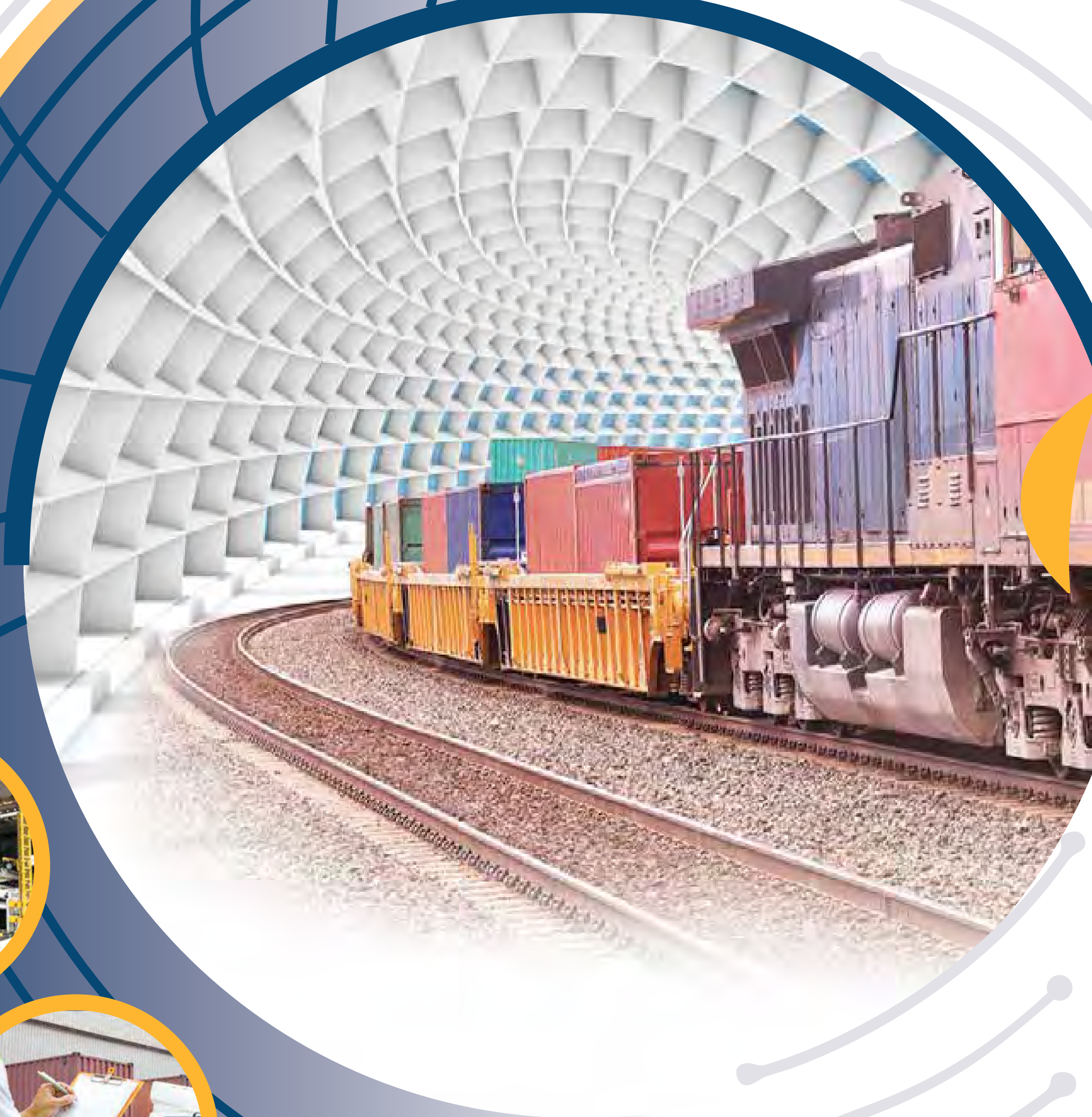
INTEGRATED REPORT 2023



ESTABLISHED IN 2001

ECIC

EXPORT CREDIT INSURANCE CORPORATION OF SOUTH AFRICA SOC LTD

YOUR EXPORT RISK PARTNER

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REFERENCE INFORMATION

Business and Registered Address

Registered name	Export Credit Insurance Corporation of South Africa SOC Ltd
Registration number	2001/013128/30, Registered Financial Services Provider FSP No 30656
Founded	2 July 2001
Enabling Act	Export Credit and Foreign Investments Insurance Act, 78 of 1957 (as amended)
Shareholder	South African government, represented by the Department of Trade, Industry and Competition (**the dtic**)
Registered address	Block C7 & C8 Eco Origins Office Park, 349 Witch Hazel Avenue, Highveld Ext 79, Centurion 0157, South Africa
Postal address	PO Box 7075, Centurion 0046, South Africa
Telephone	+27 (0)12 471 3800
Email	info@ecic.co.za
Website	www.ecic.co.za
External auditor	SNG Grant Thornton, 20 Morris Street, East Woodmead, Sandton, Johannesburg, South Africa
Banking details	First National Bank, Fehrsen Street, Steven House, Brooklyn, Pretoria, South Africa
Company Secretary	Xoliswa Mpanza
Contact person for this report	Warren Koen, Manager: Office of the Chief Executive Officer +27 (0)12 471 3800, wkoen@ecic.co.za
Reporting period	1 April 2022 to 31 March 2023

