ECIC

ESTABLISHED IN 2001

EXPORT CREDIT INSURANCE CORPORATION OF SOUTH AFRICA SOC LTD

STRATEGIC PLAN

2020/21 - 2022/23

YOUR EXPORT RISK PARTNER

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Export Credit Insurance Corporation of South Africa SOC Ltd (ECIC)

STRATEGIC PLAN

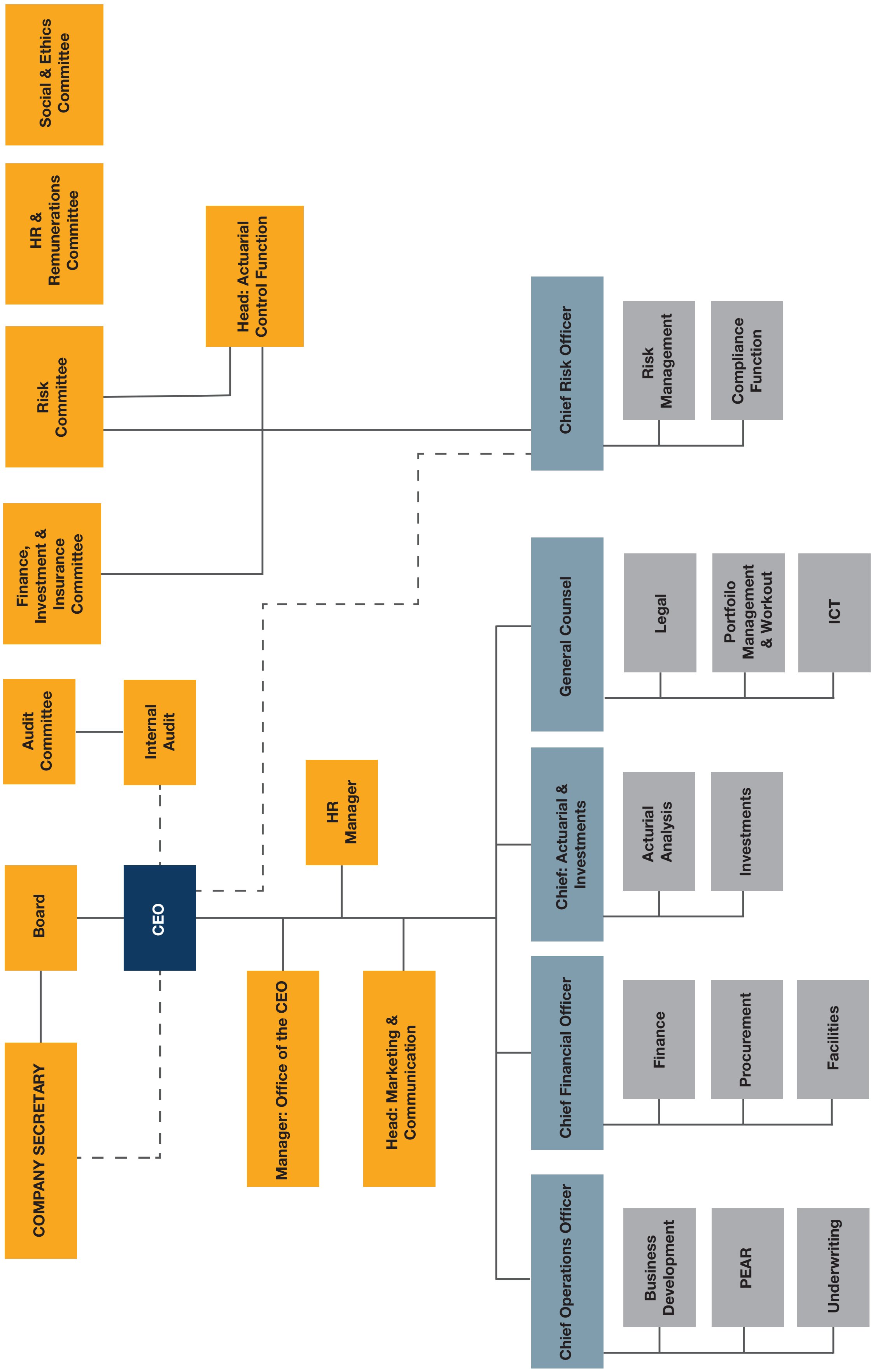
2020/21 – 2022/23

1. ACRONYMS AND ABBREVIATIONS

B-BBEE	Broad Based Black Economic Empowerment
DFI	Development Financial Institutions
ECA	Export Credit Agency
EU	European Union
Government	The government of the Republic of South Africa
IBNR	Incurred but not yet reported
IMU	Interest Make-up
NDP	National Development Plan
PFMA	Public Finance Management Act
SAM	Solvency Assessment and Management
SATIPP	South Africa - Trade and Investment Promotion Programme
SMART Principles	Specific Measurable Achievable Realistic and Timebound
SOEs	State Owned Entities
the dti	The Department of Trade and Industry
USD	United States Dollar

2. CONTENTS

3. CORPORATE STRUCTURE



4. OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan was developed by the management of Export Credit Insurance Corporation of South Africa SOC Ltd ("ECIC") under the guidance of the Board.

Accurately reflects the performance targets which ECIC will endeavour to achieve given the resources made available in the budget for 2020/21 - 2022/23.

Noluthando Mkhathazo: ______________________
Chief Financial Officer

Kutoane Kutoane: ______________________
Chief Executive Officer

Recommended for approval by: ______________________
Dheven Dharmalingam
Accounting Authority

5. FOREWORD BY THE MINISTER

The Public Finance Management Act (PFMA) requires that every public entity prepares a Strategic Plan setting out the overall strategy for the 5-year period covering the state's Medium-term Strategic Framework (MTSF). Every year, an Annual Performance Plan (APP) is prepared, which converts the overall strategy to key annual targets. These documents are then provided for approval to the Executive Authority and budgets are aligned to these plans.

Export Credit Insurance Corporation of South Africa SOC Ltd (ECIC) has prepared its Strategic Plan 2020/21 – 2022/23, which I now submit to Parliament, as required by the legislation.

This is the first Strategic Plan prepared in the 6th Administration by ECIC. I have requested that all Strategic Plans and Annual Performance Plans be aligned to the MTSF, which incorporates the work to develop and implement National Sector Masterplans, as well as the trade reforms, investment and transformation work of the Department.

Once the revised MTSF has been signed off, we will review the Strategic Plan and Annual Performance Plan of the entity and align it accordingly. The Strategic Plan and Annual Performance Plan may further need to be aligned to Government's response to the COVID-19 pandemic, both during the period of the national disaster declared by President Ramaphosa, and thereafter as we adapt to the new economic reality. Should adjustments be made, a revised Plan will be submitted to Parliament.

Ebrahim Patel
Minister responsible for Trade, Industry and Competition

6. FOREWORD BY THE CHAIRMAN

As we continue with our vision of building ECIC into a world class export credit agency that will be placing South Africa at the cutting edge of the world's dynamic trade landscape we acknowledge the need to improve our strategic partnerships, stakeholder satisfaction and contribution to trade facilitation. The African Continental Free Trade Area (AfCFTA) provides an opportunity for the Corporation to play a more prominent role in assisting exporters to access trade finance and opportunities across the market.

The nature of our business is long term and requires us to envision developments beyond a 10-year horizon and start putting up the required building blocks today for a better tomorrow. We are placing greater emphasis on further strengthening relationships with local and international commercial banks, and the private reinsurance market. We expect our partnership with Afreximbank to blossom further on the back of the USD1 billion SATIPP initiative to promote trade between South Africa and the rest of the continent.

The forecast of growth opportunities in Africa is good for trade and the current opportunities in Mozambique for South African exporters on the back of the LNG projects create business opportunities for the Corporation.

The Corporation is intent on remaining a self-sustaining, financially independent entity with the required solvency capital to support the sum insured. The lumpy and long-term nature of our insurance portfolio requires continued recruitment of the best talent and suitable long-term incentives to drive high performance and staff retention to sustain the success of the Corporation.

The recent high-profile lapses in corporate governance in the private and public sector emphasises the importance of a strong culture of integrity and ethical leadership.

Necessary adjustments will be made to this Strategic Plan at the end of the first quarter of FY2020/21 after considering the changes to the operating environment. In addition, the updated Plan will provide details in respect of how ECIC will support key developmental policy interventions of government such as the implementation of:

a) Sector Master Plans;
b) the African Continental Free Trade Agreement;
c) the South African Investment Conference; and
d) other government initiatives that seek to increase investment activity into the economy aligned to the ECIC mandate.

Dheven Dharmalingam
Chairman

PART A:

Our Mandate

7. BACKGROUND

Export Credit Insurance Corporation was founded on 2 July 2001 in terms of the Export Credit and Foreign Investments Insurance Amendment Act, 2002 with the objective of providing political and commercial risk insurance on behalf of Government for the advancement of the regional and national economy. As a self-sustaining, limited liability and registered financial service provider (FSP 30656) and Schedule 3B entity under the Public Finance Management Act, 1999 (as amended), the Corporation is regulated by the Financial Sector Conduct Authority and Prudential Authority, respectively, and subject to legislation applicable to state-owned companies.

The Corporation's mandate is to make South African exporters attractive to international buyers to stimulate economic growth through foreign and contribute to job creation and global competitiveness. The Corporation's insurance products facilitate international trade and protect all parties involved in cross-border projects, from financing institutions to foreign buyers and exporters. The Corporation's particular focus is on emerging markets in Africa and outside the continent that are considered too risky for conventional insurers.

The competitive and collaborative landscape is within the international export credit agency market. The Corporation's footprint in Africa and substantial appetite for insuring against political risk despite political volatility and underwriting large, long-term projects with flexible terms and conditions that suit project-specific needs and cash-flow profiles, provide a competitive advantage.

PART B:

Our Strategic Focus

8. VISION

To be a world class export credit agency in facilitating South African export trade and investment globally.

9. MISSION

To provide export credit and investment insurance solutions in support of South African capital goods and services by applying best practice risk management principles.

10. VALUES

The Corporation has five values being:

- **Integrity** - We strive to conduct every aspect of our business with honesty, integrity, and fairness.
- **Accountability** - We accept transparency and responsibility for our decisions and actions.
- **Excellence** - We are committed to the highest level of performance through continuous improvement of our skills and business practices.
- **Innovation** - We encourage open-mindedness and support innovation and the development of new ideas and processes for the continued improvement of our Corporation.
- **Teamwork** - We work together as a team internally and collaborate externally with our stakeholders and customers. We appreciate that as a team, we can achieve much greater things than as individuals.

These values are reinforced by the Code of Ethics and Business conduct ("the Code") and are also reflected in our policies and procedures.

11. STRATEGIC OBJECTIVES OF THE ENTITY

11.1. Strategic Themes

- **Stakeholder Management**
  Engage with key stakeholders in order to know and understand their legitimate and reasonable needs, interests and expectations on an ongoing basis to assist in effectively executing on our mandate.

- **Strategic Partnerships**
  Build and leverage a local and international network of strategic partnerships in the public and private sectors in advancing our business reach.

- **Grow the Business**
  Increase market presence, customer-focused solutions, growth and diversification of our African presence and competitive pricing.

- **Operational Excellence**
  Continuous investment in effective and efficient integrated systems and processes, invest in our human capital, build knowledge and skills, and a culture of professionalism, innovation and team work to enhance organizational capacity and operational excellence.

- **Development impacts and transformation**
  Advance black economic empowerment and strive to achieve a level 1 B-BBEE score. Measure and report on our economic impact to South Africa and partner/host countries.

12. ECIC TIER ONE STRATEGY MAP

12.1. Strategy Map

ECIC Tier One Strategy Map			
Customer/ Stakeholder		Improve stakeholder satisfaction	
Finance		Increase capital base	
Internal Process	Improve business processes	Contribute to trade facilitation	Improve communication
Organisational Capacity	Improve knowledge and skills	Build and leverage strategic partnerships	Advance transformation

To execute the strategy, ECIC has identified 8 key strategic objectives as follows:

i. **IMPROVE KNOWLEDGE & SKILLS**

To develop a competent and competitive workforce that is able to deliver on the business strategy and the achievement of ECIC objectives.

ii. **BUILD AND LEVERAGE STRATEGIC PARTNERSHIPS**

Improve our business through collaboration and by leveraging our local and international network of strategic partners within the public and private sector with the view to advance our business and our reach.

iii. **ADVANCE TRANSFORMATION**

Improve B-BBEE and employment equity initiatives to advance the national transformation agenda towards an inclusive economy.

iv. **IMPROVE BUSINESS PROCESSES AND SYSTEMS**

Improve business processes and systems to improve operational efficiencies and achieve the required levels of cost to income ratio that support the financial sustainability of the Corporation.

v. **CONTRIBUTE TO TRADE FACILITATION**

Proactively attract business from new and existing customers to facilitate more exports and cross border investments.

vi. **IMPROVE COMMUNICATION**

Create awareness and understanding of the Corporation's mandate, role, products, services and impact.

vii. **INCREASE CAPITAL BASE**

Increase the capital base of the Corporation in order to support the growth of the business on a sustainable basis in order to fulfil the ECIC mandate of facilitating export trade and cross-border investments.

viii. **IMPROVE STAKEHOLDER SATISFACTION**

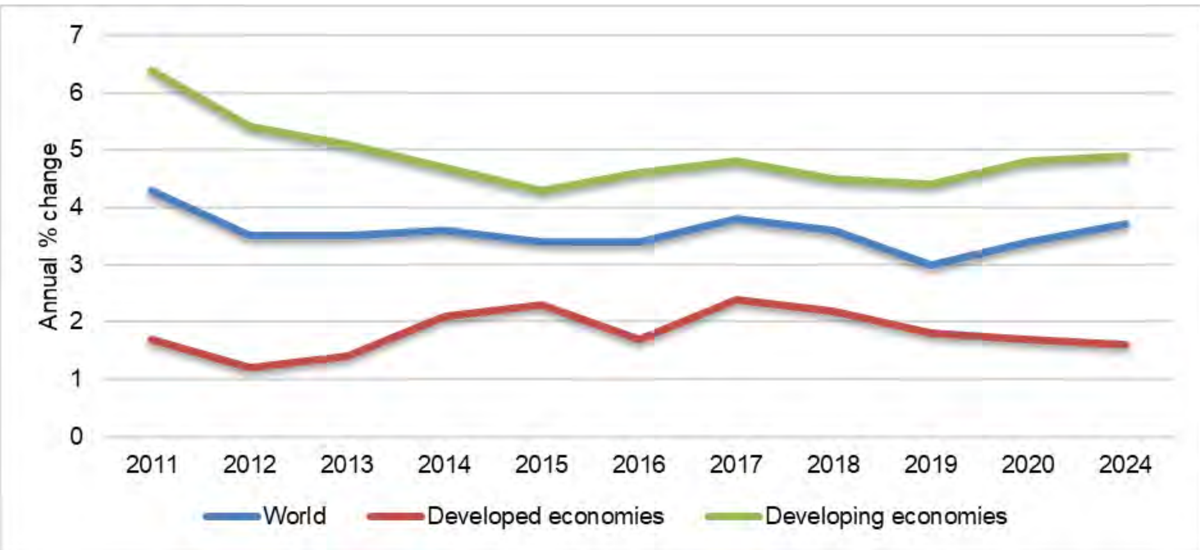
Achieve the desired levels of stakeholder satisfaction, customer satisfaction and employee engagement.

