

We were not under political pressure to assist Edcon - PIC

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We were not under political pressure to assist Edcon - PIC Companies / 5 July 2019, 09:15am / Edward West PIC Commission of Inquiry Chairperson Justice Lex Mpati with his assistants Gill Marcus and Emmanuel Lediga during the PIC commission of Inquiry at Semi Marks Square. Picture: Oupa Mokoena/African News Agency (ANA)The Public Investment Corporation (PIC) yesterday hit back at critics claiming it had been politically pressured to invest in the struggling clothing retail giant Edcon. After years of struggling to remain financially viable, Edcon is using a R2.7 billion lifeline it has received from lenders, landlords and the PIC to restructure its business model in order to remain competitive. It is one of the biggest mall tenants and more than 140000 jobs are at risk if it collapses, not to mention the impact on its suppliers. The Public Servants Association of South Africa (PSA) said yesterday that it questioned the process that was followed by the PIC in securing the bail-out. This was, according to reports, after Cosatu allegedly signalled a "massive fight" with the ruling party, in a letter to the PIC, if the state-owned fund manager failed to rescue the country's second-largest clothing retailer, Edcon. The PSA, which claims to be the largest non-politically aligned union in the public service with more than 240000 members, said yesterday: "There is also an obligation on the PIC to make sound business decisions and to adhere to the strict rules that are applicable when such decisions are taken. The PIC has an obligation to ensure that due diligence is applied when decisions are made and should not to hide behind excuses of political and union pressure." The PSA said it was "increasingly concerned" about the PIC's capability to manage the Government Employees Pension Fund in an accountable and ethical manner in line with the principles of good governance. PIC spokesperson Deon Botha said, however, that claims that it had been "politically pressured" to invest in Edcon were "misinformed" and that its investment was underpinned by sound commercial, social and governance principles. From a governance point of view, the investment in Edcon was made on behalf of the Unemployment Insurance Fund (UIF) and was in line with the client's investment mandate. The PIC had an extensive engagement with all the stakeholders: including the UIF, labour unions and Edcon, before making the final investment decision. Botha said that in making the investment decision, the transaction was subjected to rigorous internal investment processes and did not succumb to any external political or union pressure as suggested by some media houses. Binding agreements had been concluded among Edcon's secured lenders, the PIC on behalf of the UIF, and landlords, which would result in the implementation of a recapitalisation programme for Edcon in terms of which the debt and capital structure of Edcon was restructured. This programme included PIC investment of R1.2bn. "The UIF's Socially Responsible Investment mandate allows the PIC to invest in projects that create and sustain jobs. As indicated above, the UIF's investment was just one component of interventions by multiple stakeholders aimed at preventing loss of over 140000 jobs across the value chain," he said. Other interventions included the removal of all interest-bearing debt in Edcon. The UIF was now one of the shareholders in Edcon. Had there been no intervention by both the UIF and other stakeholders, jobs would have been lost in Edcon and companies that service Edcon. In the final analysis, the UIF would have to bear the burden of having to pay unemployment insurance claims, said Botha. BUSINESS REPORT.