ACRONYMS AND ABBREVIATIONS

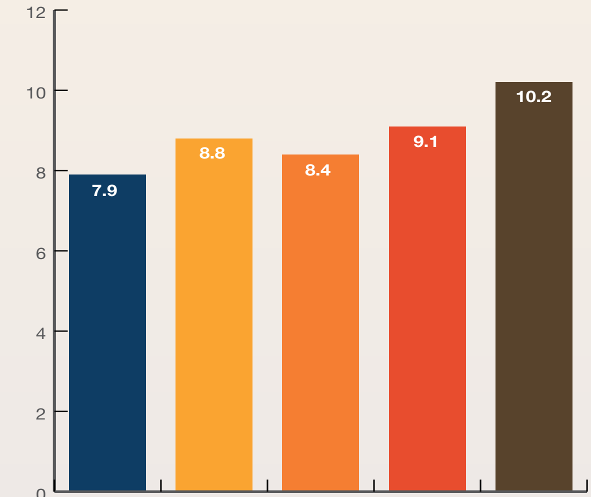
AfCFTA	African Continental Free Trade Area
Afreximbank	African Export-Import Bank
ALM	Asset-Liability Matching
B-BBEE	Broad-Based Black Economic Empowerment
Berne Union	International Union of Credit and Investment Insurers
CA(SA)	Chartered Accountant (South Africa)
Cert. Dir	Certified Director
CEO	Chief Executive Officer
CRR	Concentration Risk Reserve
DIRCO	Department of International Relations and Cooperation
ECA	Export Credit Agency
EXIM	Export-Import
FSCA	Financial Sector Conduct Authority
Government	Government of the Republic of South Africa

ICT	Information and Communications Technology
IMF	International Monetary Fund
IMU	Interest Make-up
<IR> Framework	International Integrated Reporting Framework
IPAP	Industrial Policy Action Plan
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
OECD	Organisation for Economic Cooperation and Development
PA	Prudential Authority
PFMA	Public Finance Management Act, 1 of 1999
SAA	Strategic Asset Allocation
SCR	Solvency Capital Required
the dtic	Department of Trade, Industry and Competition