13. SITUATIONAL ANALYSIS

Global Highlights

Global growth slowed in 2018, despite improvements in 2016 and 2017, which were supported by higher trade and favourable reforms in economies that contribute about three-quarters of global gross domestic product. According to the IMF, growth will continue to moderate, with a forecast of 3% in 2019 (one of the lowest growth rates in the last decade), with weak manufacturing activity due to rising trade and geopolitical tensions. However, going forward, global growth prospects will improve, with a recovery in emerging markets and developing economies expected in the medium to long term, and forecasts penned at 3.4% in 2020, gradually reaching 3.7% in 2024. Main risks to the global economic outlook include a slowing Chinese economy, on-going trade disputes between the US and China, delays in implementing Brexit, and to some degree, isolated geo-political tensions between the US and the middle east.

Figure 1: GDP growth by region (2011 to 2024)



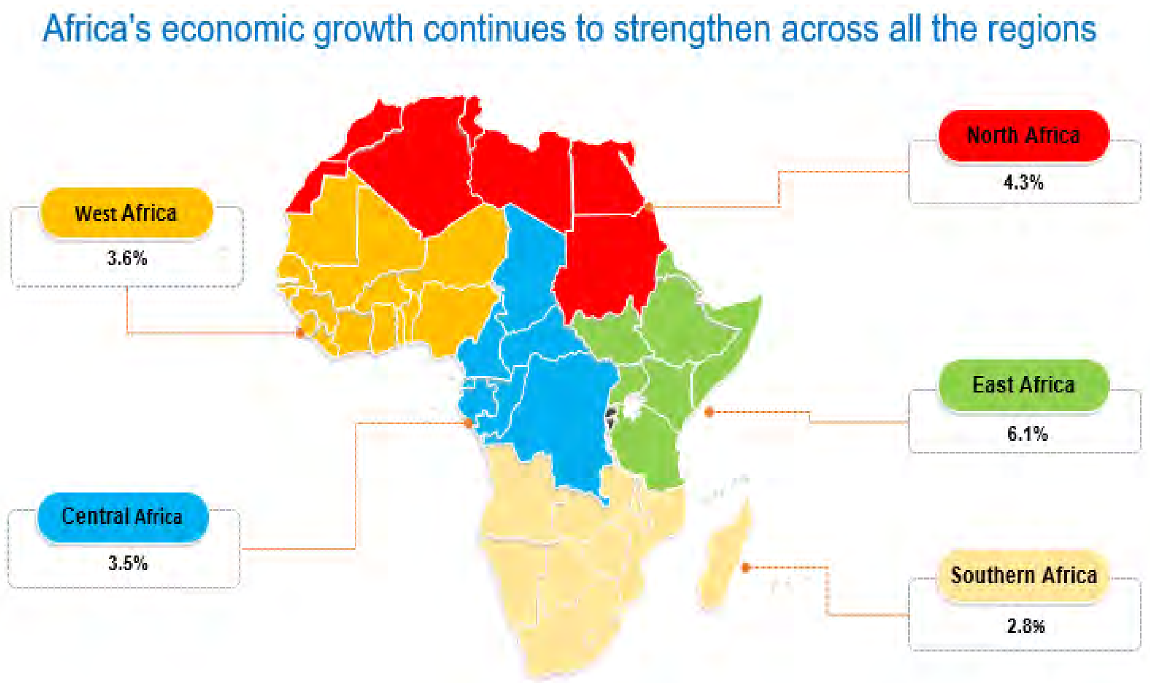
Source: IMF

Growth in developed economies has been divergent. The US has maintained strong growth on the back of mostly expansionary fiscal policy, resulting in a tight labour market, evidence of a booming economy. Meanwhile, in the Eurozone, Britain and Japan, softening private consumption; Brexit uncertainty; slowing manufacturing activity, and trade tensions with the US, and have led to lower revisions in economic growth. In addition to a slowdown in the Chinese economy, the country is also keeping a close eye on its debt levels. However, growth is forecast to pick up from 2020 in developing countries, supported by rising domestic demand, with the IMF predicting a rise in per capita incomes across forty economies, as well as expansionary fiscal policies.

Regional African Highlights

After lacklustre growth over the past 3 years, the outlook in the region is on an upward trajectory. Regional growth is estimated to have increased by 3.5% in 2018 and is expected to accelerate to 4% in 2019 and 4.1% in 2020, predominantly driven by a recovery in commodity prices and sustained domestic demand. Economic growth varied widely across countries and across Africa's five subregions. East Africa has remained the fastest-growing subregion in Africa, followed by North Africa. Overall, economic growth has been faster in African economies that are better diversified in terms of their economic production and export basket. Notably, a turning focus towards services output has allowed such economies to mitigate external shocks that tend to be significantly negative on lowly diversified African economies.

Figure 2: Africa economic growth forecast for 2020



Source: African Development Bank & IMF

South African Highlights

Figure 3 shows that South African growth outlook is tepid at best, constrained by weak internal demand and persistently low international demand for South African commodities. GDP growth slowed from 1.3% in 2017 to an estimated 0.8% in 2018 and is forecast to reach 1.2% in 2019, improving moderately to 1.8% in 2021. In terms of monetary policy in South Africa, rates fall mostly neutral between the scale of accommodative/restrictive. The South African Reserve Bank trimmed the repo rate by 25bps in July 2019, to 6.5%, citing moderate inflation on the back of weak aggregate demand and low economic output. Given the country's economic backdrop, fixed investment (foreign and local) is likely to remain relatively subdued in coming years, as sentiment remains low in the face of a business environment that does not fully lend itself to rising economic activity. Moreover, protracted labour strikes, lack of business investment, and declining global growth, all put downward pressure on the country's export outlook. Particularly, China's economic slowdown will undoubtedly unfold negatively for South African exports, given South Africa's position as a major commodity exporter and that China is South Africa's largest trading partner.

Figure 3a: SA GDP growth

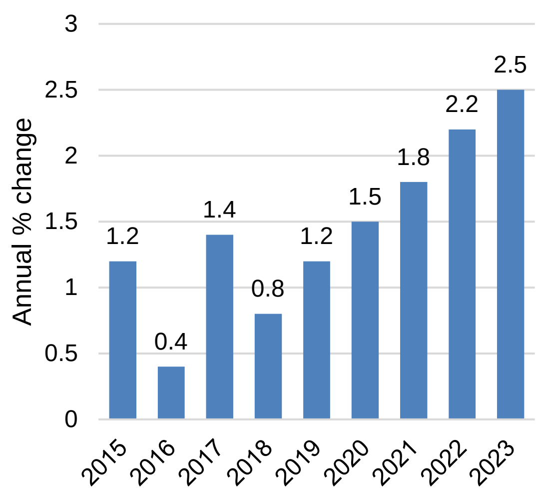
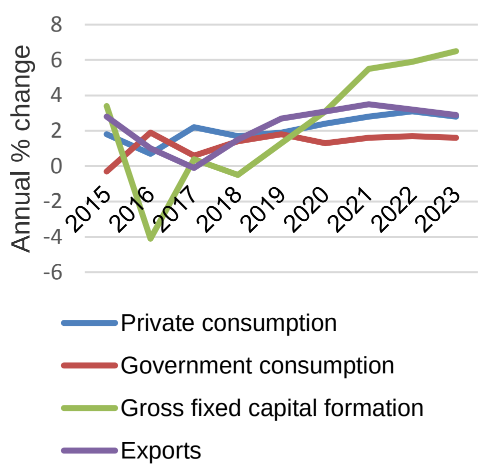


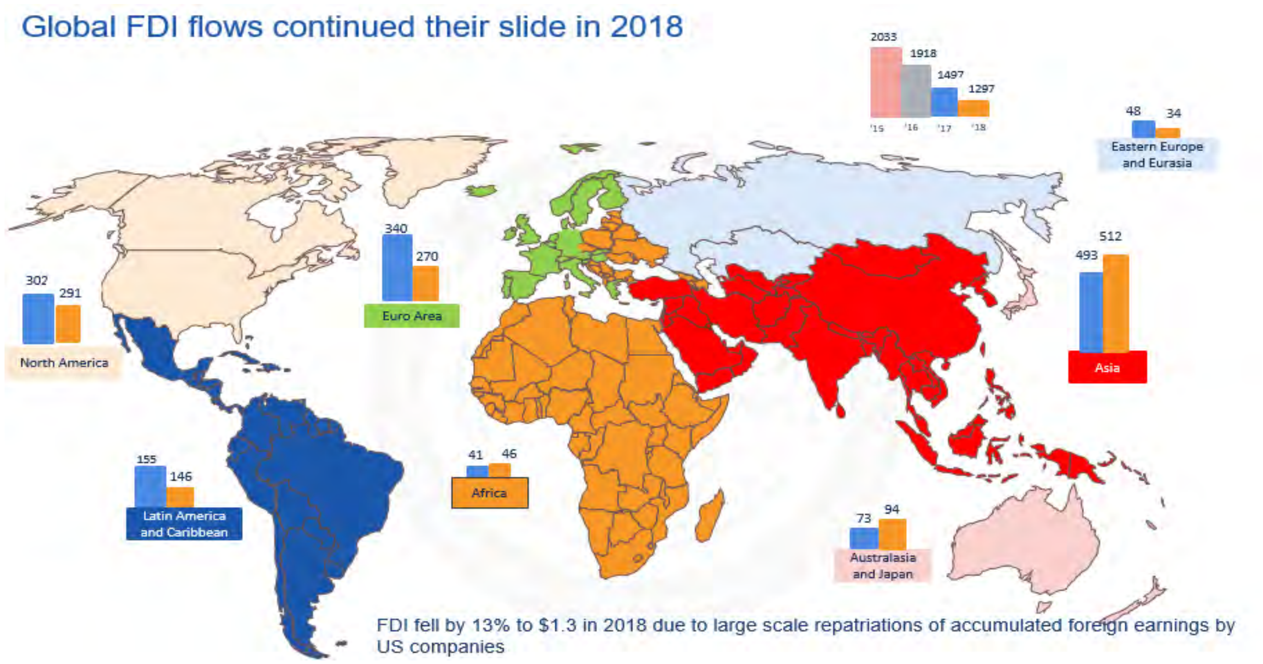
Figure 3b: SA GDP by expenditure



Source: ECIC calculations based on BMI Research data

The African Continental Free Trade Area (AfCFTA) represents a unified market of up to 1.2-billion people and is forecast to boost intra-African trade by 33%-52% from the current figure estimated at 15%; the EU has the highest levels of intra-regional trade estimated at close to 70%. Given lacklustre growth in Southern Africa, which is a major market for South African exporters, AfCFTA represents an opportunity for manufacturers to expand into West and East African markets which are experiencing higher economic growth **(as shown in Figure 2)**. AfCFTA will eliminate or reduce tariffs on 90% of products in the next 5 to 15 years depending on the status of a participating country. South Africa is well positioned to expand its services sector, particularly transport, communications and financial services, which will further facilitate effective cross-border trade and investment.

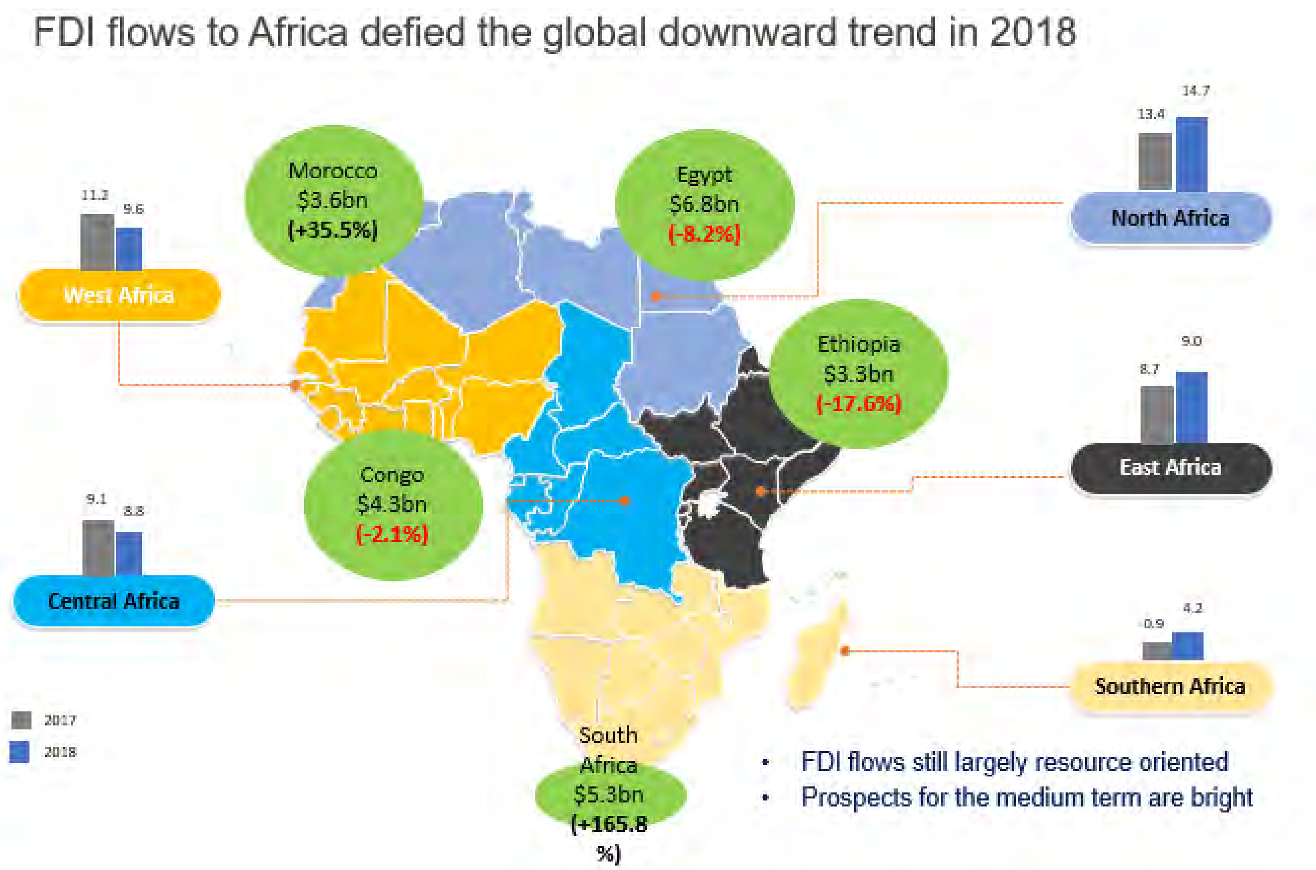
Figure 4: FDI flows by region



Source: UNCTAD

Global FDI flows continued to lose momentum in 2018 (marking a third consecutive year of decline) falling by 13% to US$1.3 trillion **(Figure 4)**. Meanwhile, in 2018, the values of net cross-border M&As and announced FDI greenfield projects increased. The value of net cross-border M&As rose 18% to $816 billion, recovering after a 22% decline in 2017 while announced greenfield projects rose by 41% to $981 billion. The gains in value were mostly in extractive and processing industries, as well as construction. Overall, with more accommodative monetary policy in developing economies going forward, growth in FDI flows may start to turn positive, but risks such as geopolitical tensions and trade wars amongst major economic powerhouses threaten this outlook.

