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

STRATEGIC PLAN

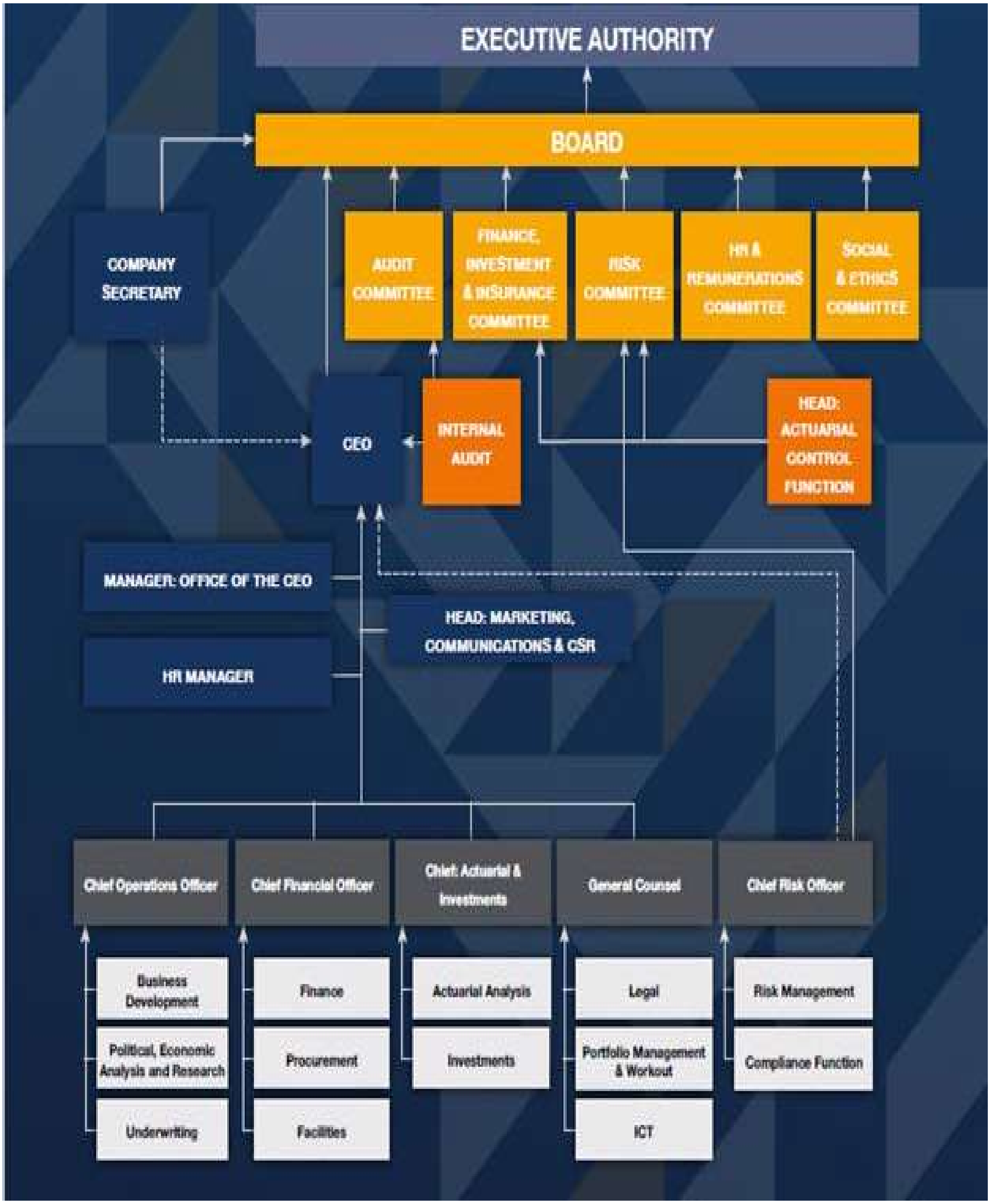
2021/22 – 2023/24

1. ACRONYMS AND ABBREVIATIONS

B-BBEE	Broad Based Black Economic Empowerment
EC	Economic Capital (capital required determined on internal view of risks)
ECA	Export Credit Agency
Government	The government of the Republic of South Africa
IBNR	Incurred but not yet reported
IFRS	International Financial Reporting Standards
IMU	Interest Make-up
NDP	National Development Plan
OECD	Organization for Economic Cooperation and Development
Own Funds	Available capital on a regulatory prudential basis
PA	Prudential Authority
PFMA	Public Finance Management Act
SAM	Solvency Assessment and Management prudential regulatory regime
SCR	Solvency Capital Requirement (regulatory capital required determined on standard formula)
SMART Principles	Specific Measurable Achievable Realistic and Timebound
SOEs	State Owned Entities
the dtic	The Department of Trade, Industry and Competition
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.

The Strategic Plan accurately reflects the performance targets which ECIC will endeavour to achieve given the resources made available in the budget for 2021/22 - 2023/24.

DocuSigned by:
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Noluthando Mkhathazo: ______________________

Chief Financial Officer

Kutoane Kutoane: ______________________

Chief Executive Officer

Recommended for approval by: ______________________

Dheven Dharmalingam

Accounting Authority

5. FOREWORD BY MINISTER

This 2021/22-2023/24 Strategic Plan of the Export Credit Insurance Corporation (ECIC) has been prepared by the management for consideration by the Executive Authority and tabling in Parliament. The Annual Performance Plans (APP), Corporate Plans as well as Strategic Plans of public entities identify the outputs, output indicators and targets that an entity aims to achieve in the new financial year. The Executive Authority is responsible to ensure the APP, Corporate Plan, and Strategic Plan are aligned to the Medium-term Strategic Framework (MTSF), the institution's mandate, government's priorities and must also provide direction on the development and implementation of strategic priorities and policies.

The Covid-19 pandemic changed the landscape within which DTIC-entities operate and they are therefore expected to adjust their operations to address the new environment and new priorities. There is an urgent need to boost levels of economic growth and economic recovery, support transformation and build a capable state.

In particular, the ECIC's Strategic Plan for the 2021/22 financial year will need to reflect the policy priorities set out in Budget Vote statements tabled in Parliament during this Administration and those that arise from:

- The Economic Recovery and Reconstruction Plan tabled in Parliament in October 2020 by President Ramaphosa.
- The priorities set out in the 2021 State of the Nation Address
- The new performance compacts between members of the Executive and the Presidency signed in November 2020; and
- The New District Development Model as an integration of development efforts at local level.

This Strategic Plan is tabled and updates to the Plan – when these are effected – will be tabled in Parliament in due course, taking account of the above.

As the practical means to ensure alignment between Strategic Plans and policy priorities, the APP for **the dtic** itself has set out the requirements to ensure integration between the work of the department and all public entities that report to it. Seven new Joint-Indicators (J-KPIs) have been developed for **the dtic** that contain the major policy priorities and these are expected to be included in the work of the ECIC, with progress against these to be reported to the Ministry on a quarterly basis.

The entity will be expected to show how, within its legal mandate, it has contributed to the achievement of the outcomes for the following seven Joint Indicators (details of which are contained in more detail in the APP of the department itself):

- Joint Indicator 1: Integrated Support to Drive Industrialisation
- Joint Indicator 2: Contribution to the development of an AfCFTA Export Plan
- Joint Indicator 3: Investment Facilitation and Growth
- Joint Indicator 4: Development Model and Spatial Equity
- Joint Indicator 5: Actions to Promote Transformation
- Joint Indicator 6: The Green Economy and Greening the Economy
- Joint Indicator 7: Strengthening and Building a Capable State

In this way, the combined efforts of all public entities will begin to be aligned to the national priorities in a more explicit manner. The Joint-Indicators cover, among others, the work of sector masterplans, initiatives to boost levels of investment and localisation in the economy, expanding trade within the continent, enabling better local economic development, supporting the growth of new industries (in the green economy and through beneficiation) and building a capable state. In respect of Joint-Indicator 7 for example, all public entities will be required to review their procedures, timeframes for delivery, forms to be filled in and public communication of services to simplify these, make processes expeditious where possible, remove unnecessary red tape where these exist and make it easier for users to access services.

The ECIC will be required to support the African Continental Free Trade Area (AfCFTA), particularly through trade facilitation, and alignment with the Sector Masterplans. The ECIC's contributions towards trade facilitation can play an increasingly pivotal role in stimulating intra-African trade through their support for exports to other African countries. The Corporations mandate will be expanded for the new financial year to give effect to this.

This Strategic Plan is therefore not about many new objectives but rather provides a new way of implementation, with the focus on integration, to enhance the development impact of the work.

I therefore endorse the work to align the Strategic Plan with the national priorities and accordingly table the Strategic Plan for the ECIC in accordance with the request by the Speaker.

Ebrahim Patel
Minister of Trade, Industry and Competition

6. FOREWORD BY THE CHAIRMAN

In pursuit of the Corporation's vision of being a world-class export credit agency that will position South Africa at the cutting edge of the world's dynamic trade landscape, we acknowledge the need to improve our strategic partnerships and further increase stakeholder satisfaction and our contribution to trade facilitation. The year 2021 is an important milestone in the history of ECIC as we celebrate 20 years, and this Strategic Plan seeks to set the basis for continued achievement over the next decade.

Historically, Africa may not have been a natural choice for a manufacturing plant for critical services but under the new normal, we should identify and pursue new opportunities that result from COVID-19. We must also support Government's growth strategies, such as investing in rail infrastructure into Africa to, inter alia, decrease our dependence on the import of diesel. Our ability to weather the pandemic will depend on our agility to embrace innovative thinking, such as financing specifically for COVID-19 relief, optimising a healthy balance sheet with maximum liquidity for the next 12 to 18 months and retaining jobs.

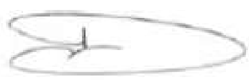
Certainly, our involvement in the African Continental Free Trade Agreement and our partnership with Afreximbank enable us to play a more prominent role in assisting exporters to access trade finance and opportunities across the African market. These partnerships will stand us in good stead over the next three-to-five years as we collaborate in joint projects in Africa. The return of essential services supply chains into Africa will open up new business and the opportunity to play a critical role in trade and export finance.

As an export credit agency, our insurance products facilitate international trade and protect those involved in cross-border projects, from financing institutions to foreign buyers and exporters. The nature of our business is long-term, and we rely on large infrastructure investments that require us to envision developments beyond a 10-year horizon. Our competitive advantage is a substantial appetite for insuring against political risk and underwriting large projects with flexible terms and conditions.

The significant opportunity for the Corporation is our involvement in the mega TOTAL-led liquefied natural gas (LNG) project in Mozambique. The Afreximbank Board approved a USD270 million reinsurance guarantee of our investment, following extensive due diligence. The project will be critical to our success over the next three-to-five years.

The expansion of the Corporation's insurance cover to include Euro-denominated policies will contribute to trade facilitation and position the Corporation to support the upcoming implementation of the African Continental Free Trade Agreement (AfCFTA). Considering the Corporation's track record on the continent and ability to price risk, I believe it is well-placed to play a critical role in closing the financing gap. We will continue to seek innovative and flexible product offerings that enable South African exporters to offer attractive financial solutions to international buyers of their products and services.

Failure by public entities to comply with governance principles harm public trust and confidence, while foreign investors use watchdog reports on ethical business conduct to decide on foreign direct investment (FDI) destinations. The King IV Report on Corporate Governance for South Africa also indicates that corporate governance is the exercise of ethical and effective leadership towards the achievement of an ethical culture and sustained good performance. Our continuing investment in embedding ethical leadership and a culture of ethical business conduct within the Corporation, with support from the Board's Social and Ethics Committee, is one of the reasons for the quality of outputs and performance of the ECIC team.