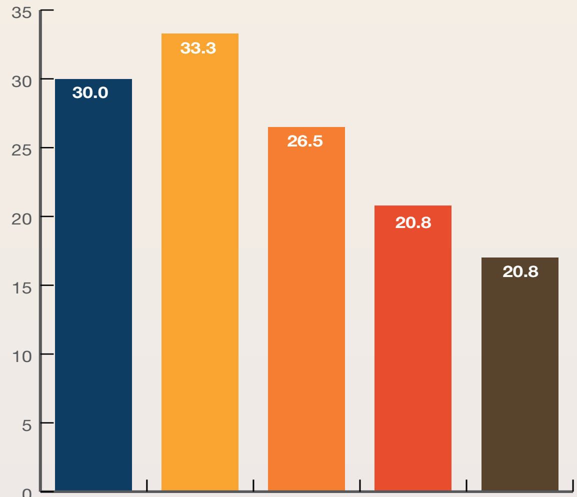
AT A GLANCE

LEVEL 1
B-BBEE
CONTRIBUTOR

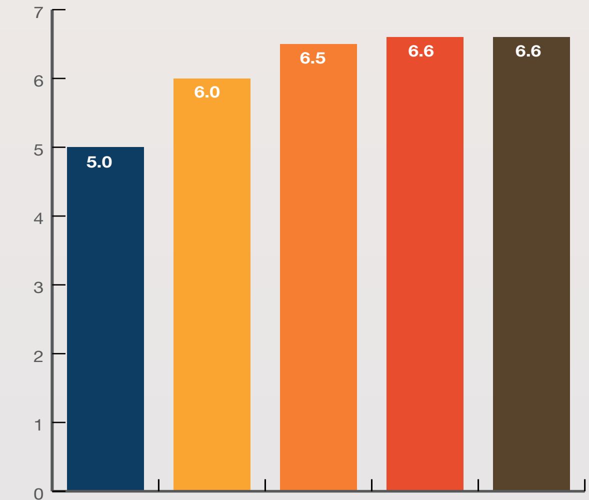
2019 2020 2021 2022 2023



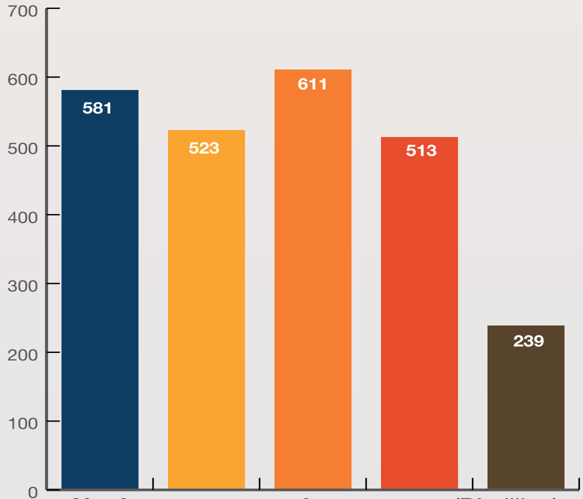
Total financial assets (including cash and debtors) (R'billion)



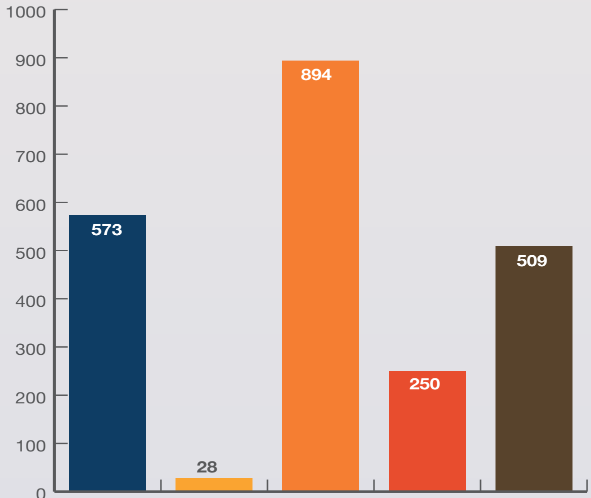
Total insured value (R'billion)



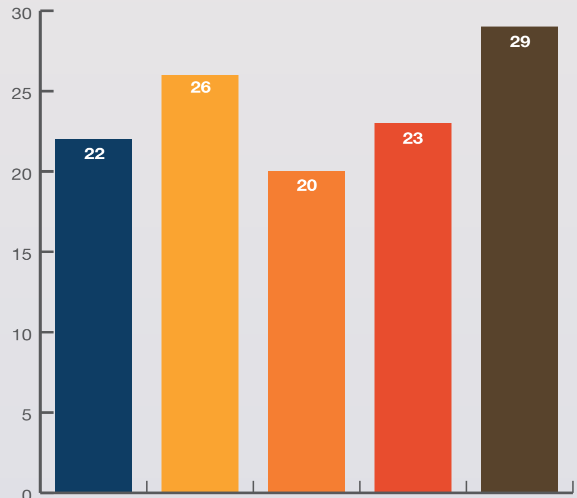
Total equity (R'billion)



Net Insurance premium revenue (R'million)



Transactions approved ($'million)

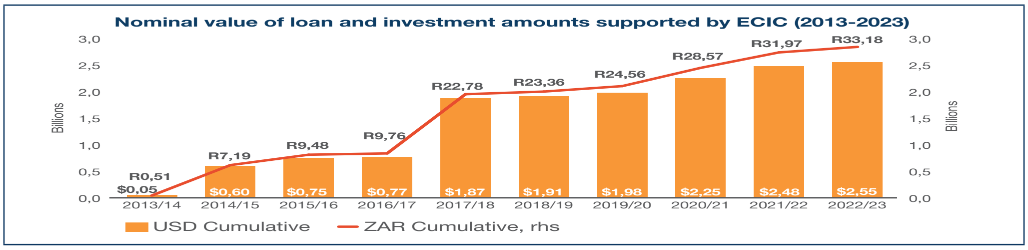


Cost to income ratio (Percent)

ECONOMIC IMPACT ASSESSMENT 2013/14 – 2022/23

Value of ECIC supported projects

- Over the last 10 financial years, ECIC has grown considerably supporting almost 47 export-led and investment-related projects across the African continent and other emerging economies. This accumulated to approximately US$2.6 billion (R33.2 billion) worth of loans and investments supported by ECIC in various sectors among them power, mining, rail, construction and telecommunications.