Figure 5: FDI flows in Africa in 2018



Source: UNCTAD

Africa escaped the global decline in FDI as flows to the continent rose to US$46 billion in 2018, an increase of 11% from the previous year. Growing demand for some commodities and a corresponding increase in their prices as well as growth in non-resource-seeking investment in a few economies, underpinned the rise in FDI flows. While FDI in some large economies on the continent – such as Nigeria and Egypt – contracted, this was outweighed by a surge in flows to others, most significantly, South Africa. Exponential growth is forecast in investment inflows to Mozambique over the next decade mainly through the LNG sector together with related-services and infrastructure. FDI inflows are projected to rise from US$2.6 billion in 2018 to US$7.9 billion in 2020. Moreover, with the upcoming AfCFTA, alongside upbeat growth prospects in the medium to long term, FDI flows to the continent are expected to continue rising.

14. SWOT ANALYSIS

Internal strengths and weaknesses

Strengths	Weaknesses
• Open to cover many countries in Africa • Flexibility in underwriting terms (tenor, risk rating etc.) • Strong adherence to governance principles • Skilled and competent workforce • Government backing as a shareholder • Peer recognition on large and complex projects	• Not leveraging technology adequately • Process inefficiency challenges

External opportunities & threats

Opportunities	Threats
• Broadening of ECIC mandate by revising enabling legislation • Leveraging on strategic partnerships • Establishment of SA Eximbank • Leveraging on African Continental Free Trade Agreement (AfCFTA) • Risk sharing through reinsurance • Provide cover in alternative currencies (i.e. Euros and other local currencies) • Treatment of ECIC paper by the regulator	• Negative perceptions about the deteriorating state of public finances and SOEs – halo effect on ECIC • Sovereign credit downgrade to sub-investment grade • Uncertain macro-economic outlook (trade wars contagion, recession risk, BREXIT) & financial market volatility • Increasing competition from international insurance market

Strategies to address opportunities and threats

Opportunities

Threats

Strengths-Opportunities Strategies

- Improve knowledge and skills
- Build and leverage strategic partnerships
- Contribute to trade facilitation
- Improve stakeholder satisfaction

Strengths-Threats Strategies

- Improve communication
- Increase capital base
- Improve stakeholder satisfaction

Weakness-Opportunities Strategies

- Improve business processes and systems

Weakness-Threats Strategies

- Improve business processes and systems

15. ALIGNMENT TO GOVERNMENT PRIORITIES

The Corporation's objectives are developed based on the alignment of the ECIC mandate with Government priorities as represented by the Industrial Policy Action Plan (IPAP), Nine Point Plan and the National Development Plan (NDP).

The ECIC mandate falls within the IPAP transversal focus area of "African integration and industrial development", which doesn't have targeted outcomes and key milestones. Regarding the Nine Point Plan, the ECIC mandate addresses the initiative of "Encouraging private sector investment". All the strategic objectives are deemed to be in pursuit of these Government priorities. The below table details the alignment of the strategic objectives to the NDP, specifically the 2019-2024 Medium-Term Strategic Framework (MTSF).

MTSF Priorities	MTSF Target	The dti Strategic Focus Areas	ECIC Goal/ Outcome	ECIC Initiative	Responsible Programme
Economic Transformation and Job Creation	Improve overall ranking on World Bank Doing Business ranking to within the top 50 countries. Also, achieve top 50 ranking on Trading Across Border indicator.	Support improved industrial performance, dynamism and competitiveness for local companies	Proactively attract business from new and existing customers to facilitate more exports and cross border investments	Improve business development initiatives to grow the business Research and identify new Export and investment opportunities	**Contribute to Trade Facilitation**
Economic Transformation and Job Creation	Improve access to affordable finance for SMMEs with at least 50% of national and provincial DFI financing to SMMEs.	Promote economic inclusion	Proactively attract business from new and existing customers to facilitate more exports and cross border investments	Improve business development initiatives to grow the business Establishment of SA EXIM Bank	**Contribute to Trade Facilitation**
Economic Transformation and Job Creation	Expand government preferential procurement spend with minimum targets of 40% for Women, 30% for Youth and 7% for Persons with disabilities.	Promote economic inclusion	Advance black economic empowerment and to be ultimately rated a B-BBEE level 1 contributor or performer.	Implement Transformation Strategy to achieve a level 1 B-BBEE score	**Advance Transformation**

MTSF Priorities	MTSF Target	The dti Strategic Focus Areas	ECIC Goal/ Outcome	ECIC Initiative	Responsible Programme
A better Africa and World	Increased Foreign Direct Investment (FDI) into South Africa of R1.4 trillion.	Improve the levels of fixed investment in the economy	Proactively attract business from new and existing customers to facilitate more exports and cross border investments	Improve business development initiatives to grow the business Research and identify new Export and investment opportunities	**Contribute to Trade Facilitation**
A better Africa and World	R3 billion annual value of exports facilitated through the Export Marketing and Investment Assistance Scheme (EMIA) fund in sectors and destinations targeted for diversification.	Promote economic inclusion	Proactively attract business from new and existing customers to facilitate more exports and cross border investments	Improve business development initiatives to grow the business Establishment of SA EXIM Bank	**Contribute to Trade Facilitation**
A better Africa and World	Implementation of the African Continental Free Trade Agreement (AfCFTA) and other trade agreements in order to grow intra-Africa trade.	Expand markets for our products and facilitate entry to those markets	Leverage our strategic partnerships, their resources and knowledge base to form sustainable collaborations that will enable ECIC to access new markets and remove existing constraints.	Implementation of annual strategic partnership plan, especially with Afreximbank on several deals	**Build and leverage strategic partnerships**

16. BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

16.1. Board of directors

The Corporation's board is responsible for determining the Corporation's strategic direction and ensuring that the strategy is being carried out in compliance with the law and relevant regulations. The directors serve at most two terms of three years each. Six board committees – all of which include representatives from **the dti** as the sole shareholder – help the board fulfil these roles.

DHEVEN DHARMALINGAM
CHAIRPERSON

Age: 54
Qualifications: CA (S.A), Member of the Institute of Directors
Areas of expertise: Finance; Taxation and Insurance; Strategy; Change management and Organizational Redesign
Position on other boards: NED and chairman of the audit committee for HBZ Bank SA Limited, Executive Director of Companies with personal investments
Years of service: 2 years

KUTOANE KUTOANE
EXECUTIVE DIRECTOR

Age: 51
Qualifications: MA (Economics), Advanced Management Programme, Programme on Investment Appraisal and Management, Advanced Credit and Trade Finance.
Areas of expertise: Project finance, International trade finance, economics and investment management
Positions on other boards: None
Years of service: 7 years

VUYELWA MATSILIZA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Age: 52
Qualifications: MBL, BA Honours in Economics (Cum Laude), Secondary Teachers Diploma
Areas of expertise: Treasury management, Project finance, Corporate finance and investment management
Position on other boards: Board member at Chris Hani Development Agency (CHDA)
Years of service: 2 years

SIOBHAIN O'MAHONY

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age: 32

Qualifications: BSc (Hons) (Actuarial Science), Fellow of the Actuarial Society of South Africa, Fellow of the Institute and Faculty of Actuaries

Areas of expertise: Actuarial valuations, Asset-liability matching, Capital adequacy requirements and calculations, Analytics, Pricing and profitability (banking), Loyalty programme design and modelling

Positions on other boards: None

Years of service: 7 years

LERATO MOTHAE

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age: 43

Qualifications: CA(SA)

Areas of expertise: Auditing, Finance, Financial Management

Positions on other boards: The South African National Accreditation System (SANAS), National Agricultural Marketing Council (NAMC), The Chemical Industries Education and Training Authority (CHIETA)

Years of service: 2 years

DESHNI SUBBIAH

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age: 36

Qualifications: BSc Actuarial Science (Cum Laude), Fellow of the Actuarial Society of South Africa, Chartered Enterprise Risk Actuary (CERA), Post-Graduate Diploma, General Management (Distinction), Masters in Business Administration (MBA), Certificate in Investments from the Institute of Actuaries (UK)

Areas of expertise: Actuarial and Risk Management.

Position on other boards: None

Years of service: 2 years

LERATO MATABOGE

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR **(THE DTI)**

Age: 41

Qualifications: BA (Law and International Relations), Honours (International Relations), Masters (International Political Economy and International Trade and Global Finance), Certificates in Trade Negotiations, Bilateral Investment Treaty Negotiations and Project Management, Executive training In Infrastructure Project Conceptualisation and Preparation

Areas of expertise: Strategy, Trade and Investment

Position on other boards: None

Years of service: 2 years

LEFENTSE RADIKELEDI

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR (NATIONAL TREASURY)

Age: 53

Qualifications: MEcon (Economic Development), Executive Development Programme, Secondary Education Diploma, Certificate in Mineral Economics, Certificate in Contract Negotiations

Areas of expertise: Finance and regulation

Positions on other boards: None

Years of service: 6 years

SISA MAYEKISO

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age: 37

Qualifications: BCom Honours (Accounting), CA(SA), CFA

Areas of expertise: Accounting, Treasury, Investment & Risk Management.

Positions on other boards: Executive Director of companies with personal investments, Southern African Music Rights Organisation – Board member, Mines 1970 Unclaimed Benefits Preservation Pension & Provident Fund – Board member

Years of service: 2 years

CHARLES JAARMAN KGOALE

COMPANY SECRETARY

Age: 40

Qualifications: LLB, Management Development Programme, Post Graduate Diploma Programme and Project Management, Advanced Certificate for Municipal Governance, Compliance Management, Senior Management Development Program

Areas of expertise: Compliance and Corporate Governance

Positions on other boards: Non- Executive Director (volunteer) Childhood Cancer Foundation (Non-remunerated)

Years of service: 2 years

16.2. Executive Management

The Chief Executive Officer (CEO) is responsible for the Corporation's day to day operations and is supported by the Chief Operating Officer, the Chief Financial Officer, the Chief Risk Officer and General Counsel. Various units report to the CEO and his executive team. With the exception of the CEO, who is on a three-year contract with three-month notice period, all the executives are permanent employees who are required to give a month's notice when resigning. Executives are not bound by a restraint of trade agreement on leaving the Corporation.

KUTOANE KUTOANE
CHIEF EXECUTIVE OFFICER

Age: 51

Qualifications: MA (Economics), Advanced Management Programme, Programme on Investment Appraisal and Management, Advanced Credit and Trade Finance.

Areas of expertise: Project finance, International trade finance, economics and investment management

Positions on other boards: None

Years of service: 7 years

NOLUTHANDO MKHATHAZO
CHIEF FINANCIAL OFFICER

Age: 37

Qualifications: CA(SA), Management Advancement Programme

Areas of expertise: Finance, auditing and financial management

Positions on other boards: None

Years of service: 10 years

MANDISI NKUHLU
CHIEF OPERATIONS OFFICER

Age: 51

Qualifications: Bachelor of Laws, Management Advanced Programme, Executive Leadership Programme

Areas of expertise: Law and Finance

Positions on other boards: None

Years of service: 14 years

JOHN OMOLLO

CHIEF RISK OFFICER

Age: 51

Qualifications: Master of Business Administration (MBA) Wits, Certified Public Accountant of Kenya (CPA II, III)

Areas of expertise: Risk Management, Project & Structured Finance, Banking and Credit Rating of Financial Institutions

Positions on other boards: None

Years of service: 9 years

NTSHENGEDZENI GILBERT MAPHULA

GENERAL COUNSEL

Age: 48

Qualifications: BPROC, LLB, LLM

Areas of expertise: Accounting, Treasury, Investment & Risk Management.

Positions on other boards: Cross Boarder Financing, Export Credit Insurance, Political Risk, International Trade and Foreign Investments Project Finance and Sovereign Lending

Years of service: 14 years

SIAS ESTERHUIZEN

CHIEF ACTUARIAL & INVESTMENTS

Age: 39

Qualifications: BSc (Financial Mathematics), BSc Hons (Actuarial Mathematics), FASSA (Fellow of the Actuarial Society of South Africa)

Areas of expertise: Actuarial pricing, reserving, capital modelling and risk management disciplines

Positions on other boards: None

Years of service: 4 years

17. DESCRIPTION OF THE PLANNING PROCESS

In developing the strategic plan, the Corporation has considered the National Development Plan as the overarching program that guides the government priorities of the current administration. This is captured in the table demonstrating the link between the ECIC objectives/initiatives and the objectives and vision of the National Development Plan.

Secondly, the priorities of **the dti** were considered, to ensure that there is alignment between the ECIC objectives and **the dti** priority areas. This alignment is captured in the table demonstrating the link between **the dti** priorities and the ECIC mandate and initiatives.

A three-day workshop was held between management and the Board. The strategic themes were updated to include stakeholder management, and development impacts and transformation. The strategic objectives will guide the programs to be implemented by the Corporation for the next three years. These strategic themes and objectives are captured in the strategic map which is a visual representation of how the strategy and the various themes and objectives work together on an integrated basis to enable the Corporation to achieve the intended results.

This allowed management and the Board to take stock of the external operational and competitive environment to help the Corporation to position itself better to address the current and impending challenges that are lurking on the horizon. This process has enabled the Corporation to develop programs, performance targets and measurements in line with the SMART principles.

The different programs of the Corporation are underpinned by a budget which is predicated on the ability of the Corporation to write new business to fulfil its mandate in the first instance, whilst ensuring that we generate sufficient levels of revenue to ensure financial sustainability of the Corporation as a going concern over the planning period and beyond. The overall financial plan considers the asset management plan to ensure the Corporation has adequate levels of capital and liquidity to meet the regulatory and operational requirements on a sustainable basis. The increase of the capital base is being pursued because it enables the Corporation to have bigger underwriting capacity towards the fulfilment of its mandate. The capital base will increase as a result of the growth in investment income and the underwriting profits.

The Board convened and approved the draft Strategic Plan at its meeting of 31 October 2019. Pursuant to the review of the draft strategic plan by **the dti**, the updated Strategic Plan was approved by the Board on 30 January 2020.