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 and customer engagement**
  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.

- **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.

- **Good governance and risk management**
  Pursue good governance, transformation and sound risk management practices to ensure a transformed and self-sustainable enterprise.

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 Processes	Improve business processes and systems	Contribute to trade facilitation	Good governance and sound risk management practices
Organisational Capacity		Staff retention and efficiency	

To execute the strategy, the Corporation has identified 6 key strategic objectives as follows:

i. STAFF RETENTION AND EFFICIENCY
Maintain a competent and competitive workforce that is able to deliver on the business strategy and the achievement of the Corporation's objectives.

ii. 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.

iii. CONTRIBUTE TO TRADE FACILITATION
Proactively attract business from new and existing customers to facilitate more exports and cross border investments.

iv. GOOD GOVERNANCE AND SOUND RISK MANAGEMENT PROCESSES
Pursue good governance, transformation and sound risk management practices to ensure a transformed and self-sustainable Corporation.

v. 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.

vi. IMPROVE STAKEHOLDER SATISFACTION
Achieve the desired levels of stakeholder and customer satisfaction, and employee engagement.

13. SITUATIONAL ANALYSIS

Global economic developments and outlook

The Covid-19 pandemic slowed at the start of the second half of 2020, restrictions on economic activity then gradually eased. However, the spread of the virus has accelerated since then, and most countries experienced a second wave, with some possibility of a third wave in 2021. The second wave has been declared worse than the first. Nevertheless, global economic activity has remained unrestricted, since mid-2020 when the spread eased. As a result, the 2020 global recession is now expected to be less severe than previously anticipated, due to weaker than expected contractions in Advanced Economies (AEs) and a more robust recovery in China. On the contrary, most other Emerging Markets and Developing Economies (EMDEs) actually experienced deeper recessions. The 2020 recession is expected to be less severe at -4%, while a modest recovery is projected in 2021 with growth at 3.8%, well below the pre-pandemic projections.

Over the short-term, policy around the pandemic remains very uncertain with no clear direction as to when the pandemic will be a thing of the past. With this great policy uncertainty comes a very sluggish economy and thus the downside risks to growth projections in the near term are unusually large. There are some pockets of optimism brought by developments around the discovery of a vaccine. However, the vaccine does not seem to be a panacea yet. First, it comes with mixed views and some conspiracy theories, and thus not all governments are looking forward to it. Lastly, some countries, both developed and developing, are now experiencing a new Covid-19 variant and scientists are concerned that the new Covid-19 variant could be more resistant to current vaccines. Nevertheless, Advanced Economies are currently buying the larger shares of doses. The impact of Covid-19 is not exclusive to only GDP growth, but it filters through to all macroeconomic variables as well. These include investment, trade, and debt. The contraction in global investment last year was quite strong, more especially for EMDEs except for China. Global trade volume is expected to increase by 7.2% in 2021, much less than the 20% required for a return to the pre-crisis trajectory.

As a result of sharp contractions, combined with enormous fiscal stimulus, debt-to-GDP ratios are set to rapidly reach new highs. Global public debt reached 99 percent of GDP in 2020, setting a record. One of the biggest risks with a high debt (in terms of accumulation and magnitude) is that not all of it will be used for productive purposes. At present, unconventional monetary policy support has calmed financial markets, reduced borrowing costs, and supported credit extension. However, there are fears in the market, that extremely low global interest rates may conceal solvency problems that will surface in the next episode of financial stress and this may erode central bank credibility and fiscal sustainability.

The oil and gas market is expected to rebound moderately in the second half of 2021, as global rollout of Covid-19 vaccines will result in increased energy consumption in parallel with recovery in the global economy. Oil and gas demand is projected to grow by 5% year-on-year in 2021. Changes to the traditional patterns of fuel consumptions pose a downside risk to the oil and gas forecast as remote working is becoming more permanent particularly in developed economies and this could lower demand in fuel consumption for commuters. OPEC members are expected to hold back on production as effort is being made to reduce existing stockpiles and keeping the market undersupplied.

The previous decade started off with a crisis, characterising the 2010s with recovery from the Global Financial Crisis. Unfortunately, the last decade ended without reaching a full recovery, to pre-crisis levels. That recovery has now been disturbed by yet another crisis. It is unfortunate that the 2020s are starting off on a bad note too, similar to the 2010s, if not worse. Many economists and market institutions are hopeful that the recovery from the current crisis is already underway, but the pace and strength of this recovery remains a conundrum. Assumptions do not exclude the new decade (of the 2020s) to be another one of disappointing growth, where the pandemic induced recession is followed by a number of years of weaker growth.

With Biden due to replace the Trump administration at the helm of the world’s largest economy, the majority of leaders find his win as a much more progressive development for the global economy. Analysts are of the view that Biden’s presidency is likely to come with a more democratic and diplomatic approach, which includes a more multilateral approach to foreign policy; a possibility to repair US-Iran relations; a moderated approach toward trade relations with China and Asia; and an increased engagement with Sub-Saharan Africa (SSA). Most of these changes are however expected to come through, only after 2021.

To avoid another decade of persistent episodes of growth disappointments, a more prudent policy effort would include aggressive reforms on business conditions, governance, competition policies, productivity enhancing investment in human capital, economic diversification and flexibility.

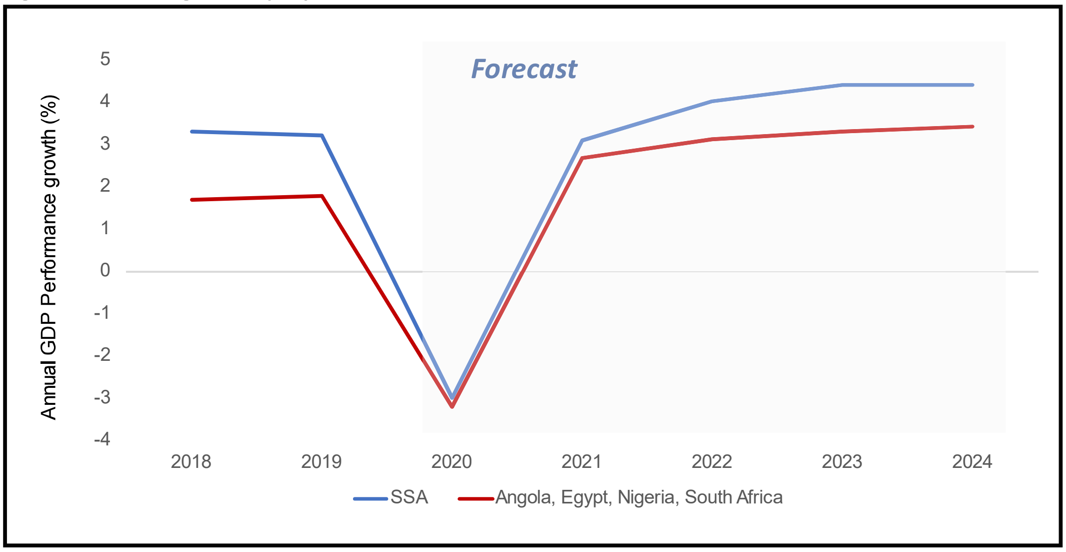
Regional economic developments and outlook

Africa's economy is expected to decline by 3% in 2020, the continent's first contraction since 1993. A combination of the COVID-19 pandemic and subdued global commodity prices have been the driving factors of negative growth recorded for 2020. The African major economies namely, South Africa, Nigeria, Angola are expected to record declines of 8%, 4,3% and 4% respectively, with the exception of Egypt seemingly reaching a growth rate of 3,5% for 2020. The COVID-19 pandemic has triggered an increase in Africa's debt levels and thus put the continent under continuous vulnerability to commodity shocks and exchange rate fluctuations. Additionally, this puts the potential of efficient debt-servicing for many countries under strain.

The continent is set to recover significantly from the economic haemorrhage of 2020, with growth projected at 3,1% for 2021 reaching a high of 4,4% by 2024 (see Figure 1). Most of the growth is expected to be driven by rising consumer confidence, which will fuel demand growth for goods and services. Government expenditure is also expected to see an uptick post the pandemic to rear up infrastructure. Continuous low global oil prices will affect the extent of the economic rebound for oil-dependent countries such as Nigeria and Angola. Similarly, pressure on foreign exchange generating activities and the prudence of various monetary and fiscal policy mechanisms will determine the magnitude of the economic rebound, post the Covid-19 pandemic.

The political instability in some African countries poise a downside risk to the overall economic growth of Africa over the medium to long term. The ongoing Islamist attacks in Mozambique have increased risk to the ongoing LNG projects, which could potentially stifle the country's revenue generating capability. There is a high probability of insurgents expanding their territorial control across Cabo Delgado province, right through along the Mozambican and Tanzanian border. In Ethiopia, legislative and local elections, which were scheduled for August 2020, have been postponed to June 2021 due to the ongoing coronavirus pandemic. Meanwhile, the possibility of a coup d'état coming from Tigrayan People's Liberation Front (TPLF) is unlikely even though they hold significant parliamentary seats.

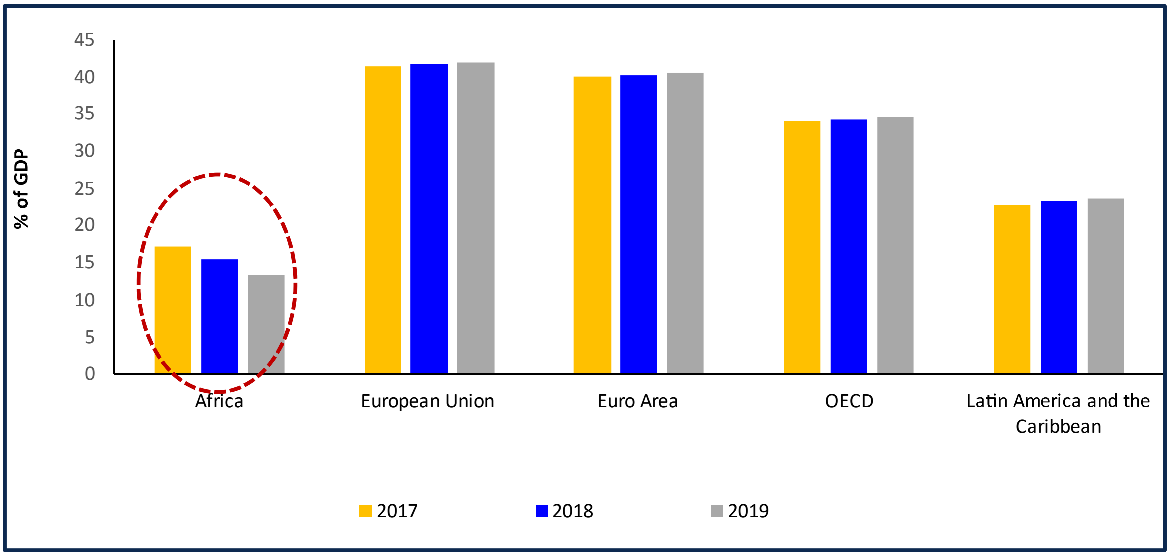
Figure 1 African growth projections



Source: IMF and ECIC Calculations

Africa's tax-to-GDP ratio is below 20 percent, making it the region with the lowest rate compared to more than 40 percent tax-to-GDP ratio for Europe, 34 percent for OECD and 23 percent for Latin America and the Caribbean (refer to Figure 2). One of the main reasons for Africa's low tax to GDP ratio is the tax structure. In about 21 African countries, more than 50 percent of tax revenue is Value Added Tax (VAT) which is very sensitive to fluctuations in consumer expenditure. There are just five African countries with a differently resilient tax structure i.e., Botswana, Equatorial Guinea, Eswatini, Nigeria and South Africa. The continent's low tax-to-GDP ratio is particularly a concern as it is a key indicator of the continent's ability to meet domestic expenditure and external financial obligations.

