issue, which will be voted for on the 11th of December 2015. Details of this rights issue is contained in the notice for the ArcelorMittal General Meeting of shareholders.