18. FINANCIAL PLAN

18.1. Projections of revenue, expenditure and borrowings

R'000	2020	2021	2022	2023
FINANCIAL PERFORMANCE				
Premiums Written	308 476	2 649 490	521 610	451 506
RI premium		- 482 821		
Net Premium	**308 476**	**2 166 669**	**521 610**	**451 506**
Change in Unearned premiums	349 264	-1 669 198	-14 928	81 809
Change in Concentration risk	- 94 032	-5 527	-118 842	-10 604
Change in Unexpired risk	3 021	1 929	1 751	2 532
Earned Premiums	566 729	493 873	389 592	525 243
Claims Incurred	51 866	-139 528	62 930	73 182
Claims Paid	-330 001	-	-	-
Salvages Rec	82 576	73 647	67 705	67 560
Change in OCR provision	299 291	-213 175	-4 775	5 622
Change O/S	10 673	-	-	-
Change in IBNR	288 618	-213 175	-4 775	5 622
Assessment fees	695	504	675	788
Reinsurance commission	-	6 072	1 188	1 827
Operating expenses	-133 580	-148 877	-159 991	-169 629
Commission Paid	-161	-175	-296	-210
Underwriting results (after bonus)	**485 549**	**211 869**	**294 097**	**431 200**
Bonus services	-28 234	-30 328	-32 299	-34 399
Underwriting results (after bonus)	**457 315**	**181 541**	**261 798**	**396 801**
Investment income	395 078	270 463	297 746	436 010
Investment management expense	-21 081	-20 912	-23 464	-25 534
IMU expenses and Income	124 756	175 170	192 644	209 057
Other Income	1	-	-	-
Interest expense	-2	-	-	-
Profit Before Tax (before CS and foreign exchange gain/losses)	956 068	606 261	728 724	1 016 334
Corporate Social Investment (3%)	-27 399	-26 844	-10 067	-29 572
Foreign Exchange gain/(Loss)	27 399	-218 606	316 985	0.00
Profit Before Tax	**956 008**	**360 811**	**1 035 642**	**986 762**
Taxation	-284 901	-109 142	-296 346	-281 682
Profit/(Loss) After Tax	**671 107**	**251 669**	**739 296**	**705 079**

The budgeted written premiums are based on the renewal premiums for existing investment policies and new investment and export credit business as per the pipeline. It is assumed that most of the pipeline will materialise with a 40% probability, with the exception of the Mozambique LNG projects at 50% and a new project at 100%.

The incurred claims are partly driven by the change in IBNR reserves. Given the lumpiness of ECIC exposures it is difficult to estimate the size of potential future claims. The projected IBNR reserves are a combination of the projected values of projects currently holding IBNRs and a buffer to ensure the reserve is at least 0.7% of the portfolio exposure. This was determined by allowing for 1% for medium size projects below $200m and 0.5% for mega projects above this exposure level. Given that only two months remain for the 2020 financial year and the portfolio status indicates that no additional IBNR will be raised in the current year, no buffer was included for 2020.

The investment income that is expected to be earned in the 2020 financial year will significantly outperform budgeted expectations. The solid performance is largely driven by US Bonds which are benefiting from 1) a flight to safety from market uncertainty caused by consistent international trade war tensions, and 2) falling bond yields caused by the Federal Reserve's three rate cuts in 2019 to stimulate the US economy. 5-10-year US government bond returns reached annualised levels of more than 5 times the long-term expectations. With lower starting yields and a more positive outlook globally it is expected that US bond returns will normalise as reflected in the coming financial year's budget. Trade war tensions are expected to cool ahead of the US elections and global central banks are expected to be more accommodative, dampening the flight to safety.

18.2 Asset and liability management

R'000	2020	2021	2022	2023
FINANCIAL POSITION				
ASSETS				
Equipment	3,903	6 047	4 614	2 488
Investments	7 674 043	9 710 423	10 554 136	11 262 830
Loans and receivables	1 758 137	1 307 535	1 599 663	1 356 287
Reinsurance assets	-	446, 423	439,299	428,339
Cash and Cash Equivalent	100 027	94 124	101 521	101 530
Deferred tax	-	-	-	-
Deferred tax	0	0	0	0.00
Total Assets	**9 536 110**	**11 562 023**	**12 697 757**	**13 151 873**
EQUITY AND LIABILITIES				
Equity	5 327 960	5 579 629	6 318 925	7 024 004
Share Capital and Premium	316 051	316 051	316 051	316 051
Capital Adequacy Requirement	-	-	-	-
Other OCI Reserves	38 818	38 818	27 578	27 578
Retained Income - Previous Years	4 656 853	5 327 960	5 579 629	6 318 925
- Current Year	671 107	251 669	739 296	705 079
Total Equity	**5 683 829**	**5 935 497**	**6 674 793**	**7 379 873**
Liabilities				
Provision for Outstanding Claims	-	202 850	223 955	218 334
Provision for Unearned Premiums Reserve	2 342 431	4 124 155	4 410 090	4 317 321
Provision for Unexpired Risk Reserve & Risk margin	367 990	349 836	494 086	502 158
Reinsurance deferred acquisition cost	-	74 484	73 296	71 469
Deferred |Tax	25 938	25 938	25 938	25 938
Taxation payable	-	-	-	-
IMU liability	1 056 391	807 827	700 619	549 989
Trade and other payables	55 818	38 217	91 551	83 141
Provisions	3 714	3 220	3 429	3 652
Total Liabilities	**3 852 282**	**5 626 526**	**6 022 963**	**5 772 000**
Total Equity and Liabilities	**9 536 110**	**11 562 023**	**12 697 757**	**13 151 873**

18.3 Cash flow projections

R'000	2020	2021	2022	2023
CASHFLOW				
Cash flows from operating activities				
Cash generated by underwriting activities	-66 509	2 357 867	217 915	497 148
Interest received	215 786	187 875	209 075	338 558
Dividends received	64 774	82 587	88 671	97 452
Dividends paid	-	-	-	-
IMU Grant received	193 511	204 153	215 381	228 304
IMU Claims paid	-283 979	-226 972	181 381	169 877
Interest paid	-2	-	-	-
Taxation paid	-284 041	-109 142	-296 346	-281 682
Net cash inflow from operating activities	**-160 461**	**2 496 369**	**253 315**	**709 903**
Cash flows from investing activities				
Net (acquisition) of fixed assets	-114	-2 000	-1 100	-1 200
Net (acquisition)/disposal of investments	-33 252	2 494 360	252 206	708 694
Net cash (outflow)/inflow from investing activities	**-33 367**	**-2 496 360**	**-253 306**	**-709 894**
Net increase in cash and cash equivalents	**-193 828**	**9**	**9**	**9**
Cash and cash equivalents at beginning of year	297 504	100 027	94 124	101 521
Unrealised foreign exchange gain/(loss) on cash and cash equivalents	-3 650	-5 911	7 389	-
Cash and cash equivalents at end of year	**100 027**	**94 124**	**101 521**	**101 530**

The above financial statements were prepared using these closing USD/ZAR exchange rates	14.7800	13.9000	15.0000	15.0000

18.4. Capital expenditure projects

The Corporation has plans to acquire computer systems to modernize its business processes. Improving business processes is one of the corporate objectives highlighted in the strategy. Total budgeted capital expenditure is per the table below:

R'000	2020	2021	2022	2023
Total capital expenditure	127	2 000	1 100	1 200

18.5. Infrastructure plans

The Corporation does not have infrastructure plans for the period 2020/21 – 2022/23.

18.6. Dividend policy

The Corporation follows the practice of no dividend payments.

18.7. Borrowing Plans

The Corporation has no borrowing plans.

18.8. Economic and financial assumptions

The exchange rates listed under 18.3 have been obtained from Bloomberg.

Expenses were generally increased by 6-8%.

The head count is projected to remain the same for permanent employees with an increase in graduates by 5 in FY2021.

An annual escalation of 6,5% has been applied to payroll.

Office rental continuing through the budget period.

PART C:

Measuring our Performance

19. IMPROVE KNOWLEDGE AND SKILLS

19.1. Purpose

To develop a competent and competitive workforce that is able to deliver on the business strategy and the achievement of The Corporation's objectives.

19.2. Description

In three years, we will have delivered on our strategy and achieved our objectives due to the improved levels of knowledge and skill of our staff. This program includes:

- Developing an appropriate training plan to address identified gaps and improve the knowledge and skill of our staff.
- Develop a workforce plan that can ensure that ECIC attracts and retains a competent workforce to deliver on its strategy.

In the next three years the successful execution of this program should result in improving key performance measures such as:

- Retention of employees
- Employee engagement

19.3. Performance indicators and performance targets (Improve knowledge and skills)

Goal/ Outcome	Output	Performance Indicator/ measure	Audited Actual Performance				Estimate Performance	Medium Term Targets	
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
To develop a competent and competitive workforce that is able to deliver on business strategy and the achievement of objectives	Implementation of annual training plan	% of annual training plan implemented	100% implementation of training plan for 2016/17	90 -100% implementation of training plan for 2017/18	90 - 100% implementation of training plan for 2017/18	80 - 100% implementation of training plan for 2019/20	80 - 100% implementation of training plan for 2020/21	80- 100% implementation of training plan for 2021/22	80- 100% implementation of training plan for 2022/23

19.4. Quarterly milestones (Improve knowledge and skills)

Goal/ Outcome	Output	Performance Indicator/ measure	Baseline	2020/21 Annual Target	Quarterly milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
To develop a competent and competitive workforce that is able to deliver on business strategy and the achievement of objective	Implementation of annual training plan	% of annual training plan implemented	90 - 100% implementation of training plan for 2019/20	80 - 100% implementation of training plan for 2020/21	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	80% - 100% implementation of training plan

19.5 Financial Plan (Improve knowledge and skills)

Programme Name: Improve knowledge and skills							
Economic classification	Expenditure outcome			Adjusted Appropriation	Medium-Term Expenditure Estimate		
	2016/17 R '000	2017/18 R '000	2018/19 R '000	2019/20 R '000	2020/21 R '000	2021/22 R '000	2022/23 R '000
Current payment							
Compensation of employees	**(4,165)**	**(2,287)**	**(2,778)**	**(2,049)**	**(3,303)**	**(3,536)**	**(3,785)**
Goods & services, etc.	**(13,557)**	**(11,211)**	**(9,800)**	**(15,330)**	**(11,580)**	**(12,127)**	**(12,975)**
Payments of capital assets							
Building and other fixed structure	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Machinery & equipment							
Other classifications	**0**	**0**	**0**	**0**	**0**	**0**	**0**

20. BUILD AND LEVERAGE STRATEGIC PARTNERSHIPS

20.1. Purpose

To access new markets through collaboration by leveraging on our partner resources and knowledge base as well as removing constraints.

20.2. Description

In three years, we will leverage our strategic partnerships, their resources and knowledge base to form sustainable collaborations that will enable ECIC to access new markets and remove existing constraints. This program will include:

- Leveraging on existing partnerships to generate knowledge sharing programs which may include training and secondment opportunities.

In the next three years the successful execution of this program will be demonstrated in the following key measures:

- Increase in the number of transactions generated from collaboration arrangements.
- Increase in the number of exchanges in resources and knowledge.
- Increase in the volume of business generated from collaboration with strategic partners.

With our equity investment in Afreximbank the aim is to enhance our business by leveraging our local and international network of strategic partners within the public and private sector. The decision to acquire a shareholding in Afreximbank was informed by the desire to build a strategic partnership between ECIC and the bank, so that the relationship goes beyond the shareholding arrangement and extends the collaboration to areas such as deal origination, risk sharing, knowledge sharing and advocacy work in the promotion of intra-Africa trade.

As part of the collaboration on deal origination, a USD 1bn SATIPP initiative was launched in 2018 jointly by ECIC and Afreximbank. Through this initiative eligible transactions that seek to promote intra-Africa trade between South Africa and the rest of the continent will be financed by Afreximbank and ECIC will provide its insurance products in line with its mandate to support export trade from South Africa.

On the risk sharing side, Afreximbank has indicated its appetite to guarantee 40% of the Corporation's potential exposure in the Total sponsored LNG project in Mozambique. Through these risk sharing arrangements ECIC will be able to release its underwriting capacity to support other projects, without reducing the level of South African exports supported.

On knowledge sharing, ECIC plans to second some of its staff to Afreximbank to share knowledge in various areas of trade finance and in undertaking joint research work on intra- Africa trade related matters. The joint research work will be utilized to advance the advocacy work on intra-Africa trade matters

20.3. Performance indicators and performance targets (Build and leverage strategic partnerships)

Goal/ Outcome	Output	Performance Indicator/ measure	Audited Actual Performance				Estimate Performance	Medium Term Targets	
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
To access new markets through collaboration by leveraging on our partner resources and knowledge base as well as removing constraints	Strategic partnerships plan implemented	% of collaboration initiatives implemented as per the annual strategic partnership implementation plan	No baseline	No baseline	No baseline	80- 100% implementation of strategic partnership plan	80- 100% implementation of strategic partnership plan	80- 100% implementation of strategic partnership plan	80- 100% implementation of strategic partnership plan

20.4. Quarterly milestones (Build and leverage strategic partnerships)

Goal/ Outcome	Output	Performance Indicator/ measure	Baseline	2020/21 Annual Target	Quarterly milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
To access new markets through collaboration by leveraging on our partner resources and knowledge base as well as removing constraints	Strategic partnerships plan implemented	% of collaboration initiatives implemented as per the annual strategic partnership implementation plan	80 - 100% implementation of strategic partnership plan	80 - 100% implementation of strategic partnership plan	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	80 - 100% implementation of strategic partnership plan

20.5. Financial Plan (Build and leverage strategic partnerships)

Programme Name: Build and leverage strategic partnerships							
Economic classification	Expenditure outcome			Adjusted Appropriation	Medium-Term Expenditure Estimate		
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current payment							
Compensation of employees	**(2,030)**	**(2,315)**	**(2,632)**	**(3,779)**	**(4,231)**	**(4,505)**	**(4,798)**
Goods & services, etc	**(489)**	**(566)**	**(712)**	**(613)**	**(573)**	**(765)**	**(863)**
Payments of capital assets							
Building and other fixed structure	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Machinery & equipment							
Other classifications	**0**	**0**	**0**	**0**	**0**	**0**	**0**

21. ADVANCE TRANSFORMATION

21.1. Purpose

To advance black economic empowerment and to be ultimately rated a B-BBEE level 1 contributor or performer.

21.2. Description

In the next three years we aim to implement the transformation strategy to ensure that:

- the Corporation's employees are representative of the South African society and the Corporation has equitable gender representation;
- there is substantial increase in levels of procurement of goods and services from black-owned, and black-controlled companies, and wherever possible from black small and medium-enterprises and the procurement policy is implemented in conformity with the Preferential Procurement Regulations of 2017;
- the promotion and facilitation and the development of black enterprises by providing the necessary financial support and training to enable them to be competent in providing goods and services;
- the direct investment into socio - economic programmes to address needs of the vulnerable in a sustainable manner, and to create opportunities for community and individual development; and
- there is mobilization of capital internally to meet the financing of black economic empowerment objectives.

We further believe:

- that economic growth, development and empowerment are complementary processes and funda mental to our business;
- in the economic empowerment and skills development of the broader society;
- that our economic empowerment and skills development activities must add value and contribute to the transformation of our business and our society; and
- that ultimately, our performance, when measured against our stated commitments and the Financial Sector Charter must ensure that we are rated as a B-BBEE Level 1 Contributor or performer.