Figure 2: Tax-to-GDP ratio, by region



Source: Brookings Institution and OECD Statistics

FDI flows into the continent are projected to contract between 25 percent and 40 percent amid the dual shock of the coronavirus pandemic and low prices of commodities, especially oil. The deteriorating fiscal outlook for African countries will also curtail investor confidence and thus result in a downward trend in FDI flows, well beyond 2020. Over the medium-to-long term, two marked factors will determine the strength of recovery of FDI flows to the continent. Firstly, Africa has strong ties with major global economies that seek to continuously promote investment in infrastructure and industrial development on the continent, therefore the level of recovery will depend on various brownfield and greenfield projects on the continent. Secondly, the commencement of the African Continental Free Trade Area (AfCFTA) will spearhead regional integration, and this will lead to a boost in FDI flows to the continent.

On a positive note, SSA presents strong investment prospects for consumer-focused companies. Populations in some of the country's major cities such as Angola, Cameroon, Ethiopia, Ghana, Ivory, Coast, Kenya, Nigeria, South Africa, Tanzania and Zambia are projected to grow by more than 100 percent, cumulatively by 2030. After delays caused by the Covid-19 pandemic, the AfCFTA Agreement was officially launched on the 1st of January 2021. The pandemic exposed the high dependency of African countries on global trade partners and AfCFTA can potentially position African economies on a stronger footing against future global shocks. A successful implementation of the agreement could support the development of competitive regional value chains and industrialisation on the continent. AfCFTA has the potential to boost intra-Africa trade by 52% by 2022.

South African economic developments and outlook

The economy experienced double contractions in the first two quarters of the year reporting -2% in 2020Q1 and a steep decline of 51% in 2020Q2. A swift recovery in the economy was recorded due to the easing of lockdown restrictions, this hoisted the economy into a 66,1% growth rate in 2020Q3. Manufacturing, trade and mining were the largest contributors to positive growth in 2020Q3. South Africa faces various structural challenges ranging from electricity shortages, low investment, fiscal policy constraints, and rising unemployment levels. These challenges are some of the contributors to the overall weak GDP growth, since 2014. Before the Covid-19 outbreak, the South African economy was already under strain with most economic indicators such as business confidence, consumer confidence, and composite leading business cycle indicator, at low levels.

South Africa entered its second wave of Covid-19 infections towards the end of 2020, with cases crossing over the one million mark. Over the medium term, the economy is projected to reach a GDP growth average of 3,3%

by the end of 2021 and estimated to reach a positive growth rate of just below 2% by 2024. Downside risks to the outlook weigh heavily on the advancement of vaccination for the population to reach herd immunity. Yet, the government needs to maintain fiscal prudence to avoid further downgrades to its rating.

Improved investor sentiment is expected over 2021/22 due to the rollout of Covid-19 vaccines, which is expected to produce a stronger rand against the greenback. The Rand is forecast to average 15,26 against the dollar in 2021, an improvement from 16,46 to the dollar in 2020. Risks to the forecast are skewed to the downside, with the assumptions that the impact of Covid-19 lingers longer than expected, along with it a spike in unemployment. Worsening the outlook is the sub-investment downgrade, with further deterioration forecast in the national government finances. South Africa's economic recovery is dependent on how the fundamental challenges are addressed. These include low economic growth, battle for competitiveness, poor SOEs management, lack of policy certainty, factional policy within the ruling party, deteriorating fiscal position, weak business and consumer sentiment, impact of Covid-19, sluggish growth on the side of major trading partners. South Africa's market penetration beyond the SADC remains limited as major importers of South African goods on the continent are within SADC – mainly Botswana, Mozambique, Namibia, Zambia and Zimbabwe.

Figure 3: South African GDP growth projections

Source: IHS Markit

Impact on the existing ECIC portfolio and pipeline

Management followed up on projects during the 2020/21 financial year to assess the impact of COVID-19 on the ECIC portfolio. Few of the projects had payment deferrals approved and have been restructured. The Corporation does not expect any claims from these projects.

The combination of the global growth slowdown due to COVID-19, the sovereign credit downgrade, and low oil and commodity prices could hamper the future pipeline of the Corporation.

The opportunities and threats arising from the current situation are reflected on and addressed in this Strategic Plan as we look to reposition ourselves to assist SA Inc in taking advantage of the African Continental Free Trade Area.

14. SWOT ANALYSIS

Internal strengths and weaknesses

STRENGTHS	WEAKNESSES
• Open to cover African countries based on in-depth knowledge of the market • 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 • Available underwriting capacity within risk appetite / Strong balance sheet and solvency position	• Predominantly manual processes • Process inefficiency challenges • Reliance on lumpy transactions

External opportunities & threats

OPPORTUNITIES	THREATS
• Broadening ECIC mandate and eligible banks by revising enabling legislation • Leveraging on strategic partnerships • Leveraging the African Continental Free Trade Area (AfCFTA) • Advance the use of reinsurance • Market the utilisation of the insurance cover in Euro • Establishment of SA EXIM Bank • Leveraging technology to enhance and automate business processes	• Sovereign credit downgrades • Deterioration of public finances and the halo effect affecting SOEs and ECIC • Uncertain macro-economic outlook affecting the market in which we operate (i.e., economic impact of COVID-19, delayed/uneven economic recovery, supply chains reorientation, trade wars, financial markets volatility) • Ongoing competition from other ECAs and the private market insurance • USD v ZAR functional currency and the impact on taxation • Cyber security breaches/attacks • A big claim

Strategies to address opportunities and threats

Strengths-Opportunities Strategies • Staff retention and efficiency • Good governance and sound risk management practices • Contribute to trade facilitation • Improve stakeholder satisfaction	**Strengths-Threats Strategies** • 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 Sector Master Plans, the National Development Plan (NDP), and South Africa's Economic Recovery and Reconstruction Plan.

South Africa's Economic Recovery and Reconstruction Plan includes a focus on increasing SA exports as an opportunity to further strengthen integration, trade and investment within the Africa continent taking advantage of the African Continental Free Trade Agreement. Through the current ECIC insurance activities, the Corporation directly contributes to the implementation of the AfCFTA.

ECIC will further contribute to this by introducing short-term insurance products and updating the eligibility criteria for value added goods as we seek to support a larger portion of the export value chain. The Addendum to the 2016 Agreement between the Minister and the Corporation, to be effective from the beginning of the 2021/22 financial year, identifies sectors related to the various Industrial Sector Master Plans concluded by **the dtic** from time to time as priority areas of focus. The Corporation's expanded sectoral coverage will enhance the ECIC contribution to **the dtic** AfCFTA Export Plan and to the direct and indirect creation of decent jobs, value addition and competitiveness in export markets.

All the strategic objectives are deemed to be in pursuit of these Government priorities. The below table details the alignment of applicable strategic objectives to the NDP, specifically the 2019-2024 Medium-Term Strategic Framework (MTSF) where **the dtic** is the lead/contributing Department.

MTSF Priority	MTSF Outcome	The dtic Strategic Focus Areas	ECIC Strategic Theme	ECIC Strategic Objective	ECIC Target
Economic Transformation and Job Creation	Increased economic participation, ownership, access to resources, opportunities and wage equality for women, youth and persons with disabilities	Promote economic inclusion	Good governance and risk management	Good governance and sound risk management practices	Achieve/Maintain a Level 1 B-BBEE Score
A better Africa and World	Increased Foreign Direct Investment (FDI) and increased exports contributed in economic growth Increased intra-Africa trade	Expand markets for our products and facilitate entry to those markets	Grow the business	Contribute to trade facilitation	Value of deals underwritten Number of deals underwritten Approved transactions within expanded sectoral coverage

The following Joint Indicators set out areas of focus that ECIC will report to on a quarterly basis to the Executive Authority. The areas of focus represent key priorities of government that are set out in more detail in the Annual Performance Plan for 2021/22 for **the dtic**.
The Corporation will contribute to achievement of the Joint indicators and the output required is a report to the Executive Authority that sets out the actions taken by ECIC highlighting the contributions to achievement of **the dtic** outcomes.

JOINT INDICATOR 1

Outcome:	Increased industrialisation and localisation opportunities implemented	**Performance period**	2021/2022
Output /s:	Report documenting the integrated support to drive industrialisation through master plans in national priority sectors; increased and diversified localisation through government and private sector procurement; and promotion of beneficiation		
Indicator title:	Report on integrated support across DTIC to drive industrialisation that supports economic recovery; covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation		
Indicator definition	Integrated support across DTIC to drive industrialisation that supports economic recovery; covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation.		

Annual dtic Target/s	**Contribution by ECIC**	**Resourcing (MTEF Budget Allocation)**
Integrated support to drive industrialisation that supports economic recovery; covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation	Four quarterly reports on measures enacted to drive industrialisation that supports economic recovery; covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation.	This indicator will be resourced within current entity resources and will be reported on in relation to the following strategic objectives: • Contribute to Trade Facilitation • Good Governance and Sound Risk Management Practices • Increase Stakeholder Satisfaction

JOINT INDICATOR 2

Outcome:	Increased export-readiness by South African firms, measured by knowledge of market opportunities and firm-level actions to utilise these opportunities	**Performance period**	2021/2022
Output /s:	A clear plan that indicates the potential opportunities to grow exports in terms of the AfCFTA, with responsibilities assigned to facilitate implementation		
Indicator title:	Completed AfCFTA Export Plan to grow value-added exports to the rest of Africa, setting out the opportunities by product, sector and country		
Indicator definition	AfCFTA export plan to grow value-added exports to the rest of Africa setting out the opportunities by product, sector and country		

Annual dtic Target/s	**Contribution by ECIC**	**Resourcing (MTEF Budget Allocation)**
Completed AfCFTA export plan to grow value-added exports to the rest of Africa setting out the opportunities by product, sector and country completed	Four quarterly reports on measures enacted to contribute to an AfCFTA export plan to grow value-added exports to the rest of Africa	This indicator will be resourced within current entity resources and will be reported on in relation to the following strategic objectives: • Contribute to Trade Facilitation • Increase Stakeholder Satisfaction

JOINT INDICATOR 3

Outcome:	Strategic investment by enterprises (private and public) to support growth of South African economy	**Performance period**	2021/2022
Output /s:	Investment projects facilitated and investment directed towards key sectors of the economy		
Indicator title:	Report on Investment facilitation and growth: steps taken to support new investment in key sectors		
Indicator definition	Investment facilitation and growth through steps taken to support new investment in key sectors		

Annual dtic Target/s	**Contribution by ECIC**	**Resourcing (MTEF Budget Allocation)**
Report on investment facilitation and growth: steps taken to support new levels of investment in key sectors developed	Four quarterly reports on measures enacted to support investment in South Africa	This indicator will be resourced within current entity resources and will be reported on in relation to the following strategic objectives: • Contribute to Trade Facilitation • Good Governance and Sound Risk Management Practices • Increase Capital Base • Increase Stakeholder Satisfaction

JOINT INDICATOR 4

Outcome:	Contribute to intergovernmental action in implementation of the District Development Model towards district economic development	**Performance period**	2021/2022
Output /s:	District integrated report with district development economic maps		
Indicator title:	Report on District Development Model and Spatial equity including incorporating all work within the District Model		
Indicator definition	District Development Model and Spatial equity including incorporating all work within the District Model District Development Model and Spatial equity including incorporating all work within the District Model		