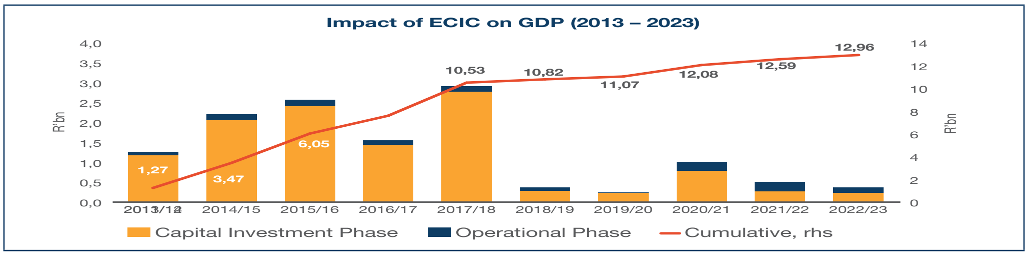


The figures on the chart use the USD/ZAR exchange rate as at 31st March of the applicable financial year

Figure 1: Value of ECIC supported projects

Value added to SA economy

- R 12.96 billion is estimated to have been added to the South African GDP

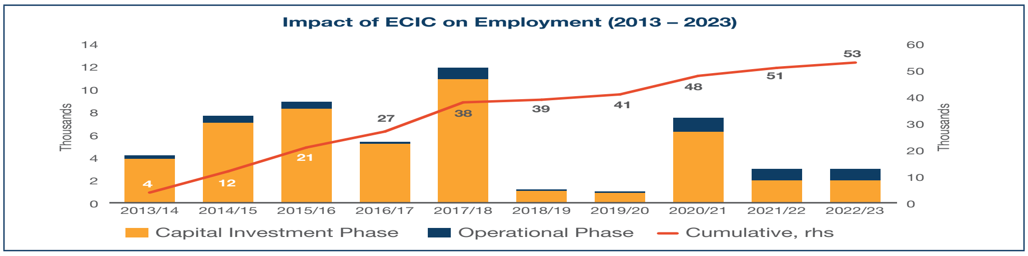


Note: Results presented consider the Direct, Indirect and Induced impacts of ECIC's contribution

Figure 2: Value added to SA Economy

Employment Impact in South Africa

- ECIC's involvement has been instrumental in facilitating the generation and sustainability of an estimated 53 000 job opportunities in South Africa as a result of insured export transactions, over the past 10 years.

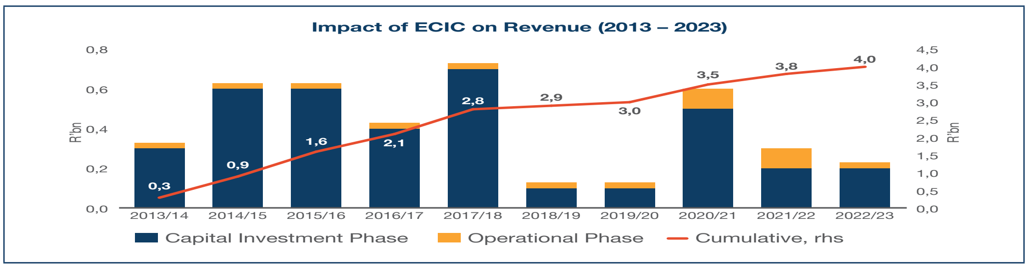


Note: Results presented consider the Direct, Indirect and Induced impacts of ECIC's contribution

Figure 3: Employment Impact in South Africa

Revenue Impact in South Africa

- R 4 billion is estimated to have been added to the South African fiscus



Note: Results presented consider the Direct, Indirect and Induced impacts of ECIC's contribution

Figure 4: Revenue Impact in South Africa

FOREWORD BY THE MINISTER OF TRADE, INDUSTRY AND COMPETITION

Ebrahim Patel

Export Credit Insurance Corporation

It is my pleasure to table the Annual Report of the Export Credit Insurance Corporation (ECIC) for the 2022/23 financial year.

Over the last 10 financial years the ECIC has grown considerably, supporting more than 45 export-led and investment-related projects across the African continent and other emerging economies. This resulted in approximately US$2.6 billion (R33.2 billion) worth of loans and investments supported by ECIC in various sectors, among them being power, mining, rail, construction and telecommunications. The ECIC estimates that approximately R13 billion has been added to the South African gross domestic product (GDP) as a result of these transactions, and that it has facilitated the generation and sustainability of an estimated 53 000 job opportunities in South Africa over the past 10 years as a result of insured export transactions.

Aligned to the ECIC mandate of making SA exporters attractive to international buyers, the Corporation approved five new transactions valued at $517 million during the financial year. Two of these transactions relate to the expanded mandate, which commenced on 31 May 2021 and includes short-term insurance support involving the export of non-capital goods (consumables) and related services.

The report also reflects the work of the ECIC in implementing its core mandate, and the outcome of joint efforts to align work of the dtic's entities towards a set of three shared outcomes:

- Industrialisation by drawing the link between interventions and patterns of production, investment, export and job creation;
- Transformation by connecting interventions to empowering black South Africans, women-and workers;
- Capable state by reporting on improved performance and deeper partnerships.