21.3. Performance indicators and performance targets (Advance transformation)

Goal/ Outcome	Output	Performance Indicator/ measure	Audited Actual Performance				Estimate Performance	Medium Term Targets	
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
To advance black economic empowerment and to be ultimately rated a B-BBEE level 1 contributor or performer	Transformation strategy implemented	B-BBEE score	Level 3 B-BBEE score	Level 4 B-BBEE score	Level 4 B-BBEE score	Level 2 B-BBEE score	Achieve a level 2 B-BBEE score	Achieve a level 1 B-BBEE score	Achieve a level 1 B-BBEE score

21.4 Quarterly milestones (Advance transformation)

Goal/ Outcome	Output	Performance Indicator/ measure	Baseline	2020/21 Annual Target	Quarterly milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
To advance black economic empowerment and to be ultimately rated a B-BBEE level 1 contributor or performer	Transformation strategy implemented	B-BBEE score	No baseline	Achieve a level 2 B-BBEE score	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Achieve a level 2 B-BBEE score

21.5. Financial Plan (Advance transformation)

Programme Name: Advance transformation							
Economic classification	Expenditure outcome			Adjusted Appropriation	Medium-Term Expenditure Estimate		
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current payment							
Compensation of employees	**(1,308)**	**(4,982)**	**(3,818)**	**(3,965)**	**(4,439)**	**(4,727)**	**(5,034)**
Goods & services, etc.	**(13,926)**	**(16,341)**	**(13,443)**	**(27,484)**	**(26,866)**	**(10,116)**	**(29,624)**
Payments of capital assets							
Building and other fixed structure			**0**	**0**	**0**	**0**	**0**
Machinery & equipment							
Other classifications			**0**	**0**	**0**	**0**	**0**

22. IMPROVE BUSINESS PROCESSES AND SYSTEMS

22.1. Purpose

To improve business processes and systems to improve operational efficiency.

22.2. Description

IIn three (3) years we endeavour to significantly enhance ECIC processes and systems to improve efficiency in the delivery of key services and products. This program will include:

- Providing active business intelligence and reporting on key performance indicators as well as highlight bottlenecks, resource constraints and other inefficiencies.
- Providing a mechanism for benchmarking processes and tracking the business value of re-engineered processes.
- This program will also drive a number of change management initiatives geared towards automation of workflow processes and adoption of the MIS and system ownership by the business.
- Maintain an acceptable cost to revenue ratio that consistent industry bench markers and specific objectives of ECIC.

In the next three years the successful execution of this program will be demonstrated in the following key measures:

- Holistic level overview of organizational processes and tasks.
- Reduction in turnaround times through real time view of bottlenecks and other issues.
- Improvement in the cost effectiveness of business processes through benchmarking.
- Improvement in the quality and efficiency of reports generated improving decision making.
- Leverage technology to provide a competitive advantage.
- Cost to income ratio calculated as current operating costs (excluding investment and socio-economic development related costs) as a ratio of 3-year average income (earned premium, assessment fees and commission received less change in concentration risk reserve)

22.3. Performance indicators and performance targets (Improve business processes and systems)

Goal/ Outcome	Output	Performance Indicator/ measure	Audited Actual Performance				Estimate Performance	Medium Term Targets	
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improve business processes and systems to improve operational efficiency	Track cost to income ratio on a periodic basis	Cost to income ratio calculated as current operating costs (excluding investment and socio-economic development related costs) as a ratio of 3-year average income (earned premium, assessment fees and commission received less change in concentration risk reserve)	35% - 30% cost to income ratio	Cost to income ratio of 20.77%	Cost to income ratio not exceeding 35%	Cost to income ratio not exceeding 32%	Cost to income ratio not exceeding 32%	Cost to income ratio not exceeding 32%	Cost to income ratio not exceeding 32%

Goal/ Outcome	Output	Performance Indicator/ measure	Audited Actual Performance				Estimate Performance	Medium Term Targets	
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improve business processes and systems to improve operational efficiency	Business process improvement plan implemented	% of business process improvement plan implemented	No baseline	No baseline	50 – 60% of business process improvement plan implemented	60 – 80% of business process improvement plan implemented	80 – 100% of business process improvement plan implemented	Review business process improvement plan	50 – 60% of business process improvement plan implemented

22.4. Quarterly milestones (Improve business processes and systems)

Goal/ Outcome	Output	Performance Indicator/ measure	Baseline	2020/21 Annual Target	Quarterly milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Improve business processes and systems to improve operational efficiency	Track cost to income ratio on a periodic basis	Cost to income ratio calculated as current operating costs (excluding investment and socio-economic development related costs) as a ratio of 3-year average income (earned premium, assessment fees and commission received less change in concentration risk reserve)	Cost to income ratio not exceeding 32%	Cost to income ratio not exceeding 32%	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Cost to income ratio not exceeding 32%
	Business process improvement plan implemented.	% of business process improvement plan implemented	60 – 80% of business process Improvement plan implemented	80 – 100% of business process improvement plan implemented	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	80 – 100% of business process improvement plan implemented

22.5. Financial Plan (Improve business processes and systems)

Programme Name: Improve business processes and systems							
Economic classification	**Expenditure outcome**			**Adjusted Appropriation**	**Medium-Term Expenditure Estimate**		
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current payment							
Compensation of employees	**(2,839)**	**(3,785)**	**(4,126)**	**(5,583)**	**(6,250)**	**(6,656)**	**(7,088)**
Goods & services, etc	**(21,916)**	**(19,747)**	**(21,482)**	**(27,610)**	**(32,987)**	**(34,853)**	**(36,072)**
Payments of capital assets							
Building and other fixed structure							
Machinery & equipment	**(0)**	**(1,145)**	**(1,283)**	**(120)**	**(2,000)**	**(1,100)**	**(1,200)**
Other classifications	**(2,609)**	**(2,712)**	**(2,829)**	**(2,341)**	**(2,385)**	**(1,482)**	**(1,450)**

23. CONTRIBUTE TO TRADE FACILITATION

23.1. Purpose

To proactively attract business from new and existing customers to facilitate more exports and cross border investments.

23.2. Description

In three years, we will proactively attract business from new and existing customers to facilitate more exports and cross border investments. This program will include:

- We proactively conduct research in various countries and sectors to identify trade and investment opportunities for South African companies with the aim for the Corporation to match relevant players to those opportunities.
- Implementing a customer engagement plan which will include; the articulation of The Corporation's value proposition; relationship management strategy that will seek to retain and increase the value of business from existing and new customers; improve the quality of service provided by ECIC to its customers.
- Implementing a business development plan that will seek to establish customer focused initiatives along regional, geographic and sector segments; develop initiative to leverage on local presence and our strategic partners.

In the next three years the successful execution of this program will be demonstrated in the following key measures:

- Increase in the value of new projects approved.
- Increase in the ECIC customer base.

The Corporation has keenly followed the establishment of the African Continental Free Trade Area (AfCFTA) as a game changer in terms of its ability to foster continental market integration and increased volume of intra-Africa trade. The Corporation now seeks to re-invent itself to play a central role in galvanising financing for South African exports of value-added goods and services into the continent within the context of the AfCFTA. To this end we are in the process of seeking expansion of our insurance mandate to add short-term to our current medium- to long-term export credit insurance.

The Corporation recognises that even in the best of times and the best of arrangements such as the AfCFTA, there will always be challenges which are inherent in any cross-border trade. These include infrastructure logistical challenges including complex trade documentation, high transaction costs, higher risk universe compared to domestic trading and difficulties in accessing trade finance facilities from commercial sources. These challenges are greatly amplified for the SME exporters. The Corporation is seeking government expansion of the ECIC insurance mandate to include short-term export credit insurance to complement the private sector offerings and fill the market gap. This will enable the Corporation to offer insurance solutions against political and commercial risk events that could otherwise negatively impact the ability of the South African exporters to access these larger continental export markets enabled by AfCFTA.

In the context of the above and considering the Corporation's track record on the continent and ability to price the risk thereof, the Corporation is best placed to play a critical role in closing the financing gap. The African Development Bank estimates the trade finance gap on the continent to currently stand at USD120 billion. UNCTAD further estimates that 80% to 90% of all international trade relies on trade financing. The ability to access trade finance is therefore a key competitive advantage for prospective exporters. The EXIMBANK as proposed becomes a critical component in mobilizing requisite financing from both national, bi-lateral and multi-lateral development financing sources to enable South African exporters to take full advantage of the opening up of continental markets under AfCFTA. The EXIMBANK will be able to provide a suite of financing instruments such as provision of lines of credit, short term trade loans, guarantees, pre- and post- shipment working capital facilities etc.

23.3. Performance indicators and performance targets (Contribute to Trade Facilitation)

Goal/ Outcome	Output	Performance Indicator/ measure	Audited Actual Performance				Estimate Performance	Medium Term Targets	
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
To proactively attract business from new and existing customers to facilitate more exports and cross border investments	Improve business development initiatives to grow the business	Value of approved transactions	USD 479m	USD 496m	USD 450m-USD 550m	USD 550m-USD 575m	USD500m-USD600m	USD 525m-USD 625m	USD 550m-USD 650m
	Research and identify new opportunities	Number of research reports to identify new opportunities	2 research reports to identify new opportunitiesz	3 research reports to identify new opportunities	3 research reports to identify new opportunities	3 research reports to identify new opportunities	3 research reports to identify new opportunities	3 research reports to identify new opportunities	3 research reports to identify new opportunities

23.4. Quarterly milestones (Contribute to Trade Facilitation)

Goal/ Outcome	Output	Performance Indicator/ measure	Baseline	2020/21 Annual Target	Quarterly milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
To proactively attract business from new and existing customers to facilitate more exports and cross border investments	Improve business development initiatives to grow the business	Value of approved transactions.	USD 550m - USD 575m	USD500m - USD600m	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	USD500m - USD600m
	Research and identify new opportunities	Number of research reports to identify new opportunities	3 research reports to identify new opportunities	3 research reports to identify new opportunities	Research proposal presented to EXCO	First research report presented to EXCO	Second research report presented to EXCO	Third research report presented to EXCO

23.5. Financial Plan (Contribute to Trade Facilitation)

Programme Name: Contribute to Trade Facilitation							
Economic classification	**Expenditure outcome**			**Adjusted Appropriation**	**Medium-Term Expenditure Estimate**		
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current payment							
Compensation of employees	**(7,509)**	**(7,355)**	**(8,433)**	**(8,178)**	**(9,156)**	**(9,751)**	**(10,384)**
Goods & services, etc	**(5,041)**	**(3,766)**	**(2,370)**	**(2,662)**	**(2,608)**	**(3,122)**	**(3,357)**
Payments of capital assets							
Building and other fixed structure							
Machinery & equipment	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**
Other classifications	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**

24. IMPROVE COMMUNICATION

24.1. Purpose

To improve communication and brand awareness.

24.2. Description

ECIC will create awareness and understanding of its mandate with the aim of unlocking business opportunities by initiating the following programme

- To develop and implement targeted marketing and communication campaigns
- To initiate key local and international media initiatives to raise the level of awareness and understanding of the ECIC mandate.

The successful execution of this program will be demonstrated in the following key measures:

- ECIC had improved its communication and brand visibility in the marketplace.
- ECIC media footprint improved both locally and internationally.

24.3. Performance indicators and performance targets (Improve communication)

Goal/ Outcome	Output	Performance Indicator/ measure	Audited Actual Performance				Estimate Performance	Medium Term Targets	
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
To improve communication and brand awareness	Improve communication	Percentage implementation of marketing and communications plan	Implement 80 - 100% of 2016/17 marketing and communications campaigns	Implement 80 - 100% of 2017/18 marketing and communications campaigns	Conduct customer survey	Implement 2 marketing and communications campaigns.	Implement 80- 100% of 2020/21 marketing and communications plan	Implement 80- 100% of 2021/22 marketing and communications plan	Implement 80- 100% of 2022/23 marketing and communications plan

24.4. Quarterly milestones (Improve communication)

Goal/ Outcome	Output	Performance Indicator/ measure	Baseline	2020/21 Annual Target	Quarterly milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
To improve communication and brand awareness	Improve communication	Percentage implementation of marketing and communications plan	Implement 2 Marketing and communications campaigns for 2019/20	Implement 80-100% of 2020/21 marketing and communications plan	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Implement 80-100% of 2020/21 marketing and communications plan

24.5. Financial Plan (Improve communication)

Programme Name: Improve communication							
Economic classification	**Expenditure outcome**			**Adjusted Appropriation**	**Medium-Term Expenditure Estimate**		
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current payment							
Compensation of employees	**(5,110)**	**(4,283)**	**(4,530)**	**(4,446)**	**(4,978)**	**(5,301)**	**(5,645)**
Goods & services, etc	**(10,127)**	**(10,361)**	**(5,612)**	**(3,129)**	**(6,111)**	**(7,108)**	**(8,168)**
Payments of capital assets							
Building and other fixed structure							
Machinery & equipment	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**
Other classifications	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**

25. INCREASE CAPITAL BASE

25.1. Purpose

To increase the capital base of ECIC to support the growth and sustainability of the business.

25.2. Description

In three years, we will seek to increase the capital base of ECIC to support the growth and sustainability of the business. This program will include the development and implementation of a capital model to assist the Corporation in tracking and reporting its capital base. This capital model will also assist the Corporation to fulfil its insurance regulatory requirements of undertaking an Own Risk Solvency Assessment (ORSA).

In the next three years the successful execution of this program will be demonstrated in the increase in the ECIC equity.

25.3. Performance indicators and performance targets (Increase capital base)

Goal/ Outcome	Output	Performance Indicator/ measure	Audited Actual Performance				Estimate Performance	Medium Term Targets	
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
To increase the capital base of ECIC to support the growth and sustainability of the business	Increase in capital base (excluding foreign exchange movements and related tax)	% increase in equity	32% decrease in equity	1% increase in equity	14.24% increase in equity	5- 10% increase in equity	5- 10% increase in equity	5- 10% increase in equity	5- 10% increase in equity

25.4. Quarterly milestones (Increase capital base)

Goal/ Outcome	Output	Performance Indicator/ measure	Baseline	2020/21 Annual Target	Quarterly milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
To increase the capital base of ECIC to support the growth and sustainability of the business	Increase in capital base (excluding foreign exchange movements and related tax)	% increase in equity	10% increase in equity	5-10% increase in equity	1%- 2% increase in equity	2%- 4% increase in equity	4%- 5% increase in equity	5-10% increase in equity

25.5. Financial Plan (Increase capital base)

Programme Name: Increase capital base							
Economic classification	**Expenditure outcome**			**Adjusted Appropriation**	**Medium-Term Expenditure Estimate**		
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current payment							
Compensation of employees	**(52,642)**	**(54,493)**	**(61,362)**	**(65,651)**	**(73,501)**	**(78,272)**	**(83,353)**
Goods & services, etc	**(136,463)**	**(442,289)**	**(30,081)**	**(149,963)**	**(1,913,704)**	**(169,294)**	**(37,175)**
Payments of capital assets							
Building and other fixed structure							
Machinery & equipment	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**
Other classifications	**(320,638)**	**(333, 178)**	**(1, 016,790)**	**(284,901)**	**(327,748)**	**(296,346)**	**(281,682)**

26. IMPROVE STAKEHOLDER SATISFACTION

26.1. Purpose

To improve stakeholder satisfaction, customer satisfaction and employee engagement.

26.2. Description

In three years, we will seek to improve stakeholder satisfaction, customer satisfaction and employee engagement.

This program will include the development and execution of various external stakeholder, customer and employee surveys.

In the next three years the successful execution of this program will be demonstrated in either the maintenance or improvement of the required level of stakeholder satisfaction, customer satisfaction and employee engagement.