Annual dtic Target/s	**Contribution by ECIC**	**Resourcing (MTEF Budget Allocation)**
District Development Model and Spatial equity including incorporating all work within the District Model	Four quarterly reports by ECIC which set out how their work has contributed to the economic development in each of the Districts and Metropolitan Areas of South Africa	This indicator will be resourced within current entity resources and will be reported on in relation to the following strategic objectives: • Contribute to Trade Facilitation • Good Governance and Sound Risk Management Practices • Increase Stakeholder Satisfaction

JOINT INDICATOR 5

Outcome:	Promoting a growing and inclusive economy	**Performance period**	2021/2022
Output /s:	Report on actions to promote transformation through structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities		
Indicator title:	Report on actions to promote transformation through structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities		
Indicator definition	Actions to promote transformation through structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities		

Annual dtic Target/s	**Contribution by ECIC**	**Resourcing (MTEF Budget Allocation)**
Actions to promote transformation through both structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities	Four quarterly reports on the contributions made to promote transformation through structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups	This indicator will be resourced within current entity resources and will be reported on in relation to the following strategic objectives: • Contribute to Trade Facilitation • Good Governance and Sound Risk Management Practices • Increase Stakeholder Satisfaction

JOINT INDICATOR 6

Outcome:	Growing the Green Economy and greening the economy	**Performance period**	2021/2022
Output /s:	Report on growing the Green Economy and greening the economy		
Indicator title:	Report on growing the Green Economy and greening the economy through actions to support project facilitation, policy development, investment promotion, new product development or industrial processes		
Indicator definition	Actions to green the economy		

Annual dtic Target/s	**Contribution by ECIC**	**Resourcing (MTEF Budget Allocation)**
Actions to grow the Green Economy and greening the economy, through measures such as support for project facilitation, policy development investment promotion, new product development or industrial processes	Four quarterly reports on measures enacted to support the green economy or the greening of the economy	This indicator will be resourced within current entity resources and will be reported on in relation to the following strategic objectives: • Improve Business Processes and Systems • Contribute to Trade Facilitation • Good Governance and Sound Risk Management Practices • Increase Stakeholder Satisfaction

JOINT INDICATOR 7A

Outcome:	Functional, efficient and integrated services within **the dtic** to improve economic development and ease of doing business	**Performance period**	2021/2022
Output /s:	Actions to promote functional, efficient and integrated government and measures to reduce red tape across DTIC and entities		
Indicator title:	Report on strengthening and building capabilities and agility in **the dtic** and its entities, to improve efficiencies in programmes and entities, to contribute to economic development and ease of doing business		
Indicator definition	Strengthening and building capabilities and agility in **the dtic** and its entities, to improve efficiencies in programmes and entities, to contribute to economic development and ease of doing business		

Annual dtic Target/s	**Contribution by ECIC**	**Resourcing (MTEF Budget Allocation)**
Review of unnecessary red tape and compliance reporting requirements in DTIC entities and programmes; monitoring implementation times of DTIC services	Four quarterly reports on measures enacted to improve the ease of clients using its services, including forms and procedures reviewed for simplicity and necessity	This indicator will be resourced within current entity resources and will be reported on in relation to the following strategic objectives: • Staff Retention and Efficiency • Improve Business Processes and Systems • Contribute to Trade Facilitation • Good Governance and Sound Risk Management Practices • Increase Capital Base • Increase Stakeholder Satisfaction

16. BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

16.1. Board of directors

The ECIC Board is responsible for determining its strategic direction and ensuring that the implementation of the strategy is legislatively and regulatory compliant. The directors serve a maximum of two three-year terms each. The six Board committees include representatives from **the dtic**, as shareholder, and help the Board to fulfil its roles.

CHAIRPERSON
DHEVEN DHARMALINGAM
Age: 55
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: 3 years

EXECUTIVE DIRECTOR
KUTOANE KUTOANE
Age: 52
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: 8 years

INDEPENDENT NON-EXECUTIVE DIRECTOR
VUYELWA MATSILIZA
Age: 53
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: 8 years

INDEPENDENT NON-EXECUTIVE DIRECTOR
SIOBHAIN O'MAHONY
Age: 33
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: 8 years

INDEPENDENT NON-EXECUTIVE DIRECTOR
LERATO MOTHAE
Age: 44
Qualifications: CA(SA)
Areas of expertise: Auditing, Finance, Financial Management
Positions on other boards: The South African National Accreditation System (SANAS)
Years of service: 3 years

INDEPENDENT NON-EXECUTIVE DIRECTOR
DESHNI SUBBIAH
Age: 37
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: 3 years

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR (the dtic)
LERATO MATABOGE
Age: 42
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: 3 years

INDEPENDENT NON-EXECUTIVE DIRECTOR
SISA MAYEKISO
Age: 38
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: 3 years

ALTERNATE NON-INDEPENDENT NON-EXECUTIVE DIRECTOR (the dtic)
STEFANUS BOTES
Age: 64
Qualifications: BCom (Econ), University of Stellenbosch; BCom (Econ) (Hons), UNISA
Areas of expertise: Financial management, Export development and promotion, Investment recruitment
Positions on other boards: None
Years of service: 3 years

COMPANY SECRETARY
CHARLES JAARMAN KGOALE
Age: 41
Qualifications: LLB, Management Development Programme, Post Graduate Diploma Programme and Project Management
Areas of expertise: Compliance and Corporate Governance
Positions on other boards: Non- Executive Director (volunteer) Childhood Cancer Foundation (Non-remunerated)
Years of services: 3 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 Operations Officer, Chief Financial Officer, Chief Risk Officer, Chief Actuarial and Investments 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 a three-month notice period, all other 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 when leaving the Corporation.

CHIEF EXECUTIVE OFFICER
KUTOANE KUTOANE
Age: 52
Qualifications: MA (econ), Advanced Management Programme (Harvard), 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: 8 years

CHIEF FINANCIAL OFFICER
NOLUTHANDO MKHATHAZO
Age: 38
Qualifications: CA(SA), Management Advancement Programme
Areas of expertise: Finance, auditing and financial management
Positions on other boards:
None
Years of service: 11 years

CHIEF OPERATIONS OFFICER
MANDISI NKUHLU
Age: 52
Qualifications: B. Juris, LLB, Management Advancement Programme, Executive Leadership Programme, Senior Executive Programme
Areas of expertise: Law and Finance
Positions on other boards: None
Years of service: 15 years

CHIEF RISK OFFICER
JOHN OMOLLO
Age: 52
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: 10 years

GENERAL COUNSEL
NTSHENGEDZENI GILBERT MAPHULA
Age: 49
Qualifications: BPROC (UNIVEN), LLB (UP), LLM (UP), LLM (UNISA)
Areas of expertise: Cross Boarder Financing, Export Credit Insurance, Political Risk, International Trade and Foreign Investments Project Finance and Sovereign Lending
Positions on other boards: None
Years of service: 15 years

CHIEF ACTUARIAL & INVESTMENTS
SIAS ESTERHUIZEN
Age: 40
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: 5 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 dtic** were considered, to ensure that there is alignment between the ECIC objectives and **the dtic** priority areas. This alignment is captured in the table demonstrating the link between **the dtic** priorities and the ECIC mandate and initiatives.

A three-day workshop was held between management and the Board. The strategic themes and 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 29 October 2020. Pursuant to the review of the draft strategic plan by **the dtic**, the updated Strategic Plan was approved by the Board on 28 January 2021.

18. FINANCIAL PLAN

18.1 Projections of revenue, expenditure and borrowings

R'000	2021	2022	2023	2024
STATEMENT OF FINANCIAL PERFORMANCE				
Premiums Written	2 839 035	262 595	406 021	345 016
RI Premium	-773 592	-	-	-
Net Premium	**2 065 443**	**262 595**	**406 021**	**345 016**
Change in Unearned premiums	-1 982 788	51 074	-76 757	97 033
Change in RI Unearned premiums	771 359	-16 974	-38 081	-58 849
Change in Concentration risk	98 090	-114 068	-178 913	-89 568
Change in Unexpired risk	2 674	1 896	2 551	536
Earned Premiums	**954 778**	**184 524**	**114 821**	**294 170**
Claims Incurred	**41 083**	**-16 972**	**51 122**	**62 150**
Claims Paid	-	-	-	-
Salvages Rec	79 629	72 097	72 064	69 948
Change in OCR provision	-38 546	-89 069	-20 942	-7 798
Assessment fees	745	564	960	669
Reinsurance commission	344	2 849	6 454	10 005
Operating expenses (Excl. Investments and SED &ESD Contributions)	-123 660	-143 356	-146 802	-149 781
Commission Paid	-244	-290	-261	-237
Underwriting results (before bonus)	**873 045**	**27 318**	**26 294**	**216 976**
Bonus services	-24 075	-32 115	-34 203	-36 426
Underwriting results (after bonus)	**848 970**	**-4 797**	**-7 908**	**180 550**
Investment Income	507 362	293 257	309 480	343 173
Investment management expense (Incl. Operating expenses)	-30 181	-41 450	-55 697	-64 589
IMU expenses and income	738 207	203 607	210 885	213 822
Other income	154	-	-	-
Interest expense	-637	-837	-1 336	-1 046
Profit Before Tax (before SED &ESD Contributions)	**2 063 874**	**449 780**	**455 423**	**671 909**
SED & ESD Contributions (Incl. Operating expenses)	-47 288	-45 061	-12 536	-25 527
Foreign Exchange gain/(Loss)	345 247	18 786	-134 175	75 272
Profit Before Tax	**2 361 833**	**423 505**	**308 712**	**721 654**
Taxation	-198 276	-101 476	-225 766	-129 268
Profit/(Loss) After Tax	**2 163 557**	**322 029**	**82 946**	**592 386**

The budget is prepared using the USD functional currency in line with the requirements of the International Financial Reporting Standards. The functional currency is defined as the currency of the primary economic environment in which the entity operates while a foreign currency is defined as a currency other than the functional currency of the entity.

USD is the functional currency as a significant portion of the revenue was received from the US$ revenue stream. The foreign currency risk is thus on the Rand transactions and not the US$ transactions i.e., when an insurance claim is lodged, ECIC may need to utilise its Rands to purchase US$ to pay US$ claims. The foreign exchange movements are therefore based on Rand transactions.

However, when calculating the income tax liability and the spend for ESD and SED Contributions, the foreign exchange movements are based on the USD transactions as ECIC is a South African company and as governed by the current legislations. This now creates a mismatch between the Profit Before Tax, Taxation and ESD and SED Contributions as the last two items are not calculated on a true foreign currency exposure of the ECIC.