Focusing around these central outcomes allows the diverse set of entities in the dtic Group – comprising of regulators, financiers and technical institutions – to pool capacities and collaborate to best deliver for the South African people.

The ECIC will continue to align its work around stronger delivery on its core mandate and contribution to a common set of outcomes defined for the dtic Group, including the forty-five central outcomes established for the 2023/24 Financial Year. These outcomes are focused on measuring performance in terms of real impact, defined through key measures like the number of jobs supported, investment unlocked, and output generated by our work.

I wish to pay tribute to the late Chief Executive Officer of the Export Credit Insurance Corporation of South Africa (ECIC), Mr Mandisi Nkuhlu, after his untimely passing on 23 July 2023, who served the ECIC for the past 22 years with distinction. Before his appointment as Chief Executive Officer of the ECIC in December 2022, Mr Nkuhlu was the Chief Operating Officer for the ECIC, a position he served in for over 10 years. His passion and commitment enabled the ECIC to improve services to clients in the market and enhance the impact of the Corporation.

I thank the Chairperson, Mr Dheven Dharmalingam, the Board, the management team and the staff of the ECIC for their contribution to the performance of the Corporation for the year.

Ebrahim Patel
Minister of Trade, Industry and Competition

ABOUT THIS INTEGRATED REPORT

This Annual Integrated Report of the Export Credit Insurance Corporation of South Africa SOC Ltd (ECIC) for the financial year ended 31 March 2023 provides material information about our strategy and business model, operating context, material risks and opportunities, stakeholder interests, performance, prospects, and governance. The scope and boundaries of the report are similar materially to those of the previous financial year.

The principles of the International Integrated Reporting (<IR>) Framework guide our integrated reporting to report on activities as follows:

- in terms of two fundamental <IR> Framework concepts: organisational value creation over time and organisational resources and relationships
- against the six <IR> Framework capitals: financial, intellectual, human, social and relationship, manufactured, and natural.

The contents of the report relate to our purpose, core business and usefulness to stakeholders in our business sector and is aligned with best practices in integrated reporting.

The following Acts and guidelines are important to the nature of our business and the sector in which we operate:

- Short-Term Insurance Act, 53 of 1998 (as amended).
- Insurance Act, 18 of 2017.
- Export Credit and Foreign Investment Insurance Act, 78 of 1957 (as amended).
- Public Finance Management Act, 1 of 1999.
- Companies Act, 71 of 2008.
- King IV Report on Corporate Governance for South Africa (2016).
- Broad-Based Black Economic Empowerment (B-BBEE) Act, 53 of 2003 (as amended by 46 of 2013); and
- National Development Plan 2030.

Responsibility and assurance

The Board, as the Accounting Authority, is responsible for the integrity of this report. In the opinion of the Board, the report addresses all strategic and material issues and presents an integrated and accurate view of the Corporation's performance during the year under review. This assurance is based on effective internal processes and precludes the need for third party assurance over any information in the report.

The Board believes that the report provides the South African government, as the single ECIC shareholder and key stakeholders with an accurate summary of its financial and sustainability performance and a balanced appraisal of the material issues that affected its business value during the 2022/23 financial period.

The Board approved the report on 27 July 2023 and submitted it to our shareholder representative, the Department of Trade, Industry and Competition (**the dtic**) and related entities, including National Treasury, the Auditor-General of South Africa and Parliament.

Material Issues

The Corporation's approach to identifying and managing material issues are guided by Board and governance processes and its risk framework. The Executive team regularly identifies material issues to recognise their impact and significance to the Corporation and its stakeholders.

A key objective of integrated reporting is to report on value creation over time. Value creation depends on resources that are influenced by an organisation's external environment and stakeholder relationships.

Materiality Determination Process

Development of ECIC Strategy

Strategic Planning Sessions held in September each year where the following is discussed:

1) Strategic Themes for the year;
2) Our external environment with an emphasis on outlook, products and pricing and research;
3) Legislative and regulatory developments, such as our compliance universe;
4) Emerging risks; and
5) Economic performance data and analysis regarding finance, investments and our portfolio.

Strategic objectives and targets for a 3-year period are then finalised and submitted to the Shareholder for review in October. Included in this is an annual Materiality and Significance Framework approved by the Audit Committee.

The final Strategic Plan is approved by the Audit Committee and Board in January each year for the Minister's sign-off

Tracking of Performance
(Refer to page 80)

The Quarterly Performance Report is presented quarterly to the Audit Committee and Board for approval before submitting to the shareholder.

Internal audit performs a review on each Quarterly Performance Report before the approval.