26.3. Performance indicators and performance targets (Improve stakeholder satisfaction)

Goal/ Outcome	Output	Performance Indicator/ measure	Audited Actual Performance				Estimate Performance	Medium Term Targets	
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improved stakeholder satisfaction	Improved stakeholder satisfaction	% implementation of the annual stakeholder engagement plan	Implement 80% survey findings	Implement 90- 100% survey findings	Conduct customer satisfaction survey	Implement 80-100% of annual stakeholder and customer engagement plan.	Implement 80-100% of annual stakeholder engagement plan.	Implement 80-100% of annual stakeholder engagement plan.	Implement 80-100% of annual stakeholder engagement plan.
Improved customer satisfaction	Improved customer satisfaction	% implementation of the annual customer engagement plan	No baseline	No baseline	No baseline	Implement 80-100% of annual stakeholder and customer engagement plan.	Implement 80-100% of annual customer engagement plan.	Implement 80-100% of annual customer engagement plan.	Implement 80-100% of annual customer engagement plan.
Improved employee engagement	Improved employee engagement	% implementation of the annual employee engagement plan	No baseline	No baseline	No baseline	No baseline	Implement 80-100% of annual employee engagement plan.	Implement 80-100% of annual employee engagement plan.	Implement 80-100% of annual employee engagement plan.

26.4. Quarterly milestones (Improve stakeholder satisfaction)

Goal/ Outcome	Output	Performance Indicator/ measure	Baseline	2020/21 Annual Target	Quarterly milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Improved stakeholder satisfaction	Improved stakeholder satisfaction	% implementation of the annual stakeholder engagement plan	Implement 80-100% of annual stakeholder engagement plan.	Implement 80-100% of annual stakeholder engagement plan.	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	80- 100% of stakeholder engagement plan implemented
Improved customer satisfaction	Improved customer satisfaction	% implementation of the annual customer engagement plan	Implement 80-100% of annual customer engagement plan.	Implement 80-100% of annual customer engagement plan.	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	80- 100% of customer engagement plan implemented
Improved employee engagement	Improved employee engagement	% implementation of the annual employee engagement plan	Implement 80-100% of annual employee engagement plan.	Implement 80-100% of annual employee engagement plan.	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	80- 100% of employee engagement plan implemented

26.5. Quarterly milestones (Improve stakeholder satisfaction)

Programme Name: Improve stakeholder satisfaction							
Economic classification	Expenditure outcome			Adjusted Appropriation	Medium-Term Expenditure Estimate		
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current payment							
Compensation of employees	**(9,287)**	**(9,177)**	**(10,723)**	**(8,598)**	**(9,626)**	**(10,251)**	**(10,917)**
Goods & services, etc	**(701)**	**(846)**	**(858)**	**(794)**	**(809)**	**(1,044)**	**(1,106)**
Payments of capital assets							
Building and other fixed structure							
Machinery & equipment	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**
Other classifications	**(2,032,446)**	**(38,904)**	**(101,527)**	**(68,755)**	**(28,983)**	**(22,737)**	**(14,330)**

PART D:

LINKS AND OTHER PLANS

27. ASSET MANAGEMENT PLAN

The Corporation's investment strategy is set by considering its assets in relation to liabilities. In doing so it undertakes an asset-liability-matching (ALM) exercise: a comprehensive simulation approach that integrates multiple asset and liability variables. The results of the exercise demonstrate which asset class combinations are expected to be efficient considering the timing and amount of the liabilities. It guides the Corporation in setting an optimal strategic asset allocation (SAA) within the limitations of capital allocated to its investment activities. The Corporation implements the investment strategy by appointing suitable external fund managers and setting appropriate investment guidelines for the management of the various asset classes. Relevant market index benchmarks are allocated to each fund manager and performance and risk is measured, reported and monitored regularly.

The main principles underlying the Corporation's investment strategy, process and associated investment decisions is captured in the ECIC Investment Policy Statement (IPS). The IPS establishes appropriate investment guidelines and specifies measures to actively monitor the achievement of investment objectives. It furthermore references investment decisions within the risk management and solvency framework of the Corporation, and the mitigation and monitoring of other investment related risks.

Over the next year the Corporation will be considering enhancing the current ALM exercise by incorporating a tranching approach. This approach will categorise and match various liability requirements with associated investment objectives. The current thinking is that there will be 3 tranches defined as follows:

- Tranche 1: Provide funding and liquidity for operational and short-term insurance obligations;
- Tranche 2: Provide liability matching and capital / solvency protection;
- Tranche 3: Target higher returns over longer investment horizons on excess funds.

Portfolio Structure

The Corporation manages and maintains two currency investment portfolios in Rand and in US Dollars. The Rand portfolio is primarily managed to back Rand denominated liabilities and absorb all operational expenses of the Corporation. It is a diversified moderate risk portfolio which invests in Rand-denominated Equities, Listed Property, Government Bonds, Corporate Bonds and Cash. The US Dollar portfolio is primarily managed to back the US Dollar denominated liabilities and IMU payments. The Corporation has approval to retain its US Dollar premium income in its US Dollar portfolio. It is a conservative risk portfolio which is more concentrated and invests in US Dollar-denominated Government Bonds, Corporate Bonds and Cash.

28. INFORMATION AND COMMUNICATION TECHNOLOGY PLAN

Information and Communication Technology (ICT) Plan

The ICT strategy provides a roadmap for the next three years (2019 to 2022) and takes forward six principles which will help the Corporation achieve its vision for the future by:

- Ensuring that decisions relating to ICT investment and management are fully informed and that they are made with the best information available;
- Leveraging the power of ICT to improve delivery of ICT services to ECIC;
- Anticipating future trends in technology and to ensure that those trends are exploited in the fulfilment of the Corporation's mission; and
- Promoting a fully integrated approach to ICT project planning, ICT security management, and ICT governance.

The key principles driving the strategy are as follows:

- Principle 1 - Standardised, repeatable and reliable service delivery processes;
- Principle 2 - Managing information as an asset;
- Principle 3 - Utilising solution architecture as a basis for effective management of ICT;
- Principle 4 - Ensuring the security of data, applications and infrastructure;
- Principle 5 - Developing ICT competency in end users and ICT support staff; and
- Principle 6 - Developing flexible, collaborative and interoperable systems

29. RISK MANAGEMENT

Risk Management Plan (incl. risk strategy and process)

Risk management as one of the control functions within the Corporation is important in ensuring the Corporation achieves its mandate in a prudent and sustainable manner. The Corporation continually seeks ways to ensure the risk management strategy adheres to the governance standards issued by the regulatory authorities, as well as international best practice. As a result, in this planning period, the Corporation is pursuing a benchmarking exercise with other internal export credit agencies (ECA) to ensure its risk management strategy remains abreast of evolving principles and practices.

As the Corporation carries out its mandate, it is important to do that within predetermined bounds in the form of a risk appetite. This ensures that exports and outward investment risk underwriting are undertaken in a sustainable manner. Similarly, the risk function ensures the Corporation's funds invested with the various fund managers both locally and offshore, adhere to prudent asset and liability management strategies.

The Board as an oversight body, is the apex organ within the Corporation's risk management and governance structures, whilst accountability for risk management remains with each individual within their respective roles or areas of responsibility. In line with good and effective corporate governance, the Board has delegated the responsibility of reviewing the effectiveness of the risk management system to the Risk Committee. In that regard, the reporting lines for the Chief Risk Officer (CRO) who is responsible for risk and compliance was realigned to allow for independence of the control functions. As a result, with effect from July 2019, the CRO reports functionally to the Chairperson of the Risk Committee of the Board and administratively to the Chief Executive Officer (CEO).

The three lines-of-defence principle

At the forefront are the business units whose day to day activities give rise to varied types of risk. Typically, the first line of defence consists of the operational and support areas of the business and are responsible for managing own risks emanating from their respective areas of responsibility. The risk management process is a continuous iteration that comprise of establishment of context, identification of risks, risk measurement, risk treatment, and reporting on a continuous basis.

The second line of defence in the case of ECIC, consist of the control functions of Risk, Compliance and Actuarial Control. The primary responsibility of the risk control function is to establish and maintain the risk management framework which is the totality of risk policies, procedures and processes. as well as provide independent risk oversight and report risks to executive management, Board-level committees and the Board.

The audit function is responsible for provision of assurance and is the third line of defence. It provides an independent assessment of the adequacy and effectiveness of the Corporation's overall system of internal controls and risk governance structures. The audit function reports independently to the Audit Committee of the Board.

Risk management framework, policies and procedures

The Corporation's Risk Management Framework comprise of the totality of risk policies procedures and processes. The risk policies set out minimum control measures that ensures alignment and consistency in treatment of major risks that include identification, measurement, treatment and reporting. Implementation of the risk management policies is the responsibility of the executive and business unit managers. Compliance with risk policies is monitored through self-assessments and independent reviews by the internal audit function.

Following the going live date of July 1st, 2018, the Corporation has conducted a gap analysis to identify any shortfalls against the prudential authority's governance standards. That process identified five shortcomings of which two have been resolved and three are scheduled for resolution by the financial year end. The capital adequacy measurement using the solvency capital required (SCR) from the standard formula is one of the key features of the solvency assessment and management (SAM) regime. The Corporation has determined that the standard formula does not sufficiently reflect the risk of the Corporation. To compensate for the deficiency, the Corporation has adopted the use of economic capital.

Risk appetite

The Corporation's risk appetite is expressed both quantitatively and qualitatively. The quantitative measure is currently formulated in the form of Solvency Capital Required ("SCR") cover, whilst the qualitative measures are captured in four measures as enumerated below: The current risk

- ECIC risk exposures should be capable of being reduced to acceptable levels within its balance s heet capacity so as to remain financially sustainable on a stand-alone basis;
- Given its National Interest role, the Corporation's reputation and brand in the market is critical in providing confidence to the Government as well as its customers that the Corporation has the right people and resources to ensure delivery of its mandate and services to its customers;

- The portfolio distribution and quality shall be managed in a manner that does not create undue concentration risk to the Corporation; and

- The Corporation shall target an investment strategy that limits portfolio volatility to remain within the capital allocated, while still targeting capital preservation, considering 'real return' in its investment portfolio as measured on a rolling 3-year basis.

These principles have then been translated into the following Risk Appetite Statement:

Reputational Risk	Risk Measure	Risk Limit	Actual	Comments
Non-Ethical Conduct	Unethical conduct by ECIC employee	0	1	Non-Ethical conduct reported by **the dti** & investigated by ECIC

Solvency Cover	Risk Measure	Risk Limit	Actual	Comments
Self-Sustaining on a standalone basis	SCR	$\geq$ 115%'$\leq$ 300%	268%	Within Risk Appetite

Investment Portfolio Volatility	Risk Measure	Risk Limit	Actual	Comments
Limit investment portfolio volatility	SCR (ZAR amount)	$\geq$ 0 $\leq$ 1.63 Bn	1.43 Bn	Excludes Cash

3. Portfolio Concentration				
Risk Type	**Risk Measure**	**Risk Limit**	**Actual**	**Comments**
Country Exposure Risk	Percentage of actual country exposure to total ECIC Political Insurance Portfolio	$\leq$ 40% of total insurance portfolio	28.5%	Ghana
Obligor Exposure Risk	Percentage actual obligor exposure to ECIC Commercial Risk Portfolio	$\leq$ 35% of ECIC Commercial Exposure	34%	Cenpower
Industry Exposure Risk	Percentage industry exposure to total ECIC Commercial Risk Portfolio	$\leq$ 50% of the ECIC Commercial Risk Portfolio	34%	Power

Following the adoption of economic capital as a solvency measure, a risk appetite proposal that amongst other things takes into account the economic capital will be presented to the Board for approval in this planning period.

Risk Budget

The Corporation has allocated capital to three items, namely, underwriting, investments and currency. Whilst the first two reflect the Corporation's business, the third item is a default US dollar currency position by virtue of the Corporation's business model. The capital allocation between these three are 70:20:10. Capital allocation to operational risk is minimal and has been aggregated into the underwriting capital allocation.

The currency risk emanates from the US dollar assets in the Corporation's investment portfolio. The split between US dollar assets and rand assets is approximately 70:30. The US dollar assets are important to ensure the Corporation is able to pay any claims arising from the insurance portfolio without being exposed to currency risk. The rand portfolio caters for operational expenses and settling tax liabilities, whilst also available for claims payment in case of shortfalls in US dollar assets. For every dollar asset that ECIC holds in excess of its liabilities, the regulatory solvency calculation imposes a currency risk charge, thus attracting capital, purely from the fact that US dollar assets exceed US dollar liabilities. This is premised on the argument that a strong rand would impair the US dollar assets if converted to meet rand liabilities.

Risk initiatives over the Strategic Planning period 2019/20 – 21/22

Solvency Assessment and Management (SAM)

Following the going live of the new solvency regime on July 1st, 2018, the Corporation submitted its first live ORSA in 2019.

Enterprise Risk Management (ERM)

The enterprise risk management initiative is now fully operational. The three risk areas of underwriting, investment and operations have formal structures of reporting on a leading and/or lagging indicator basis. The risk champions within each business area submits quarterly reports to risk for compilation of reports to executive management and Board.

Emerging Risks

The global environmental scan conducted on a continuous basis flags emerging risks that the Corporation could be susceptible to. These risks are incorporated into the Corporation's risk management strategy periodically and reported through the governance structure of the Corporation.

30. FRAUD PREVENTION PLAN

The Board of Directors is responsible for ensuring that the Corporation has an effective, efficient and transparent system of controls for financial, risk management and internal control. Fraud and corruption remain a threat to public trust and confidence, it is therefore essential to recognize fraud prevention as an integral part of strategic management. It is imperative for the Board to set the right tone at the top in so far as prevention and management of fraud in the Corporation is concerned. At a country level, reports by watchdog organisations such as Transparency International (TI) assess and rate countries on various parameters that include fraud and corruption amongst others. Such reports are key especially when used by foreign investors to make decisions for foreign direct investment (FDI) destinations.

The Government has zero tolerance for the malaise of fraud and corruption in the public sector and has made it mandatory for public entities to develop fraud prevention plans as stipulated in the Treasury Regulations. Fraud prevention invariably referred to as fraud risk management embodies the whole system of processes and procedures designed and implemented to ensure that vulnerabilities that could arise from fraudulent conduct are curtailed and eliminated altogether. The system is intended to prevent, deter and detect fraud.

The Corporation Fraud Prevention Policy and Plan covers all acts of dishonesty including fraud, corruption and theft. The success of any fraud prevention initiative or fraud prevention plan inevitably depends on the buy-in and co-operation of the management and staff. The risk management philosophy at ECIC that also covers fraud and corruption is that everyone in their roles is responsible for risks that emanate or impact their area of responsibility.

In the planning period, fraud risk assessments have been conducted across all business units and fraud risk registers compiled. High risk processes and areas identified within the risk registers will form part of the combined assurance plans for in-depth review by internal audit.