18.2 Asset and liability management

R'000	2021	2022	2023	2024
STATEMENT OF FINANCIAL POSITION				
ASSETS				
Equipment	11 017	26 309	23 122	17 087
Investments	7 938 718	8 891 707	10 487 464	11 245 893
Loans and receivables	3 408 173	2 493 807	1 793 735	1 135 093
Reinsurance assets	784 515	760 800	773 439	690 420
Cash and Cash Equivalent	86 094	85 371	90 989	88 191
Deferred tax	22 407	22 407	22 407	22 407
Taxation receivable	-	-	-	-
Total Assets	**12 250 923**	**12 280 401**	**13 191 156**	**13 199 091**
EQUITY AND LIABILITIES				
Equity				
Share Capital and Premium	316 051	316 051	316 051	316 051
Foreign Currency Translation Reserve	2 635 703	2 569 826	3 065 822	2 802 975
Other OCI Reserves	-57 414	-57 414	-57 414	-57 414
Retained Income	4 230 363	4 552 392	4 635 338	5 227 725
Total Equity	**7 124 703**	**7 380 855**	**7 959 797**	**8 289 336**
Liabilities				
Provision for Outstanding Claims	38 546	125 636	155 984	158 723
Provision for Unearned Premiums Reserve	3 705 404	3 624 934	3 935 678	3 723 503
Provision for Unexpired Risk Reserve	332 980	442 376	647 426	716 317
Reinsurance deferred acquisition cost	134 124	130 123	132 343	118 202
Deferred Tax	-	-	-	-
Taxation payable	-	-	-	-
IMU liability	187 668	78 828	59 096	37 640
Reinsurance liabilities	642 487	400 572	193 445	57 211
Trade and other payables	79 347	74 604	88 340	83 078
Lease Liabilities	3 396	19 314	15 746	11 631
Provisions	2 267	3 159	3 301	3 450
Total Liabilities	**5 126 220**	**4 899 546**	**5 231 359**	**4 909 755**
Total Equity and Liabilities	**12 250 923**	**12 280 401**	**13 191 156**	**13 199 091**

18.3 Cash flow projections

R'000	2021	2022	2023	2024
CASHFLOW STATEMENT				
Cash flows from operating activities				
Cash generated by underwriting activities	321 625	739 084	832 259	637 509
Interest received	160 428	181 224	214 485	233 250
Dividends received	71 144	112 033	94 995	109 923
Dividends paid	-	-	-	-
IMU Grant received	162 710	208 078	213 873	215 979
IMU Claims Paid	-257 045	-113 585	-26 607	-22 317
Interest paid	-637	-837	-1 336	-1 046
Taxation paid	-127 304	-101 476	-225 766	-129 268
	-	-	-	-
Net cash inflow from operating activities	**330 920**	**1 024 521**	**1 101 903**	**1 044 030**
Cash flows from investing activities				
Acquisition of fixed assets	-1 260	-2 350	-1 250	-750
Net (acquisition)/disposal of investments	-561 166	-1 017 153	-1 096 771	-1 039 157
	-	-	-	-
Net cash (outflow)/inflow from investing activities	**-562 427**	**-1 019 503**	**-1 098 021**	**-1 039 907**
Net increase in cash and cash equivalents	**-237 280**	**5**	**7**	**7**
Cash and cash equivalents at beginning of year	331 400	86 095	85 371	90 989
Unrealised foreign exchange gain/(loss) on cash and cash equivalents	-8 025	-729	5 611	-2 806
Cash and cash equivalents at end of year	**86 095**	**85 371**	**90 989**	**88 191**

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	2021	2022	2023	2024
Total capital expenditure	1 260	2 350	1 250	750

18.5 Infrastructure plans

The Corporation does not have infrastructure plans for the period 2021/22 – 2023/24.

18.6 Dividend policies

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 below have been obtained from Bloomberg:

	2021	2022	2023	2024
USD/ZAR	15,130	15,000	16,000	15,500

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 Total Mozambique LNG projects 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. Since we are currently not holding an IBNR for projects, the projected IBNR reserves are made up of 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 at the time of budgeting only three months were remaining for the 2021 financial year, only 3/12ths of the buffer was provided for in 2021.

Salvages are budgeted for line in with existing agreements.

Budgeted investment income is estimated by assuming that longer-term expected returns on underlying asset classes will be earned annually over time. Starting market values, projected cashflow and asset class weights are used to determine the budgeted portfolio returns and investment income. Expected returns on asset classes are set by considering market and industry projections and expectations over the Corporation's investment horizon. The investment income that will be earned in the 2021 financial year will depend on the recovery of economies and markets following the onset of COVID-19 and the subsequent lockdown of most countries. The first sharp recovery was experienced in April and May 2020 and materially boosted investment income at the start of the financial year; however, markets have subsequently been plagued with uncertainty and the risk of more waves of the virus and so further market volatility and losses. Beyond the 2021 financial year returns are expected to be lower across asset classes and currencies as economies deal with the aftermath of high debt, high unemployment, corporate defaults and record low bond yields.

The budget presented is prepared in terms of the requirement of IAS 39 and IFRS 4. IFRS 9 and IFRS 17 will only be applicable for the 2024 financial year. The numbers will be adjusted for in the future budgeting cycles when there is sufficient progress in terms of the implementation plan.

The budget assumes that ECIC will not be an EXIM bank as a process is underway to evaluate the feasibility of establishing ECIC as an Eximbank. The outcomes of the business case which will give guidance to the budget process in the next budget cycle.

The following assumptions were applied on expenses:

a) Expenses were increased by between 2% and 16% over the strategic plan period.
b) Assumed 80% of the current office rental cost from 01 Oct 2021
c) Assumed a reduction in printing costs due to paperless environment.
d) No travel expenses have been budgeted for the 2021 financial year.

PART C: MEASURING OUR PERFORMANCE

19. STAFF RETENTION AND EFFICIENCY

19.1. Purpose

To maintain 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 retention of the knowledge and skill of our staff. This program includes:

- Developing an appropriate annual training plan to address identified gaps and improve the knowledge and skill of our staff; and

- Implementing 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 will be demonstrated in the following key measures:

- Retention of staff
- Staff efficiency

19.3 Performance indicators and performance targets (Staff retention and efficiency)

Goal/ Outcome	Output	Performance Indicator/ measure	Actual Performance			Estimated Performance	Medium Term Targets		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
To maintain a competent and competitive workforce that is able to deliver on business strategy and the achievement of objectives	Retention of staff	% staff retained	94%	96%	90%	90%	Retain at least 85% of staff	Retain at least 85% of staff	Retain at least 85% of staff
	Staff efficiency	Employee cost to earned premium (3-year average)	16%	18%	15%	17%	Ratio not greater than 22%	Ratio not greater than 22%	Ratio not greater than 22%

19.4 Quarterly milestones (Staff retention and efficiency)

Goal/ Outcome	Output	Performance Indicator/ measure	Baseline	2021/22 Annual Target	Quarterly milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Maintain a competent and competitive workforce that is able to deliver on business strategy and the achievement of objectives	Retention of staff	% staff retained	90%	Retain 85% of staff	Retain 85% of staff	Retain 85% of staff cumulatively	Retain 85% of staff cumulatively	Retain 85% of staff cumulatively
	Staff efficiency	Employee cost to earned premium (3-year average)	17%	Ratio not greater than 22%	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Ratio not greater than 22%

19.5 Financial Plan (Expenditure estimates for Staff retention and efficiency)

Programme Name: Staff retention and efficiency							
Economic classification	Expenditure outcome			Adjusted Appropriation	Medium-Term Expenditure Estimate		
	2017/18 R '000	2018/19 R '000	2019/20 R '000	2020/21 R '000	2021/22 R '000	2022/23 R '000	2023/24 R '000
Current payment							
Compensation of employees	(2,287)	(2,778)	(2,749)	(4,711)	(4,962)	(5,035)	(5,274)
Goods & services, etc.	(11,211)	(9,800)	(1,926)	(2,642)	(2,404)	(2,318)	(2,428)
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

20. IMPROVE BUSINESS PROCESSES AND SYSTEMS

20.1. Purpose

To improve business processes and systems to improve operational efficiency.

20.2. Description

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

- Maintaining an acceptable cost to income ratio that is consistent with industry bench markers and the specific objectives of the Corporation;
- Driving digital transformation initiatives geared towards enhancing and automating key business processes and systems; and
- Providing a mechanism for benchmarking processes and tracking the business value of re-engineered processes.

The successful execution of this program will be demonstrated based on following key performance indicators:

- Cost to income ratio calculated as current operating costs (excluding investment and socio-economic, supplier and enterprise development related costs) as a ratio of 3-year average income (earned premium, assessment fees and commission received less change in concentration risk reserve); and
- Percentage (%) of prioritised business processes automated.

20.3 Performance indicators and performance targets (Improve business processes and systems)

Goal/ Outcome	Output	Performance Indicator/ measure	Actual Performance			Estimated Performance	Medium Term Targets		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Improved operational efficiency	Tracking of cost to income ratio on an annual basis	Cost to income ratio calculated	Cost to income ratio of 21%	Cost to income ratio of 22%	Cost to income ratio of 26%	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%
	Automation of business processes	% of business processes automated	No baseline	No baseline	No baseline	30% of business processes automated	60% of business processes automated	70% of business processes automated	80% of business processes automated

20.4 Quarterly milestones (Improve business processes and systems)

Goal/ Outcome	Output	Performance Indicator/ measure	Baseline	2021/22 Annual Target	Quarterly milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Improved operational efficiency	Tracking of cost to income ratio on an annual basis	Cost to income ratio	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%
	Automation of business processes	% of business processes automated	30% of business processes automated	60% of business processes automated	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	60% of business processes automated

20.5 Financial Plan (Expenditure estimates for Improve business processes and systems)

Programme Name: Improve business processes and systems							
Economic classification	Expenditure outcome			Adjusted Appropriation	Medium-Term Expenditure Estimate		
	2017/18 R '000	2018/19 R '000	2019/20 R '000	2020/21 R '000	2021/22 R '000	2022/23 R '000	2023/24 R '000
Current payment							
Compensation of employees	**(3,785)**	**(4,126)**	**(4,082)**	**(6,133)**	**(8,594)**	**(8,517)**	**(8,985)**
Goods & services, etc.	**(19,747)**	**(21,482)**	**(19,022)**	**(18,368)**	**(23,018)**	**(23,252)**	**(21,785)**
Payments of capital assets							
Building and other fixed structure							
Machinery & equipment	**(1,145)**	**(1,283)**	**(240)**	**(1,917)**	**(2,350)**	**(1,250)**	**(750)**
Other classifications	**(2,712)**	**(2,829)**	**(5,165)**	**(8,530)**	**(8,511)**	**(7,468)**	**(7,125)**

21. CONTRIBUTE TO TRADE FACILITATION

21.1. Purpose

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

21.2. 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:

- Proactively conducting 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; and

- 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:

- Value of new projects approved;

- Number of new projects approved; and

- Approved transactions within expanded sectoral coverage.

Stakeholder and customer engagements as well as extensive research pointed towards gaps in the ECIC offering as a traditional Export Credit Agency. Positive engagements with the Minister of Trade, Industry and Competition during the 2020/21 financial year has contributed to an expanded sectoral coverage mandate which allows the Corporation to have a greater economic impact on the export value chain and play an important role in the development of **the dtic** AfCFTA Export Plan and implementation of the Industrial Sector Master Plans. The Corporation will be targeting a host of stakeholder engagements over the 2021/22 financial year to drive awareness of these new opportunities. **The dtic** is targeting two new Master Plans for the 2021/22 financial year and currently has Master Plans for the following sectors which ECIC will look to cover:

- Automotive;
- Retail Clothing, Textile, Footwear and Leather;
- Poultry;
- Sugar;
- Steel and Metal Fabrication;
- Furniture

21.3 Performance indicators and performance targets (Contribute to trade facilitation)

Goal/ Outcome	Output	Performance Indicator/ measure	Actual Performance			Estimated Performance	Medium Term Targets		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Proactively attract business from new and existing customers to facilitate more exports and cross border investments	Facilitation of exports and cross border investments	Value of approved transactions.	USD 479m	USD 496m	USD 27,5m	>USD802m	USD 525m	USD 550m	USD 575m
		Number of approved transactions	4 deals approved	14 deals approved	3 deals approved	4 deals approved	4 deals approved	4 deals approved	4 deals approved
		Approved transactions[1] within expanded sectoral coverage[2]	Not applicable[3]	Not applicable[3]	Not applicable[3]	Engagements held with the Minister for expanded mandate[3]	1 transaction[3]	2 transactions[3]	3 transactions[3]

1. These transactions are in addition to the *"Number of approved transactions"* indicator.
2. These are the sectors identified in the Agreement between the Minister and ECIC to be effective from the beginning of the 2021/22 financial year that are related to the various Master Plans concluded by **the dtic** from time to time.
3. Some of these transactions are short-term in nature and from the effective date of the Agreement will require new processes, procedures and systems within the Corporation and engaging with the new participants and partners.