In-Year Management Reporting
(Refer to Governance on pages 58)

Audit Committee approves an annual internal audit plan which is reported against quarterly. This identifies risks and weaknesses to be reported on by management.

Quarterly feedback to Board Sub-Committees based on the implementation of Operational Plans linked to the Corporation Balanced Scorecard.

Stakeholder Feedback
(Refer to pages 62-71)

Input from internal subject matter experts, thought leaders and external stakeholders through workshops and interviews facilitated by our marketing and communication, and business development functions.

Implementation of Stakeholder Management Framework and related Engagement Plans.

Own Risk and Solvency Assessment
(Refer to page 76)

The ORSA process is an integral element of the Corporation's risk governance system.

It is designed primarily to satisfy the internal need to manage all material risks and ensure sufficient capital to meet solvency and business requirements.

The ORSA identifies the relationship between risk management, and the level and quality of financial resources required and available.

The assessment is conducted annually and can occur more frequently, if necessary.

Approval of Integrated Report
(Refer to page 8)

The annual Integrated Report is reviewed and approved by EXCO, Audit Committee and Board for tabling in Parliament.

Assurance is provided by the work performed by Internal Audit on the Quarterly Performance Reports and commentary received from both Internal Audit and External Audit on the Integrated Report.

The Office of the CEO monitors and advises EXCO, Audit Committee and Board on any changes to the International <IR> Framework and on any additional assurance requirements.

IDENTIFIED MATERIAL ISSUES

The material issues, with our strategic objectives, are integral to the way in which we manage the implementation of our strategy and performance assessments.

The Board concurs that the following material issues are salient to our business operations and most likely to cause risk for the Corporation, our shareholder, and key stakeholders. We describe the issues here, as well as their impact on our key stakeholders to either create or erode value.

Amendment of the ECIC Act

We are engaging with **the dtic** on the amendment of the ECIC enabling legislation to authorise ECIC to cover non-South African financial institutions. The proposed legislative change would have to be processed through Parliament; a process likely to be drawn out.

Progress on ECIC expanded mandate

Two transactions to the equivalent value of USD8,22 million were approved during the financial year:

1) Robertson and Caine – R130 million
2) RAM Shopfitting – R13,2 million

Euro Policies insurance coverage

Expanding the insurance coverage to Euro currency will help ECIC unlock opportunities for exporters and investors in regions where transactions are denominated in Euro currency. In addition, the repatriation of Euro currency in South Africa offers an advantage of diversifying the foreign currency reserves basket.

New enquiries which are coming from Francophone countries can be supported to allow South African exporters to seize new opportunities in new markets. ECIC is an instrument in government's hand to facilitate expanded trade and investments by SA companies.

The Euro is gaining momentum in the international financial system. As demonstrated in comparative studies, the Euro dominates as a second currency after the US dollar, in terms of accumulated foreign exchange reserves; international debt issuances; international loans; foreign currency turnovers; and global payment currency from countries that transact in both USD and Euro.

ECIC Thought Leadership

The Corporation conducts research to identify potential trade and investment opportunities in countries and economic sectors, so that South African exporters and investors may take advantage of these opportunities, and by so doing, take advantage of the ECIC insurance support scheme.

The following reports were finalised during the year:

SME AFCFTA AWARENESS SURVEY REPORT

Provides a snapshot on the state of awareness and knowledge by South African small businesses of the African Continental Free Trade Agreement (AfCFTA) and the impact the agreement will likely have on local SMEs.

The report offers a view of the potential enablers and challenges to facilitating effective communication strategies on SME AfCFTA awareness and export trade across the 9 South African provinces.

The outcomes from this survey are expected to give the ECIC guidance in terms of appropriate interventions from an export credit insurance perspective in terms of product development and other underwriting considerations. This will enable the Corporation to identify market gaps and support SMEs, accordingly, in export trade.

ECIC IMPORT AND EXPORT RESEARCH REPORT

The main aim of the research was to understand the needs, challenges of business expansion, specifically the export/import market for SMEs in South Africa and its trading partners.

This report answers the research objectives through unpacking:

- Unpacking the barriers SMEs experience in terms of expansion, operational, financial, and informational challenges.
- Understanding how the novel COVID-19 pandemic and great lockdown impacted SMEs.
- Highlighting prospects and what SMEs need to flourish within the industry; and

- Identifying possible strategies that could be employed to resolve problems on an individual and national level.

Stakeholder Feedback

During the 2022/23 financial year, the Corporation conducted 2 critical stakeholder surveys:

1. Corporate Reputation Index Performance (CRIP) Survey; and
2. Culture Entropy Survey

The outcomes of these surveys are detailed in the Stakeholder Section on page 62.

During the 2023/24 financial year, the Corporation will conduct its biennial Employee Engagement Survey, and track the effectiveness of the AfCFTA media campaign through a Click-Through-Rate measure.