The Fraud Prevention Policy and Plan inter alia embodies the following:

- Defines, sets control procedures to prevent, identify and deter fraud;
- Assigns appropriate responsibilities for ensuring key controls are complied with;
- Provides for the procedure for investigating all incidences of actual, attempted or suspected fraud, and all instances of major control breakdowns
- Encourages staff and other key stakeholders to be vigilant and raise fraud-awareness at all levels and in all arrangements with the Corporation;
- Provides staff and key stakeholders with effective confidential reporting mechanisms and encourages their use;
- Co-operation with law enforcement and other appropriate authorities in the investigation and prosecution of those suspected of fraud or perpetrating fraud against the Corporation.

The Corporation's fraud prevention plan promotes fraud prevention as stipulated below:

- Ensure the Corporation's Code of Ethics and Business Conduct is reviewed to reflect the values and standards of the Corporation, as well as ensure that staff and stakeholders receive appropriate training and awareness on the Code and other applicable ethics policies such as the Conflict of interest and Gift Policy;

- Ensure regular fraud and corruption training and awareness campaigns throughout the Corporation, with a focus on recent cases, legislation and relevant trends;

- Promote continuous training by Management to raise appropriate awareness of internal processes and policies aimed at fraud and corruption prevention;

- Encourage use of "Tip Offs" reporting hotline or management of any fraudulent, unethical or corrupt activities in line with the Whistle-Blowing Policy of the Corporation.

The fraud communication and awareness initiatives are reviewed annually with the assistance of independent service providers where applicable to incorporate emerging risks and embed international best practice.

The tip-offs report as well as progress on the achievements under the fraud prevention plan are tabled at Audit Committee. In the event of any member of the Board of Directors, or staff being implicated in fraud, corruption or gross negligence, the matter is also reported to the shareholder, external auditor, the Auditor-General and the Financial Sector Conduct Authority.

The Fraud Prevention Plan is a live document that is updated on a continuous basis to ensure the Corporation remains abreast of emerging trends to effectively promote ethical behaviour, entrench sound values as well as fight fraud and corruption.

31. RISK REGISTER

Strategic Objective(s)	Risk name	Root causes of the risk	Background/ Consequence to the risk	Impact	Likelihood	Inherent risk exposure	Key controls	Residual risk exposure	Risk Response	Action plans	Action plan owner	Target date
Increase Capital Base	Uncertain macro-economic outlook	Business projections and investment assumption may be significantly impacted by an uncertain macro-economic outlook	Curtailment in project pipeline resulting in reduced premium income	4. Major	4. Likely	High	Proactive deal origination	Priority 2	Treat	Embed the deal origination initiative	COO	On-going
			Default risk from over-indebted countries due to increased Euro bond issuances by sovereigns and call for IMF support	4. Major	3. Possible	Medium	Direct sovereign cover for over-indebted countries is currently done on a case by case basis (i.e. strategic projects to national economy, projects with ring-fenced proceeds/revenue) as well as looking at debt sustainability levels	Priority 2	Treat	Develop threshold for sovereign debt acceptance criteria	COO	October 31st, 2019
			Increased volatility resulting in capital loss in investments	4. Major	4. Likely	High	Diversification of investment portfolio	Priority 2	Treat	Diversify into other asset classes with minimal correlation to bonds	Head: Investment	March 31st, 2020
Increase Stakeholder & Customer Satisfaction	Competition	Increased competition from other ECAs	Loss of business due to mandate constraint	4. Major	4. Likely	High	Limit cover to achieved content	Priority 2	Tolerate	Seek content alignment to sectoral competitiveness as well as utilize re-insurance for the content deficient portion	COO	September 30th, 2019

Strategic Objective(s)	Risk name	Root causes of the risk	Background/ Consequence to the risk	Impact	Likelihood	Inherent risk exposure	Key controls	Residual risk exposure	Risk Response	Action plans	Action plan owner	Target date
		Uncompetitive SA Exporters	Inability to win international bids	4. Major	4. Likely	High	ECIC is constrained by SA contractor competitiveness	Priority 2	Treat	Part of the intervention is for SA exporters to form JVs or partnerships with experienced international contractors in limited expertise sectors such as Gas, Power etc.	COO	On-going
Improve Business Processes	ICT Risk	Risk of ICT breach resulting unauthorised access	Unauthorised access of ECIC network resulting in unauthorized activities	4. Major	2. Unlikely	Medium	Firewalls are currently in place and use of outsourced hosting services	Priority 2	Treat	Perform a penetration test on the ECIC ecosystem	GC	June 30th, 2020
		Insufficient use of technology and data analytics in business processes and decision making respectively	Long lead times and error prone processes & inconsistent decision making	4. Major	4. Likely	High	ERP implementation and adoption of Office 365	Priority 2	Treat	The Budget Tool was implemented end of March 2019 and has automate and improved the strategic budgeting process.	GC	January 31st, 2020
		Poorly scoped and implemented systems	Procured ICT solutions take too long to implement & performs below expectation	4. Major	4. Likely	High	End user determines systems needs	Priority 1	Treat	All systems procurement must be motivated to EXCO and correct SCM and project management techniques to be applied to avoid delays and scope creep	GC	Ongoing

Strategic Objective(s)	Risk name	Root causes of the risk	Background/ Consequence to the risk	Impact	Likelihood	Inherent risk exposure	Key controls	Residual risk exposure	Risk Response	Action plans	Action plan owner	Target date
Improve Communication	Damage to reputation or brand	Adverse media report impacting ECIC's reputation & brand	Reputational damage or difficultly in increasing ECIC Brand profile	3. Moderate	3. Possible	Medium	Implementation of Marketing Plan	Priority 2	Treat	Implementation of 2019/20 Marketing and Communications Plan	Head: Marketing & Communication	March 31st, 2020
Increase Capital Base	Regulatory / Legislative changes	Increased risk of non-compliance	Risk of loss of license in case of breach of solvency	4. Major	3. Possible	Medium	SCR is used to determine underwriting capacity	Priority 1	Treat	A proposal to leverage the equity 10x to determine underwriting capacity was sent to Risk Committee in July 2019 but was referred back due to the volatility of Own Funds used in the calculation.	COO & Head: Actuarial & Investment	October 31st, 2019
Increase in Capital Base	Recession in the US	Recession in the US resulting in decline in value of investment	The US yield curve has inverted following the tightening cycle to end of 2019. Nine out of ten previous recessions were preceded by inverted yield curves. A risk outlook on the ECIC US dollar investment is on the downside in a recessionary US economy.	4. Major	3. Possible	Medium	Diversification of investment portfolio	Priority 1	Treat	Invest in other asset classes per the approved investment strategy i.e. EM debt	Head: Actuarial & Investment	January 14, 2020
Advance Transformation	Failure to transform	Slow pace of transformation especially on procurement of big-ticket items and employment equity	Stagnation of, or regression in the Corporation's BBBEE score	4. Major	4. Likely	High	Incremental procurement is directed towards highly rated BBBEE suppliers	Priority 2	Treat	Develop a transformation plan on asset managers to achieve black ownership of fund managers in 3 years. The plan should be submitted to Board in 4th quarter 2019	Head: Actuarial & Investment	January 14, 2020

Strategic Objective(s)	Risk name	Root causes of the risk	Background/ Consequence to the risk	Impact	Likelihood	Inherent risk exposure	Key controls	Residual risk exposure	Risk Response	Action plans	Action plan owner	Target date
Increase in Capital Base	SA Credit Downgrade	Uncompetitive ECIC paper due to lower credit rating not affording banks capital relief under Basel 3	Low business volumes as SA Banks seek better rated ECA paper from foreign ECAs	4. Major	4. Likely	High	Proactive deal origination	Priority 2	Tolerate	Embed the business development role within the Corporation	COO	Ongoing
		A Moody's credit downgrade would elicit the removal of SA government bonds from the Citi World Bond Index (WBI)	Institutional investors would exit SA government bonds resulting in higher yields, with a ripple effect on equities	4. Major	3. Possible	Medium	Diversification of investment portfolio	Priority 2	Treat	Invest in other asset classes per the approved investment strategy i.e. EM debt,	Chief Actuarial and Investment	Ongoing

INHERENT IMPACT		
Insignificant (1)	1	Brief local inconvenience or loss of an asset with minor or no impact on the business / insignificant financial loss
Minor (2)	2	Disruption in business lasting between 8 and 24 hours / Minor impact on costs of less than 5%. Minor impact on underwriting result of less than 2%
Moderate (3)	3	Disruption in business lasting between 24 and 36 hours / Moderate impact on costs between 5% and 10% of applicable budget. Moderate impact on underwriting result of between 2% to 5%
Major (4)	4	Reduction in continuity of business for a period of between 36 and 48 hours / Cost overrun of between 10% and 20% of applicable budget. Affect underwriting result of between 5% and 10%
Catastrophic (5)	5	Risk event will result in widespread and lengthy reduction in continuity of business lasting more than 48 hours. /Cost overrun of > 20% of applicable budget. Affect underwriting results of > 10%

INHERENT LIKELIHOOD		
Rare (1)	1	The risk has never occurred before and is unlikely to occur
Unlikely (2)	2	The risk is unlikely to occur
Possible (3)	3	The risk has occurred before and there is a possibility that it may reoccur
Likely (4)	4	The risk has occurred before and is likely to occur again
Almost Certain (5)	5	The risk is almost certain to occur in the current circumstances

CONTROL EFFECTIVENESS		
Risk reduced significantly	20%	Risk is totally avoided
Very effective	40%	Risk is significantly transferred
Effective	65%	Effective in managing the risk or risk is moderately transferred
Weak	80%	Controls are effective to mitigate the risk but requires continuous monitoring
Ineffective	100%	Controls are ineffective in managing the risk

RISK CATEGORY	RISK SUB-CATEGORY
Operational Risk	• People • Controls • Systems • Process
Strategy Risk	Strategy Risk
Regulatory Risk	Regulatory Risk
Reputational Risk	Reputational Risk

32. HUMAN CAPITAL PLAN

32.1 Introduction

The Strategic Human Capital Plan (SHCP) sets forth the framework for managing the Corporation's human capital system through 2022/2023. This Plan, which replaces the 2019/20-2021/2022 SHCP, aligns with the Corporation's 2020/21 to 2022/23 Strategic Plan. The plan identifies three strategic human capital goals relating to attracting, motivating and retaining diverse talent, building capacity and having engaged employees.

32.2. HR Strategic Priorities

32.2.1 Human Capital Goals (2019/2020 – 2021/2022)

The 2023 SHCP focuses on three strategic human capital goals relating to attracting, motivating and retaining diverse talent, building capacity and having engaged employees. The human capital goals are discussed in detail below.

32.2.2 Human Capital Goal 1 – Attract, motivate and retain diverse talent

The Corporation seeks to improve each year the quality and diversity of its hires. Detailed below are the objectives and initiatives to be implemented:

Human Capital Objective	Human Capital Initiative	Rationale	2020 Target
Review organisational structure.	Review jobs and job profiles.	Organisational structure is the vehicle that delivers the strategy, services and performance.	Review jobs and job profiles
Improve the quality of our hires.	Review job assessment process.	The organization requires top talent to achieve its strategy.	Review job assessment process
Improve remuneration & recognition practices.	Conduct salary market benchmarking.	Remuneration & recognition are key drivers of motivation and retention.	Salary market benchmark conducted and pay scales reviewed.
Maintain retention levels.	Achieve 85% retention.	Retention is a key driver of productivity.	85% retention of employees
Improve talent diversity.	Employment Equity Plan.	Talented people we attract to ECIC need to reflect the diversity of South Africa's population;	Implementation of the Employment Equity plan

32.2.3 Human Capital Goal 2 – Build Capacity

The Corporation seeks to improve its learning and development programmes through a blended learning approach comprised of classroom learning, on the job learning, online learning and mobile learning platforms. Indicated below are the objectives and initiatives to be implemented:

Human Capital Objective	Human Capital Initiative	Rationale	2020 Target
Improve knowledge and skills	Compile and implement a competency framework	Competency development	Competency framework implemented
	Compile and implement an annual training plan	Targeted learning initiatives	Implementation of the annual training plan
	Implement knowledge sharing initiatives with other ECAs or DFIs	Continuous learning and development and staying abreast of industry developments	Implementation of Knowledge sharing initiatives/secondments
	Blend learning and development by using both e-learning and classroom learning	Improve efficiency within learning and development	30% of our offerings to be through E- learning
Improve performance management	Review and automate the performance management system	Performance management plays a key role in the achievement of the business strategy	Implementation of the reviewed Performance Management system (Automation targeted for 2022)
Implement succession planning programme	Succession plans included in the individual's employee's PDP	Availability of key skills is a threat to business growth	Succession plans for key positions

32.2.4 Human Capital Goal 3 – Engaged Employees

The Corporation seeks to improve employee engagement, employee wellness and organisational culture with this goal. Detailed below are the objectives and initiatives linked to this goal:

Human Capital Objective	Human Capital Initiative	Rationale	2020 Target
Improve employee engagement levels	Compile and implement an engagement plan	Engaged employees are more productive	Implementation of the 2019-2021 engagement plan
Improve the wellness of our employees	Compile and implement wellness plan	Employees that are well perform optimally	Employee wellness plan implemented
Define and design organizational culture which will enable achievement of strategy	Organizational Culture Project	Corporation to build a customer centric, ethical, performance driven and innovative culture.	Organisational culture workshops conducted

32.2.5 Defining and measuring success

The ultimate measure of success for the 2020/21-2022/23 SHCP will be its overall impact on the Corporation's business strategy results.

32.2.6 Reporting

Status reports on the implementation of the SHCP will be tabled to the Human Resources and Remunerations Committee for monitoring.

32.2.7 Conclusion

The Human Capital strategies and objectives as reflected in this SHCP are flexible and will continuously be realigned to the business and organisational requirements as reflected in the Corporate Strategic

ANNEXURE A: MATERIALITY AND SIGNIFICANCE FRAMEWORK

1. SCOPE

The Board of Export Credit Insurance Corporation (ECIC) is responsible for developing a Materiality and Significance Framework that must be updated annually before the start of the financial year. The Materiality and Significance Framework must be incorporated into the Strategic Plan of the Corporation.

2. LEGISLATIVE REQUIREMENTS

Section 54(2) of the Public Finance Management Act (Act no. 1 of 1999) (PFMA) requires that the accounting authority (Board of the Corporation) must inform the relevant treasury and submit relevant particulars to its executive authority for approval in respect of any of the following qualifying transactions:

- participation in a significant partnership, trust, unincorporated joint venture or similar arrangements [section 54(2)(b)];
- acquisition or disposal of a significant shareholding in a company [section 54(2)(c)];
- acquisition or disposal of a significant asset [section 54(2)(d)];
- commencement of cessation of a significant business activity [section 54(2)(e)]; and
- a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement [section 54(2) (f)].

Section 55(2)(b)(i) of the PFMA requires the annual report and financial statements of a public entity to "include particulars of any material losses through criminal conduct and any irregular and fruitless and wasteful expenditure that occurred during the financial year".

In terms of section 55(1)(d) of the PFMA the annual report and financial statements of the Corporation must be submitted to the National Treasury. Based on the submitted information, the National Treasury may decide to conduct further investigations into the activities of the Corporation. As a result, it is important for the Corporation to set the materiality and significance figures at an appropriate level to ensure that the correct information is included in the annual report and financial statements, and communicated to the National Treasury for approval.