21.4 Quarterly milestones (Contribute to trade facilitation)

Goal/ Outcome	Output	Performance Indicator/ measure	Baseline	2021/22 Annual Target	Quarterly milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Proactively attract business from new and existing customers to facilitate more exports and cross border investments	Facilitation of exports and cross border investments	Value of approved transactions	>USD802m	USD525m	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	USD525m
		Number of approved transactions	4 deals approved	4 deals approved	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	4 deals approved
		Approved transactions[1] within expanded sectoral coverage[2]	Engagements held with the Minister for expanded mandate[3]	1 transaction	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	1 transaction

1. These transactions are in addition to the *"Number of approved transactions"* indicator.
2. These are the sectors identified in the Agreement between the Minister and ECIC to be effective from the beginning of the 2021/22 financial year that are related to the various Master Plans concluded by **the dtic** from time to time.
3. Some of these transactions are short-term in nature and from the effective date of the Agreement will require new processes, procedures and systems within the Corporation and engaging with the new participants and partners.

21.5. Financial Plan (Expenditure estimates for Contribute to trade facilitation)

Programme Name: Contribute to Trade Facilitation							
Economic classification	Expenditure outcome			Adjusted Appropriation	Medium-Term Expenditure Estimate		
	2017/18 R '000	2018/19 R '000	2019/20 R '000	2020/21 R '000	2021/22 R '000	2022/23 R '000	2023/24 R '000
Current payment							
Compensation of employees	(9,670)	(10,765)	(10,959)	(14,870)	(17,411)	(18,264)	(19,217)
Goods & services, etc.	(4,332)	(3,082)	(6,574)	(5,471)	(9,800)	(10,207)	(10,759)
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

22. GOOD GOVERNANCE AND SOUND RISK MANAGEMENT PRACTICES

22.1 Purpose

To ensure a transformed and self-sustainable Corporation.

22.2. Description

In the next three years we aim to pursue good governance, transformation and sound risk management practices. This program will include:

- Implementing the ECIC Transformation Strategy to maintain a Level 1 B-BBEE score; and
- Maintaining healthy financial, risk and portfolio management ratios.

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

- B-BBEE level score;
- Economic Capital Ratio;
- Regulatory Solvency Ratio; and
- Claims Loss Ratio

22.3 Performance indicators and performance targets (Good governance and sound risk management practices)

Goal/ Outcome	Output	Performance Indicator/ measure	Actual Performance			Estimated Performance	Medium Term Targets		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Transformed and self-sustainable Corporation	Good governance and sound risk management practices	Maintain B-BBEE Score		Level 2	Level 1	Level 1	Level 1	Level 1	Level 1
		Maintain a healthy Economic Capital (EC) and regulatory Solvency Capital Requirement (SCR) cover ratios	EC ratio 143% SCR ratio 234%	EC ratio 157% SCR ratio 249%	EC ratio 170% SCR ratio 237%	EC ratio 196% SCR ratio 255%	EC ratio > 120% SCR ratio > 130%	EC ratio > 120% SCR ratio > 130%	EC ratio > 120% SCR ratio > 130%
		Maintain a healthy Claims Loss Ratio	19%	28%	18%	Below 50%	Below 50%	Below 50%	Below 50%

22.4 Quarterly milestones (Good governance and sound risk management practices)

Goal/ Outcome	Output	Performance Indicator/ measure	Baseline	2020/21 Annual Target	Quarterly milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Transformed and self-sustainable Corporation	Good governance and sound risk management practices	Maintain B-BBEE Score	Level 1	Level 1	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Level 1
		Maintain a healthy Economic Capital (EC) and regulatory Solvency Capital Requirement (SCR) cover ratios	EC ratio 170% SCR ratio 237%	EC ratio > 120% SCR ratio > 130%	EC ratio > 120% SCR ratio > 130%	EC ratio > 120% SCR ratio > 130%	EC ratio > 120% SCR ratio > 130%	EC ratio > 120% SCR ratio > 130%
		Maintain a healthy Claims Loss Ratio	Below 50%	Below 50%	Below 50%	Below 50%	Below 50%	Below 50%

22.5 Financial Plan (Expenditure estimates for Good governance and sound risk management practices)

Programme Name: Good governance and sound risk management practices							
Economic classification	Expenditure outcome			Adjusted Appropriation	Medium-Term Expenditure Estimate		
	2017/18 R '000	2018/19 R '000	2019/20 R '000	2020/21 R '000	2021/22 R '000	2022/23 R '000	2023/24 R '000
Current payment							
Compensation of employees	(4,982)	(3,818)	(3,778)	(40,254)	(43,879)	(46,210)	(48,595)
Goods & services, etc.	(16,341)	(13,443)	(47,711)	(54,973)	(53,708)	(21,106)	(34,166)
Payments of capital assets							
Building and other fixed structure	-	-	-	-	-	-	-
Machinery & equipment							
Other classifications	-	-	-	-	-	-	-

23. INCREASE CAPITAL BASE

23.1. Purpose

To support the growth and sustainability of the Corporation.

23.2. 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:

- Underwriting profitable business;
- Managing the existing insurance portfolio;
- Collecting salvages; and
- Earning investment income.

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

- Increase in the ECIC equity (excluding foreign exchange movements and related tax).

23.3 Performance indicators and performance targets (Increase capital base)

Goal/ Outcome	Output	Performance Indicator/ measure	Actual Performance			Estimated Performance	Medium Term Targets		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Support the growth and sustainability of the Corporation	Increase in capital base	% increase in equity (excluding foreign exchange movements and related tax)	1% increase in equity	14.24% increase in equity	10% increase in equity	5% increase in equity	5% increase in equity	5% increase in equity	5% increase in equity

23.4 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
Support the growth and sustainability of the Corporation	Increase in capital base	% increase in equity (excluding foreign exchange movements and related tax)	10% increase in equity	5% increase in equity	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	5% increase in equity

23.5 Financial Plan (Expenditure estimates for Increase capital base)

Programme Name: **Increase capital base**							
Economic classification	Expenditure outcome			Adjusted Appropriation	Medium-Term Expenditure Estimate		
	2017/18 R '000	**2018/19 R '000**	**2019/20 R '000**	**2020/21 R '000**	**2021/22 R '000**	**2022/23 R '000**	**2023/24 R '000**
Current payment							
Compensation of employees	**(54,493)**	**(61,362)**	**(60,721)**	**(19,781)**	**(22,680)**	**(24,396)**	**(25,699)**
Goods & services, etc.	**(442,289)**	**30,081**	**(64,486)**	**(65,964)**	**(128,516)**	**(74,253)**	**(69,756)**
Payments of capital assets							
Building and other fixed structure							
Machinery & equipment	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other classifications	**(333,178)**	**(1,016,790)**	**(837,816)**	**(101,607)**	**(96,216)**	**(225,766)**	**(108,192)**

24. IMPROVE STAKEHOLDER SATISFACTION

24.1. Purpose

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

24.2. Description

In the next three years we aim to improve stakeholder satisfaction. This program will include:

- Measuring stakeholder satisfaction through periodic surveys to avoid stakeholder fatigue and obtain more reliable survey outcomes; and

- Implementing the following annual ECIC Plans to address the survey outcomes:
  i. Marketing and Communication Plan;
  ii. Employee Engagement Plan;
  iii. Customer Engagement Plan; and
  iv. Stakeholder Engagement Plan.

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

- Corporate Reputation Index Performance (CRIP) score; and

- Employee engagement score.

24.3 Performance indicators and performance targets (Improve stakeholder satisfaction)

Goal/ Outcome	Output	Performance Indicator/ measure	Actual Performance			Estimated Performance	Medium Term Targets		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Improved stakeholder and customer satisfaction	Maintain a high CRIP score	Corporate Reputation Index Performance (CRIP) score	N/A	N/A	CRIP score of 80,6%	N/A	N/A	CRIP score of above 70%	N/A
Improved employee engagement	Improve employee engagement score	Employee engagement score	No baseline	No baseline	Employee engagement score of 67%	N/A	Employee engagement score of 68%	N/A	Employee engagement score of 70%

24.4 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 employee engagement	Improve employee engagement score	Employee engagement score	Employee engagement score of 67%	Employee engagement score of 68%	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Annual target with quarterly progress reporting	Employee engagement score of 68%

24.5 Financial Plan (Expenditure estimates for improve stakeholder satisfaction)

Programme Name: **Improve stakeholder satisfaction**							
Economic classification	Expenditure outcome			Adjusted Appropriation	Medium-Term Expenditure Estimate		
	2017/18 R '000	**2018/19 R '000**	**2019/20 R '000**	**2020/21 R '000**	**2021/22 R '000**	**2022/23 R '000**	**2023/24 R '000**
Current payment							
Compensation of employees	**(13,640)**	**(15,253)**	**(15,094)**	**(17,820)**	**(18,273)**	**(19,270)**	**(20,009)**
Goods & services, etc.	**(11,207)**	**(6,470)**	**(4,219)**	**(5,054)**	**(10,423)**	**(11,481)**	**(11,606)**
Payments of capital assets							
Building and other fixed structure							
Machinery & equipment	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other classifications	**(38,904)**	**(101,527)**	**(215,783)**	**478,828**	**(9,731)**	**(137,163)**	**(23,234)**

PART C: LINKS AND OTHER PLANS

25. 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 the investment strategy 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 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 implementing an enhanced portfolio structure by establishing an investment tranche approach. This strategy will categorise and match various liability requirements with associated investment objectives. The tranches for each currency portfolio will be defined as follows:

- Working Capital Tranche: Provide funding and liquidity for operational and short-term insurance obligations;
- Reserving Tranche: Provide liability and interest rate matching;
- Capital Requirements Tranche: Provide low-risk liquidity for non-life underwriting capital requirements and risk margin; and
- Excess Tranche: Maximise investment growth with the funds that are left over.

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. It is currently invested in US dollar denominated cash, government and corporate bonds and will be expanded into a more diversified composition with the implementation of the new investment tranche strategy. The Corporation has approval to retain its US Dollar and Euro premium income in their respective foreign currency portfolios. The Corporation does not yet have liabilities or assets denominated in Euro.

26. INFORMATION AND COMMUNICATION TECHNOLOGY PLAN

26.1 Introduction

The ICT Strategic Plan 2020/21 – 2022/23 provides a framework to support the digital transformation strategy of the Corporation and to deliver the desired value through a clear road map.

26.2 ICT Strategy Priorities

The ICT Strategic Plan identifies 4 focus areas and 11 strategic initiatives that have been prioritised by the Corporation to enable the delivery of its mandate, these include:

Focus Areas	Strategic Initiatives	Priority	Target Date
1. Strategic and operational alignment of ICT to business objectives	1.1. Review ICT Governance, develop an Enterprise Architecture and review the ICT Strategy	High	Q2 2021/22
2. Automate and enhance business processes	2.1 Replace the HR module	High	Q4 2020/21
	2.1 Upgrade the ERP system	High	Q3 2021/22
	2.2 Procure the Risk and Compliance System	High	Q4 2020/21
	2.3 Enhance and automate core business processes (Agile approach)	High	Q4 2022/23
	2.4 Develop BI & Data Analytics platform	Medium	Q4 2022/23
3. Develop ICT capacity and capability	3.1 Revise the ICT organisational structure	High	Q4 2020/21
	3.2 Refresh Computer Hardware	Medium	Q2 2022/23
	3.3 Replace LAN Switches and Wireless Access Points	Medium	Q2 2020/21
4. Improve communication and collaboration	4.1 Procure audio and video conferencing equipment	Medium	Q4 2021/22
	4.2 Internal training of users on collaboration tools offered by Office 365	Medium	Q4 2020/21

26.2 Defining and measuring success

The measure of success for the implementation of the ICT Strategic plan is based on the value delivered for the Corporation, including the percentage (%) of business processes automated resulting in process and cost efficiencies. The ICT Strategic Plan is reviewed annually to ensure continuous alignment to the strategic goals of the Corporation.