Economic and political outlook

The global economy is still making a slow recovery from the COVID-19 pandemic taking cognisance of the impact of the Ukraine and Russia conflict which still looms large. On the African continent, sovereign governments are facing fiscal challenges, which amongst others, resulted from reprioritisation of financial resources to fund COVID-19 related expenditures in containing or managing the pandemic. ECIC is likely to face claims in Ghana, because of the Minister of Finance's failure to honour its debt obligations. Ghana is currently in negotiations with its creditors seeking a debt restructuring and/or forgiveness in order access further disbursements under the International Monetary Fund (IMF) bail-out of US$3 billion. Zambia has also restructured its sovereign debt.

Furthermore, South Africa has been experiencing acute power shortages which have significant impact on economic activities and is reflected in the low economic growth rates 0,6% predicted by the South African Reserve Bank and the IMF. The lack of secured energy generation capacity and supply is leading to small and medium companies facing closure and other companies looking for alternative power sources such as green or solar energy and other fossil fuels. All these factors are contributing towards poor economic performance, loss of production and employment opportunities.

Refer to the External Environment section on page 32 for more detail on the economic and political outlook of the Corporation.

Environmental, Social and Governance (ESG) issues

ESG POLICY

The ESG Policy has been updated and it incorporates the key principles of the Equator Principles (EP4), which will guide ECIC in assessing ESG risks on potential transactions or projects to be underwritten and/or underwritten by ECIC. Of importance to note, the updated ESG Policy provides amongst others, the following:

- The Environmental and Social Impact (ESI) Policy for Supported Transactions has been updated to include Environmental, Social and Governance issues. Governance has been added throughout the document;
- Aspects dealing with "Sensitive Areas" have been defined and how those are being considered as part of Biodiversity Assessment and Management;
- Human Rights assessment has been incorporated in the policy;
- Climate change assessment, disclosure and reporting requirements;
- Site visits for Category A and B projects process;
- An example/list and definition of what is Project Related and Non-Project Related transactions is defined and how to deal with the outcome of the screening;
- Stakeholder engagement on Free, Prior and Informed Consent of Indigenous Peoples affected by a project;
- A sample of information required for ESG evaluation for both Project Related and Non-Project Related is highlighted;
- An Exclusion List is contained in the policy, this deals with the list of activities that ECIC may not support; and
- ECIC stance on Coal is included which is in line with RSA Government stance.

The ESG Policy has an Early ESG Screening Questionnaire which will be utilised to screen projects and to establish if they fall within the ambit of Category A or B or C. The categorisation will guide the extent of the ESG assessment that needs to be carried out. The questionnaire will form part of the application process as envisaged in the ESG Policy.

GLOBAL REPORTING INITIATIVE FRAMEWORK

Although ECIC has reported ESG impacts in its Integrated Report there has not been a detailed ESG impact reporting on the insured transactions. The comprehensive ESG reporting encourages transparency and accountability and includes reporting on both negative and positive ESG impacts. ECIC has been reporting the ESG impact of its operations following the GRI framework to a limited extent. As such, ECIC is considering the GRI framework with the aim to report the ESG impacts of its operations, including on its insured transactions in accordance with the GRI framework.

REPORTING BOUNDARY

The annual report covers the performance of the Corporation over each financial year (April to March), while the outlook throughout the report is based on the following year's Corporate Plan approved by the Board in January each year and considers the performance and stakeholder engagements of the first quarter of that Corporate Plan period.

MESSAGE FROM THE CHAIRMAN

Mr Dheven Dharmalingam

The 2023 Integrated Report comes amid economic decline in both local and global markets that are struggling with the fallout from the Ukraine-Russia conflict, whilst the post-covid recovery has been slow, underpinned with China only recently opening its borders. The direct impact on our markets has been limited foreign direct investment, disrupted supply chains, high inflation followed by Central Bank monetary policy tightening. Our financial results have been impacted by both a lack of new infrastructure projects and certain current projects going into distress due to the difficult economic environment. The ECIC has followed a disciplined Capital Management Strategy and is geared to trade through this difficult period as evidenced by the Corporation's Own Risk and Solvency Assessment (ORSA) Report that indicates strong capital cover ratios over the medium-term as disclosed in the Management of Financial Capital Section on page 110.

The two ECIC research reports finalised during the year indicate the impact this has had on new businesses, especially; the barriers experienced by SMEs; and their awareness of the AfCFTA. Through its expanded mandate, ECIC is focused on accelerating the development of its SME portfolio, diversifying risks to be more resilient and making headway in furthering the implementation of the AfCFTA. We are excited that this new product offering will play a key role in supporting our SME market to exponentially increase its exports and critically help create new employment opportunities.