The Treasury Regulations state the following:

- TR 28.3.1 – For purposes of material [section 55(2) of the Act] and significant [section 54(2) of the Act], the accounting authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority.
- TR 29.1.1(f) – The corporate plan must cover a period of three years and must include a materiality/significant framework, referred to in Treasury Regulation 28.3.1.

3. DEFINING “MATERIALITY” AND “SIGNIFICANCE”

3.1 Materiality

Materiality is defined in the Handbook of International Auditing, Assurance, and Ethics Pronouncements (2005 edition) as follows:

“Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cutoff point rather than being a primary qualitative characteristic which information must have if it is to be useful.”

The materiality of losses through criminal conduct, irregular expenditure and fruitless and wasteful expenditure should be evaluated both individually and in aggregate.

3.2 Significance

Significant is defined as “extensive or important enough to merit attention” and may, therefore, be interpreted as of relative importance to the Corporation as a whole. Thus, a transaction will be significant if conducting the transaction is vitally important in order to fulfill the Corporation’s mandate and for it to operate effectively. These types of transactions could include a major re-structuring of the balance sheet through changes in financing or accounting policies, etc.

As with “material” there is no set rule for calculating a “significant monetary value”. The Corporation should consider the importance of the transaction, that is, the impact of the transaction on the Corporation as a whole.

From the interpretations above, it can be seen that there is a difference between “material” and “significant”. Significant is larger than material, as a significant transaction impacts on the Corporation as a whole. An occurrence may be material but not necessary significant, whereas any occurrence that is significant will be material.

The materiality figure calculated by the Corporation should not exceed the figure used (reviewed annually) by the external auditors, because it could indicate a difference of opinion regarding the materiality of misstatements.

4. DETERMINING THE MATERIALTY / SIGNIFICANCE LEVELS

Factors to consider in determining the materiality and significance levels for the Corporation include, but are not limited to:

4.1 Nature of the Corporation business

The Corporation should be guided by its accountability and the sensitivity of its accounts, activities and functions regarding its regulatory duties. The Corporation should also consider the impact that its materiality and significance framework, and therefore the information reported to the National Treasury, could have on decisions and actions taken by the National Treasury.

4.2 Statutory requirements

Materiality and significance levels may be influenced by considerations such as the legal impact of those Acts with which the Corporation is required to comply. The Corporation should consider all pertinent statutory requirements in formulating its materiality and significance framework.

4.3 Risks

There is an inverse relationship between materiality / significance and the level of risk; that is, the lower the risk, the higher the materiality / significance level, and vice versa. For example, where the internal controls preventing / detecting irregular, fruitless or wasteful expenditure are insufficient, the control risk is high and the materiality needs to be set at a lower level. The Corporation should look at risk management limits set for transactions of an operational nature.

4.4 Quantitative and qualitative factors

The Corporation should take both quantitative (amount) and qualitative (nature) factors into consideration. Although significance may contain quantitative elements, it may require more qualitative considerations in comparison to materiality. This in turn requires professional judgment and particular regard for the specific transaction in the context of the Corporation as a whole. Due to the fact that the decision as to which qualitative factors should be considered in setting the significance level requires notably more professional judgment, the Board should consider this decision.

4.5 Nature of the transaction

In setting a monetary value for significance, it may be practicable to differentiate between the following two types of transactions:

- transactions that are operational in nature, that is, part of the Corporation's normal, everyday business of regulating financial institutions; and
- transactions that are strategic in nature, that is, outside the Corporation's normal, everyday business or transactions that are non-routine or that would impact on the business or financial position of the Corporation as a whole.

Losses resulting from criminal conduct may be seen as material based on the public accountability of the Corporation, regardless of the monetary value of the amount.

Refer to Annexure A for the materiality / significance factors that have been taken into account in arriving at the Materiality and Significance Level for the Corporation.

5. COMPLIANCE

To ensure compliance to the PFMA the following steps will be taken:

	DETAIL	PERSON RESPONSIBLE	DATE
1	Review materiality and significance framework in consultation with external auditor	CFO	As per Treasury guidelines
2	Approval of framework	Board	Annual – March
3	Include framework in strategic plan	CFO	Annual – March
4	Include framework in annual report	CFO	Annual – July
5	Include particulars of any losses through criminal conduct, irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year in annual report	CFO	Annual – July
6	Maintain a register on all irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year	Head of Procurement and CFO	Ongoing
7	Report all material / significant items to Board	CEO	As and when they occur

SUB-ANNEXURE A

DETERMINING THE MATERIALITY AND SIGNIFICANCE LEVELS

1 Approach

To determine the materiality and significance levels, the following principles will be applied:

1.1 Main factor to determine material amount

The operating requirements of the Corporation are to ensure that all its expenses are recovered through insurance premiums and investment income. The Corporation also has legislative requirements to hold a minimum amount of capital to reduce the risk of insolvency from paying claims.

1.2 Percentage to be used

The percentage used will be calculated by using the following factors as a guideline:

- percentage used in prior year;
- percentage used by external auditor in determining the external audit materiality amount; and
- comparison with possible external entities.

The percentage will be adjusted taking qualitative factors into consideration.

With regard to the information to be presented to National Treasury in terms of the Section 54(2) of the PFMA to the following quantitative factors will be considered:

- Qualifying transactions of an operational nature: 1% of Total Assets
- Qualifying transactions of a strategic nature: 1% of Equity
- Regardless of the monetary value thereof all direct equity investments:
  - greater than 20% require formal information to the Executive Authority; or
  - greater than 50% require approval by the Executive Authority.
- S54(d) Except with regards for salvaging purposes in respect of underwriting activities, any asset that comprises 30% of Total Assets.
- S54(e) If the activity comprises a capital outlay of, or will require an upfront capital outlay of, 30% of Total Assets.
- S54(f) Where the change is not covered by the mandate of ECIC.

A qualifying transaction may also be considered significant based on considerations other than financial when, in the opinion of the Board, it is considered to be significant for the application of section 54.

The decision on which non-financial issues may be considered rests with the Board as representative body of the shareholder. As an example, the Board may consider a qualifying transaction as significant when it could impact significantly on a mandate of the Minister.

The following range of percentages is generally used by the audit profession to determine materiality:

- 0.25% to 1% of gross revenue;
- 0.5% to 2% of total assets;
- 1% to 2% of gross profit;
- 2% to 5% of shareholders' equity;
- 2.5% to 10% of pre-tax profit.

2. PARAMETERS TO USE FOR MATERIALITY FACTOR

2.1 Quantitative bases for consideration

Revenue	2019/20 R'000 (Forecast)	2018/19 R'000	2017/18 R'000
Net Insurance Premium Revenue	308 476	580 843	525 036
Claims Incurred	51 866	189 433	5 828
Assessment Fees	695	617	222
Net Investment Income	395 078	320 224	259 570
Other income	-	72	808
Total revenue	**756 115**	**1 091 189**	**791 464**

Assets	2019/20 R'000 (Forecast)	2018/19 R'000	2017/18 R'000
Total Assets	9 536 110	9 585 208	8 539 519

Shareholders' Equity	2019/20 R'000 (Forecast)	2018/19 R'000	2017/18 R'000
Shareholders' Equity	5 683 829	5 013 602	4 030 045

Profit before tax	2019/20 R'000 (Forecast)	2018/19 R'000	2017/18 R'000
Profit/(Loss) before tax	956 008	409 036	1 121 942

2.2 Quantitative ranges for consideration

Minimum	2019/20 (Forecast)	2018/19	2017/18
0.25% of Revenue	1 890 288	2 727 973	1 978 660
0.5% of Assets	47 680 550	47 926 040	42 697 595
2% of Shareholders'Equity	113 676 580	100 272 040	80 600 900
2.5% of Profit before tax	23 900 200	10 225 900	28 048 550

Maximum	2019/20 (Forecast)	2018/19	2017/18
1% of Revenue	7 561 150	10 911 890	7 914 640
2% of Assets	190 722 200	191 704 160	170 790 380
5% of Shareholders' Equity	284 191 450	250 680 100	201 502 250
10% of Profit before tax	95 600 800	40 903 600	112 194 200

2.3 Basis percentage to be used

As stated in the framework the materiality amount should not be more than the materiality amount used for external audit purposes. The materiality amount of R85 million used by the external auditors for the 2018/19 audit is 1% of the 2017/18 Total Assets. The norm in the audit industry is to use Profit before tax but due to the volatile nature of this base (as can be seen in 2.1 and 2.2 above) the external auditors chose to use Total Assets due to its stability.

It is therefore recommended that the minimum amount of 0.5% of the 2019/20 Total Assets be used for reporting to EXCO, Board and inclusion in the Annual Report.

3. Calculation of materiality amount

Income Statement	2019/20 (Forecast)	2018/19	2017/18
Revenue	756 115 000	1 091 189 000	791 464 000
Percentage used	0.50%	0.50%	0.50%
Materiality amount	**3 780 575**	**5 455 945**	**3 957 320**

Statement of Financial Position	2019/20 (Forecast)	2018/19	2017/18
Total Assets	9 536 110 000	9 585 208 000	8 539 519 000
Percentage used	0.50%	0.50%	0.50%
Materiality amount	**47 680 550**	**47 926 040**	**42 697 595**

4. Reasonableness review

The materiality for the 2018/19 audit as determined by the external auditors was R85 million as per the calculation detailed in 2.3 above.

5. Conclusion

The materiality amount recommended for the Corporation for the financial year 2020/21 is R48 million.
All irregular expenditure and fruitless and wasteful expenditure is considered material.

ANNEXURE B: INDICATOR PROFILES

1. Improve knowledge and skills

1. Indicator title	Percentage of annual training plan implemented
2. Short definition	% of annual training plan implemented
3. Purpose/importance	To develop a competent and competitive workforce that is able to deliver on the business strategy and the achievement of The Corporation's objectives
4. Source/collection of data	HR report on training submitted to the Human Resource and Remuneration Committee
5. Method of calculation	Percentage number of training attended by staff to annual training plan
6. Data limitations	None
7. Type of indicator	Leading
8. Calculation type	Count
9. Reporting cycle	Quarterly
10. Desired performance	Achievement of agreed milestone
11. Indicator responsibility	Head: HR

2. Build and leverage strategic partnerships

1. Indicator title	% of collaboration initiatives implemented as per the annual strategic partnership plan
2. Short definition	Percentage achievement of Annual Strategic Partnership Plan
3. Purpose/importance	To access new markets through collaboration by leveraging on our partner resources and knowledge base as well as removing constraints
4. Source/collection of data	Progress report to EXCO
5. Method of calculation	Weighted percentage of collaboration initiatives as per the annual strategic partnership plan
6. Data limitations	None
7. Type of indicator	Leading
8. Calculation type	Actual collaboration initiatives implemented against strategic partnership plans
9. Reporting cycle	Quarterly
10. Desired performance	Achievement of agreed milestones
11. Indicator responsibility	Manager: Office of the CEO

3. Advance transformation

1.	Indicator title	B-BBEE Level
2.	Short definition	B-BBEE Level
3.	Purpose/importance	Improve B-BBEE level and employment equity initiatives to enhance the national transformation agenda towards and inclusive economy
4.	Source/collection of data	B-BBEE scorecard
5.	Method of calculation	B-BBEE Level
6.	Data limitations	None
7.	Type of indicator	Leading
8.	Calculation type	B-BBEE Level
9.	Reporting cycle	Annual
10.	Desired performance	Achievement of agreed milestone
11.	Indicator responsibility	General Counsel

4. Improve business processes and systems

1.	Indicator title	Cost to income ratio	% of business process improvement plan implemented
2.	Short definition	Cost to income ratio	Implementation of business process improvement plan
3.	Purpose/importance	Improve business processes and systems to improve operational efficiency	Improve business processes and systems to improve operational efficiency
4.	Source/collection of data	Management accounts	Business process improvement plan
5.	Method of calculation	Cost to income ratio calculated as current operating costs (excluding investment and socio-economic development related costs) as a ratio of 3-year average income (earned premium, assessment fees and commission received less change in concentration risk reserve)	Percentage number of business process improvement plan targets achieved
6.	Data limitations	None	None
7.	Type of indicator	Leading	Leading
8.	Calculation type	Count	Count
9.	Reporting cycle	Annual	Annual
10.	Desired performance	Target	Achievement of agreed milestone
11.	Indicator responsibility	CFO	HR Manager

5. Contribute to trade facilitation

1. Indicator title	Number of research reports to identify new opportunities	Value of approved transactions
2. Short definition	Research reports for trade opportunities	Value of approved transactions
3. Purpose/importance	To support the implementation of the business development plan	To increase revenue generating capacity
4. Source/collection of data	Research reports presented to EXCO	Resolutions of Projects EXCO; Finance, Investment and Insurance Committee; and Board
5. Method of calculation	Progress against agreed milestones	Sum the value of the insurance applications approved per 4 above
6. Data limitations	None	None
7. Type of indicator	Leading	Leading
8. Calculation type	Count	Sum
9. Reporting cycle	Quarterly	Annual
10. Desired performance	Achieve set targets	Achieve set targets
11. Indicator responsibility	COO	COO

6. Improve communication

1. Indicator title	Percentage implementation of marketing and communications plan
2. Short definition	Percentage implementation of marketing and communications plan
3. Purpose/importance	To improve communication and brand awareness
4. Source/collection of data	Marketing and communications plan
5. Method of calculation	Percentage implementation of marketing and communications plan
6. Data limitations	None
7. Type of indicator	Leading
8. Calculation type	Count
9. Reporting cycle	Annual
10. Desired performance	Achievement of agreed milestone
11. Indicator responsibility	Head: Marketing and Communications

7. Increase capital base

1. Indicator title	Percentage increase in equity
2. Short definition	Percentage increase in equity
3. Purpose/importance	Increase capital base to support the growth and sustainability of the Corporation
4. Source/collection of data	Management accounts
5. Method of calculation	Percentage increase in equity
6. Data limitations	None
7. Type of indicator	Lagging
8. Calculation type	Calculation
9. Reporting cycle	Quarterly
10. Desired performance	Achieve set targets
11. Indicator responsibility	CFO

8. Improve stakeholder satisfaction

1. Indicator title	Implementation of annual stakeholder engagement plan	Implementation of annual customer engagement plan	Implementation of annual employee engagement plan
2. Short definition	Improve stakeholder satisfaction	Improve customer satisfaction	Improve employee engagement
3. Purpose/importance	To improve stakeholder satisfaction	To improve customer satisfaction	To improve employee engagement
4. Source/collection of data	Quarterly progress reports to EXCO	Quarterly progress reports to EXCO	Quarterly progress reports to EXCO
5. Method of calculation	Percentage implementation of annual stakeholder engagement plan	Percentage implementation of annual customer engagement plan	Percentage implementation of annual employee engagement plan
6. Data limitations	None	None	None
7. Type of indicator	Lagging	Lagging	Lagging
8. Calculation type	Count	Count	Count
9. Reporting cycle	Annual	Annual	Annual
10. Desired performance	Achieve set targets	Achieve set targets	Achieve set targets
11. Indicator responsibility	Manager: Office of the CEO	COO	HR Manager

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