26.2 Reporting

The strategy implementation progress is reported quarterly to the ICT governance structures, including the ICT Steering Committee, Executive Committee, Risk Committee and Board Committee. The implementation plan progress is reported quarterly to the ICT governance structures, including the ICT Steering Committee, Executive Committee, Risk Committee and Board Committee.

27. 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. The Corporation's benchmarking initiative was stymied in 2021 FY by the onset of the COVID-19 pandemic, that devastated one of the domicile countries of ECIC's counterparties.

As the Corporation carries out its mandate, it is important to do so within predetermined bounds in the form of a risk appetite. This ensures that exports and outward investment risk are underwritten 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 functional responsibilities. 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 that is charged with risk oversight, compliance as well as ICT governance.

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 consists 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 providing 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 Committees 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.

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

Risk appetite underwriting metrics

Given that concentration is a major risk for the Corporation, concentration limits are set within the Risk Appetite as follows:

- Maximum underwriting capacity that can be sustained by the available capital as at 31 March 2020. The measure is the leverage ratio of underwritten insured value relative to the corporation's equity.
- The maximum combined loss (gross of claim salvages) of a single event from exposures in a single country.
- The maximum combined loss (gross of claim salvages) of a single event from exposures in an industry.
- The maximum loss (gross of claim salvages) of a single obligor/project.

The table below displays the projection of these metrics as a heat map. The projected leverage remains low. By 2023 the country concentration in Mozambique breaches the set limit, however at that point the available capital is expected to have increased to be able to support the concentration. The obligor concentration is above the limit due to the MTN Iran exposure, which was underwritten prior to implementing these limits.

Base Case	Limit	2020	2021	2022	2023	2024	2025	2026
Leverage Ratio	10.0	5.5	3.9	2.5	2.7	2.7	2.7	2.5
Country Concentration	$ 574	$ 551	$ 450	$ 498	$ 644	$ 722	$ 724	$ 673
Industry Concentration	$ 574	$ 376	$ 361	$ 349	$ 329	$ 373	$ 409	$ 401
Obligor Concentration	$ 166	$ 203	$ 203	$ 84	$ 108	$ 138	$ 151	$ 148

The table above shows the change in the composition of the Corporation's portfolio over the projection period, in terms diversification across countries and the overall PD of the portfolio. The RAG colours in the heat maps are based on the available capital as at 2020. The higher the portfolio PD the smaller portfolio size that can be supported by the current available capital, similarly the more concentrated the smaller the portfolio size that can be supported. Over the projected period the portfolio is becoming more concentrated and the portfolio PD increases.

Risk Budget

The Corporation has allocated capital to three risk measures; underwriting, investments and currency. The first two reflect the Corporation's revenue generating activities, the third item is a default US dollar currency position by virtue of the Corporation's business being predominantly dollar based. The capital allocation between these three is split 70:20:10 respectively. Capital allocation to operational risk is minimal and has been aggregated into the underwriting capital allocation.

The US dollar assets accord the Corporation a natural currency hedge in claim incidents. 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.

Emerging Risks

Consistent with IMF's June economic outlook, economic growth in 2020 and 2021 will be predominantly anchored on the effectiveness of pandemic containment measures adopted by countries. The risk to global recovery remains on the downside as containment measure such as social distancing endures. Debt levels are expected to be elevated with possible debt sustainability challenges. Whilst the short-term risks to both the underwriting and investment businesses remain strong, the near-term prospects remain uncertain.

28. 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 aware-ness 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.

29. RISK MANAGEMENT – RISK REGISTER

#	Objectives	Risk name	Root causes of the risk	Background/ Consequence to the risk	Key controls	Risk owner	Residual risk	RR factor	Action plans	Target date	Status	Comments
1	Contribute to Trade facilitation	Uncertain macro-economic outlook	Business projections may be significantly impacted by uncertain macro-economic outlook	Curtailment in project pipeline resulting in reduced premium income	Proactive deal origination	COO		10.40	- On-going pipeline monitoring - Pipeline certainty beyond 3 years is low - Existing pipeline (12-24 months) provides more certainty in the near-term	Ongoing	In progress	The combination of global growth slowdown due to COVID-19 & South Africa credit downgrade, the deal pipeline could be constrained in the outer years (years 3 & 4)
				Default risk from over-indebted countries due to increased Euro bond issuances by sovereigns and call for IMF support	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	COO		5.85	A debt sustainability framework that stipulates acceptability has been developed & should be implemented in the 3rd quarter of 2021	September 30th, 2020	Final tests & maintain	Monitor Implementation as new deals are screened
		Mandate constraint	Increased competition from other ECAs	Loss of business due to mandate constraint	Limit cover to achieved content	COO		5.40	Utilize reinsurance for the content deficient portion	Ongoing	In progress	This will be applicable on a case-by-case basis
		Competition	Uncompetitive SA Exporters	Inability to win international bids	ECIC is constrained by SA contractors' competitiveness	COO		7.20	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.	Ongoing	In progress	- ECIC mandate on 50% content - ECIC crowds in participation of South African contractors as partners or sub-contractors of the major international contractors i.e., the LNG projects

#	Objectives	Risk name	Root causes of the risk	Background/ Consequence to the risk	Key controls	Risk owner	Residual risk	RR factor	Action plans	Target date	Status	Comments
2	Increase Capital Base	Uncertain macro-economic outlook	Investment assumption may be significantly impacted by an uncertain macro-economic outlook	Increased volatility resulting in capital loss in investments	Diversification of investment portfolio	CAI		7.20	Implement Tranching	August 31, 2022	Planned	
		Pandemic risk	Following the outbreak of COVID-19 in Wuhan China in December 2019, the pandemic has now pervaded all continents adversely affecting daily lives and curtailing economic activity.	- Global economic growth is projected to be negative for 2020. - Potential impact beyond 2021 is indeterminate	1. On the underwriting side proactive deal origination 2. For investments adoption of Tranching approach 3. Operationally, the BCM activation	EXCO		7.20	1. Investment portfolio implementing tranching approach by August 2022 2. Underwriting portfolio resilience being monitored 3. Effects on pipeline being monitored 4. Weekly EXCO review of BCM 5. Out of Cycle ORSA approved in June & submitted to the PA	Ongoing	In progress	EXCO continually monitors the impact of the pandemic on the economic activities in sectors and countries that ECIC has existing exposure and future business, as well as effects on the investment portfolio and operations (BCM status)
		SA Credit Downgrade	Uncompetitive ECIC paper due to lower credit rating not affording banks sufficient capital relief under Basel 3	Following the downgrade of South Africa's sovereign credit rating to junk status, the risk of banks seeking better rated paper at ECIC's expense is higher.	- Wider coverage on the continent - Proactive deal origination - South Africa's role in AU accords leverage with most African governments	COO & CRO		10.40	1. Need to get a cut-through agreement in instances where reinsurance is taken 2. SARB to issue a sub-sovereign rating guideline in 2023 3. ECIC to apply for inclusion in the SARB- led project finance rating workgroup	October 31, 2020	In progress	
			SA Bonds removed from FTSE-WGBI after downgrade	Institutional & mandate investors exited SA GB, but yield seeking investors have piled back in, almost to pre-downgrade levels	Diversification of investment portfolio	CAI		7.20			Final tests & maintain	Institutional & mandate investors exited SA GB, but yield seeking investors have piled back in, almost to pre-downgrade levels

#	Objectives	Risk name	Root causes of the risk	Background/ Consequence to the risk	Key controls	Risk owner	Residual risk	RR factor	Action plans	Target date	Status	Comments
3	Staff retention	Culture Risk	Failure to live the values of the Corporation	The risk of inappropriate culture taking root in the company	Employee induction process	Head: HC		5.85	increased socialization of the values on an ongoing basis	Ongoing	Planned	HR to facilitate values workshops
		Inappropriate Hires	Misrepresentation of qualifications and employment history on CVs	Recruitment of persons who misrepresent/falsify information on CV's and/or job applications	• Agencies to provide applicants' original CV's • Completion of honesty and Integrity questionnaire • Integrity assessment • Where possible referees to be the candidate's direct manager. • Additional checks for unemployed candidates.	HR Head		12.80	Monitor effects of new controls and respond accordingly	September 1st, 2020	Final tests & maintain	HR has implemented the current enhanced controls, that include termination in case of misrepresentation by new hires
4	Improve Business Processes and systems	ICT Risk	Risk of ICT breach resulting unauthorised access	Unauthorised access of ECIC network resulting in unauthorized activities	Firewalls are currently in place and use of outsourced hosting services	GC		10.40	Perform a penetration test on the ECIC ecosystem	March 31st, 2021	Planned	
			Insufficient use of technology and data analytics in business processes and decision making respectively	Long lead times and error prone processes & inconsistent decision making	The new cloud-based HR System replacing the current ERP HR module has been installed. Phase I dealing with payroll and leave is operational. Online performance management is being rolled out	GC		12.80	There are various measures being undertaken by ICT to deploy cloud-based computing that include risk management system amongst other initiatives.	January 31st, 2021	In progress	ICT to provide project plan of the various initiatives its undertaking

#	Objectives	Risk name	Root causes of the risk	Background/ Consequence to the risk	Key controls	Risk owner	Residual risk	RR factor	Action plans	Target date	Status	Comments
			Poorly scoped and implemented systems	Procured ICT solutions take too long to implement & perform below expectation	End user determines systems needs	GC		10.80	All systems procurement must be motivated to EXCO and correct SCM and project management techniques to be applied to avoid delays and scope creep	Ongoing	In progress	
5	Good governance and sound risk management practices	Late submission of packs to committees & Board	Non-adherence to agreed board material circulation timelines and lead times	Shortened preparation time for board members, compromising Board effectiveness and efficiency.	1. EXCO agenda circulated couple of weeks before meeting 2. Action items circulated once prepared by secretariat	COSEC		12.80	(a) Action List & draft Minutes to be circulated to chairpersons within 10 days (b) EXCO to have Cycle of agenda which shadow the subcommittees and Board & ToR to stipulate TAT for Board & Committees.	January 31st, 2021	Planned	In the June cycle there was improvement in minutes and action lists. Need to align the EXCO CoA & TAT by January 2021
		Regulatory / Legislative changes	Increased risk of non-compliance	Risk of loss of license in case of breach of solvency	Multiple metrics in use 1. Risk capacity – Tier 1 capital available to absorb potential losses 2. Risk appetite - SCR > 115%, EC > 110% 3. Maximum underwriting capacity - 10x equity 4. Portfolio concentration limits – country & industry US$574 MM & single obligor limit US$166MM	CRO & CAI		9.60			Planned	Revised metrics in the Risk Management Strategy approved by Board in June 2020.
		Deterioration of the Corporation's B-BBEE score	- Decline in EE score - Large Procurement from Low B-BBEE suppliers	Decline in the Corporation's level 1 B-BBEE score	Incremental procurement is directed towards highly rated B-BBEE suppliers	CFO & CAI		5.85	- Strive towards EE targets - Continued high value procurement from suppliers with B-BBEE score > 4.	Ongoing	In progress	1. The Corporation has achieved a Level 1 B-BBEE rating in 2020. 2. Following the development of fund manager transformation plan, up-coming fund manager appointments

#	Objectives	Risk name	Root causes of the risk	Background/ Consequence to the risk	Key controls	Risk owner	Residual risk	RR factor	Action plans	Target date	Status	Comments
												will have to adhere to the plan
6	Improve Stakeholder Satisfaction	Stakeholders & Customer dissatisfaction	Adverse Customers & Stakeholders perception of ECIC	Decline in deal pipeline Weak links with key stakeholders in government	Client coverage & Active Stakeholder engagement	COO		3.60			Final tests & maintain	
		Disengaged Employees	Perceived arbitrary decision making in disregard of approved policies	Erosion of efficiency & professionalism leading to loss of key talent	Regular review and update of policies Implementation of approved policies Avoidance of deviations from approved policies	Head: HR		1.80			Final tests & maintain	

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 Subcategory**
Operational Risk	People
	Controls
	Systems
	Process
Strategy Risk	Strategy Risk
Regulatory Risk	Regulatory Risk
Reputational Risk	Reputational Risk

30. HUMAN CAPITAL PLAN

30.1 Introduction

The Strategic Human Capital Plan (SHCP) sets forth the framework for managing the Corporation's human capital system through 2023/2024. This Plan, which replaces the 2020/21-2022/2023 SHCP, aligns with the Corporation's 2021/2022 to 2023/24 Strategic Plan. The plan identifies three strategic human capital goals relating to attracting, motivating and retaining diverse talent, building capacity and having engaged employees.

30.2. HR Strategic Priorities

30.2.1 Human Capital Goals (2021/2022 – 2023/2024)

The 2024 SHCP focuses on three strategic human capital goals relating to attracting, motivating and retaining diverse talent, upskilling / reskilling of employees and having engaged employees. The human capital goals are discussed in detail below.

30.2.2 Human Capital Goal 1 – Maintain ability to attract, hire and retain key 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	2022 Target
Create talent pipeline through graduate programme	Appoint and develop graduates/interns	Build own talent pipeline through graduate programme	Appoint and develop graduates/interns
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
Motivate and retain diverse talent	Remote work enablement	Remote work and flexi work arrangements will enable the Corporation to motivate and retain talent.	Remote work enablement through HC policies
Improve remuneration & recognition practices	Conduct salary market benchmarking	Remuneration & recognition are key drivers of motivation and retention.	Salary market benchmark conducted
Improve remuneration & recognition practices	Review and improve incentive schemes and recognition programme	Remuneration, reward and recognition play a key role to motivate and retain diverse talent	Review and Improve incentives scheme(s) and recognition programme

30.2.3 Human Capital Goal 2 – Upskilling/ reskilling of employees to achieve desired performance

The Corporation seeks to improve its skills sets and implement targeted learning initiatives 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	2022 Target
Improve knowledge and skills	Conduct skills audit Compile and implement an annual training plan Blend learning and development by using both e-learning and classroom learning	Skills audit to identify and match skills Targeted learning initiatives Improve efficiency within learning and development	Skills audit completed Implementation of the annual training plan 50% of our offerings to be through E- learning
Improve performance management	Continue to improve the performance management system and goal setting	Performance management plays a key role in the achievement of the business strategy	Implementation of the reviewed Performance Management system
Implement succession planning programme	Succession plans included in the individual employee's PDP	Availability of key skills is a threat to business growth	Succession plans for key positions

30.2.4 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	2022 Target
Rethink organizational structure, roles and ways of working	Review of jobs/ Redeployments	Review utilization of staff, roles & organizational structure	Review of jobs/ Redeployments
Improve employee engagement levels	Compile and implement an engagement plan	Engaged employees are more productive	Implementation of the 2022-23 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

30.2.5 Defining and measuring success

The ultimate measure of success for the 2024 SHCP will be its overall impact on the Corporation's business strategy results.

30.2.6 Reporting

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

30.2.7 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 Plan.

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.

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 necessarily 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 - January
3	Include framework in strategic plan	CFO	Annual – January
4	Include framework in annual report	CFO	Annual – August
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 - August
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	2020/21 R'000 (Forecast)	2019/20 R'000	2018/19 R'000
Net Insurance Premium Revenue	954 778	523 290	580 843
Claims Incurred	41 083	76 875	189 433
Assessment Fees	745	232	617
Reinsurance commission	344	0	0
Net Investment Income	507 362	122 549	320 224
Other income	154	114	72
Total revenue	**1 504 465**	**723 060**	**1 091 189**

Assets	**2020/21 R'000 (Forecast)**	**2019/20 R'000**	**2018/19 R'000**
Total Assets	12 250 923	10 784 073	9 734 640

Shareholders' Equity	**2020/21 R'000 (Forecast)**	**2019/20 R'000**	**2018/19 R'000**
Shareholders' Equity	7 124 703	6 049 617	5 013 602

Profit before tax	**2020/21 R'000 (Forecast)**	**2019/20 R'000**	**2018/19 R'000**
Profit/(Loss) before tax	2 361 833	434 156	409 036

2.2 Quantitative ranges for consideration

Minimum	**2020/21 R (Forecast)**	**2019/20 R**	**2018/19 R**
0.25% of Revenue	3 761,161	1 807 650	2 727 973
0.5% of Assets	61 254,615	53 920 365	48 673 200
2% of Shareholders' Equity	142 494,053	120 992 340	100 272 040
2.5% of Profit before tax	59 045,813	10 853 900	10 225 900

Maximum	2020/21 R (Forecast)	2019/20 R	2018/19 R
1% of Revenue	15 044,646	7 230 600	10 911 890
2% of Assets	245 018,461	215 681 460	194 692 800
5% of Shareholders' Equity	356 235,133	302 480 850	250 680 100
10% of Profit before tax	236 183,252	43 415 600	40 903 600

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 R95 000 000 used by the external auditors for the 2019/20 audit was 1% of the 2018/19 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 2020/21 Total Assets (R61 254 615) be used for reporting to EXCO, Board and inclusion in the Annual Report.

3. Calculation of materiality amount

Income Statement	2020/21 R (Forecast)	2019/20 R	2018/19 R
Revenue	1 504 465 000	723 060 000	1 091 189 000
Percentage used	0.50%	0.50%	0.50%
Materiality amount	**7 522,323**	**3 615 300**	**5 455 945**

Statement of Financial Position	2020/21 R (Forecast)	2019/20 R	2018/19 R
Total Assets	12 250 923 000	10 784 073 000	9 734 640 000
Percentage used	0.50%	0.50%	0.50%
Materiality amount	**61 254,615**	**53 920 365**	**48 673 200**

4. Reasonableness review

The materiality for the 2019/20 audit as determined by the external auditors was R95 000 000 as per the calculation detailed in 2.3 above.

5. Conclusion

The materiality amount recommended for the Corporation for the financial year 2021/22 is R61 million.

All irregular expenditure and fruitless and wasteful expenditure are considered material.

ANNEXURE B: INDICATOR PROFILES

1. Staff retention and efficiency

1. Indicator title	Percentage of staff retained	Staff efficiency
2. Short definition	% of staff retained	Staff efficiency
3. Purpose/importance	To maintain a competent and competitive workforce that is able to deliver on the business strategy and the achievement of the Corporation's objectives	To maintain 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	Report from the HR System	Management accounts
5. Method of calculation	(Start of Period Headcount + External Hires – Terminations) / (Start of Period Headcount + External Hires) * 100	Employee cost for the financial year to earned premium (3-year average)
6. Data limitations	None	None
7. Type of indicator	Leading	Lagging
8. Calculation type	Count	Percentage
9. Reporting cycle	Quarterly	Annual
10. Desired performance	Achievement of agreed milestone	Achievement of agreed milestone
11. Indicator responsibility	Head: HR	Head: HR

2. Improve business processes and systems

1. Indicator title	Cost to income ratio	Percentage of business processes automated
2. Short definition	Cost to income ratio	% of business processes automated
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	2020/21 – 2023/24 Business process automation plan Signed-off reports by the respective business process owners.
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)	The business process automation plan identifies a total of 46 business processes to be automated. % of business processes automated = (no. of automated processes / total processes) * 100
6. Data limitations	None	None
7. Type of indicator	Leading	Leading
8. Calculation type	Count	Percentage
9. Reporting cycle	Annual	Annual
10. Desired performance	Achieve set target	Achievement of agreed milestone
11. Indicator responsibility	CFO	Head: ICT

3. Contribute to trade facilitation

1. Indicator title	Number of approved transactions	Value of approved transactions	Approved transactions within expanded sectoral coverage
2. Short definition	Number of approved transactions	Value of approved transactions	Approved transactions within expanded sectoral coverage
3. Purpose/importance	To increase revenue generating capacity	To increase revenue generating capacity	To increase revenue generating capacity
4. Source/collection of data	Resolutions of Projects EXCO; Finance, Investment and Insurance Committee; and Board	Resolutions of Projects EXCO; Finance, Investment and Insurance Committee; and Board	Resolutions of Projects EXCO; Finance, Investment and Insurance Committee; and Board
5. Method of calculation	Count the number of the insurance applications approved per 4 above	Sum the value of the insurance applications approved per 4 above	Count the number of the insurance applications approved per 4 above that are specifically included in Addendum to the 2016 Agreement between the Minister and ECIC
6. Data limitations	None	None	None
7. Type of indicator	Lagging	Lagging	Lagging
8. Calculation type	Count	Sum	Count
9. Reporting cycle	Annual	Annual	Annual
10. Desired performance	Achieve set targets	Achieve set targets	Achieve set targets
11. Indicator responsibility	COO	COO	COO

4. Good governance and sound risk management practices

1. Indicator title	Maintain B-BBEE level	Maintain a healthy Economic Capital Ratio and Regulatory Solvency Capital	Maintain a healthy Claims Loss Ratio
2. Short definition	B-BBEE level	EC and SCR cover ratios	Claims Loss Ratio
3. Purpose/importance	Improve B-BBEE level and employment equity initiatives to enhance the national transformation agenda towards and inclusive economy	To ensure a self-sustainable Corporation	To ensure a self-sustainable Corporation
4. Source/collection of data	B-BBEE scorecard	Capital Management Report	Management Accounts
5. Method of calculation	B-BBEE level	Own funds ÷ SCR and Own funds ÷ EC	3-year average Incurred claims over Earned Premiums
6. Data limitations	None	None	None
7. Type of indicator	Lagging	Lagging	Lagging
8. Calculation type	B-BBEE level	Percentage	Percentage
9. Reporting cycle	Annual	Annual	Annual
10. Desired performance	Achievement of agreed milestone	Achieve set targets	Achieve set targets
11. Indicator responsibility	General Counsel	CAI	CAI

5. 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 (USD functional currency)
5. Method of calculation	Percentage increase of profit after tax (excluding foreign exchange gains/losses and related tax) over the equity at the end of previous financial year. The related tax is the USD equivalent of the ZAR functional currency tax adjustment.
6. Data limitations	None
7. Type of indicator	Lagging
8. Calculation type	Percentage
9. Reporting cycle	Annual
10. Desired performance	Achieve set targets
11. Indicator responsibility	CFO

Improve stakeholder satisfaction

1. Indicator title	Employee engagement score	Corporate Reputation Index Performance (CRIP) score
2. Short definition	Employee engagement score	Corporate Reputation Index Performance (CRIP) score
3. Purpose/importance	To improve employee engagement	To maintain a high brand, reputation and stakeholder satisfaction score
4. Source/collection of data	Result of survey	Result of survey
5. Method of calculation	Result of survey	Result of survey
6. Data limitations	None	None
7. Type of indicator	Lagging	Lagging
8. Calculation type	Percentage	Percentage
9. Reporting cycle	Annual	Annual
10. Desired performance	Achieve set targets	Achieve set targets
11. Indicator responsibility	HR Manager	COO, Head: Marketing, Communications and CSR, Manager: Office of the CEO