Building economic inclusion through transformation is high on ECIC's strategic agenda. The SED Programme is intended to improve the quality of life of previously disadvantaged communities throughout the country, by implementing sustainable socio-economic interventions. The commitment is to support initiatives that are aligned with the skills gap in the export and insurance trade industry including consumer financial education initiatives that will empower the beneficiaries to become aware of the financial risks and opportunities and make informed choices.

The Corporation conducted its first Cultural Assessment Survey, and this reflects accountability; work-life balance; innovation; employee recognition; and teamwork as the most desired cultural values of the ECIC staff. The Culture Entropy score of 26% and the staff retention rate of 94% reflect positively on the employee engagement but indicates the need to continually focus on this aspect.

A positive market perception of the ECIC brand is reflected in the results of the third Corporate Reputation Index Performance (CRIP) Survey conducted. The continued improvement trend in the six themes over the three surveys is indicative of the focused Engagement Plans of the Corporation as reflected in the Stakeholders section on page 62. The Corporation has implemented a multi-year AfCFTA media campaign and the success of this will be shown by way of the targeted Click-Through-Rate in the Corporate Plan.

Ghana

Ghana is the highest country concentration within the insurance portfolio at R8 billion (47%), with the largest single sum insured being Cenpower at R5 billion (42%). These projects are in high priority sectors of the country such as energy, rail, and healthcare. The International Monetary Fund (IMF) has approved a $3 billion loan to the Government of Ghana, with the first tranche of $600 million already disbursed. The Corporation has applied to join the Paris Club/G20 Ghana Creditors Committee that is negotiating the framework and details of the Ghana sovereign debt restructuring. Continued engagement with the Ghana Ministry of Ghana is taking place to emphasise the position of the lenders.

The External Environment Section on page 32 details the latest economic and political outlook for the Corporation.

Appreciation

On behalf of the Board, with profound sorrow and heavy hearts, we share the heartbreaking news of the passing of our beloved CEO, Mr. Mandisi Nkuhlu, who led the ECIC with distinction. On the 23rd of July 2023, Mr. Nkuhlu peacefully departed, leaving behind a remarkable legacy of leadership, vision, and inspiration.

As an organisation, we are deeply saddened by this loss, and our thoughts and prayers go out to Mr. Nkuhlu's family, colleagues, and friends during this difficult time. We extend our deepest condolences and heartfelt sympathy to all those who had the privilege of knowing and working with him.

Mr. Nkuhlu's tenure as CEO was marked by extraordinary dedication and a relentless pursuit of excellence. His visionary leadership transformed the ECIC into a driving force in the industry, leaving an indelible mark on all who were fortunate to be a part of his journey. We join together in solidarity, united by the legacy of Mr. Mandisi Nkuhlu, as we navigate these difficult times and work together to uphold the values he cherished.

We also welcome to the Board the new shareholder representative from National Treasury, Mr Errol Makhubela. He brings valuable input into the governance processes and insight from the Finance Ministry.

My appreciation goes to the Board, executive management, and the staff for their hard work during this extremely difficult trading year. I believe that South African exporters, banks and development finance institutions are in capable and committed hands; and I thank them for their continued support of the Corporation.

A heartfelt thanks is extended to the Minister of Trade, Industry and Competition for the continued guidance towards the valuable and meaningful contribution to driving the vision for **the dtic**. The signing of the expanded mandate in May 2021 allows ECIC to provide short-term insurance support as well as the implementation of a 5-year Short Term Insurance Strategy from the 2023/24 financial year.

A future view

The short-term insurance strategy and ESG matters were brought into sharp focus by the Corporation during the year. These items will be accelerated to ensure a successful implementation of the AfCFTA for South Africa.

The Board recognises that ESG is a critical component of our value creation and that it requires careful attention in terms of how we weave it into our strategic planning. While the Corporation has already made substantial progress in this regard, our management team is focusing on how best to further integrate ESG into our corporate strategy to align with the AfCFTA.

The Export Passport Programme to be initiated in 2023/24 provides the opportunity for **the dtic** to launch new export networks and enable approved exporters to undergo an incubation programme. This will provide them with a customised export passport scheme which will assist them in increasing their contribution in the export value chain.

Dheven Dharmalingam
Chairman

27 July 2023

OVERVIEW BY THE LATE CHIEF EXECUTIVE OFFICER

Mandisi Nkuhlu

The heightened geopolitical tension between the major economies is slowing down the growth of international trade. The lingering impacts of COVID-19 and the ongoing war in Ukraine have resulted in global supply chain disruptions that reinforce the importance of regional supply value chains.

The expanded mandate driven by the African Continental Free Trade Area highlights the need for export credit offerings coming out of South Africa to be more comprehensive to close market gaps. The role of ECIC is to fill these market gaps and boost intra-African trade.

The elevated levels of loadshedding have pushed the domestic economy to the brink of economic recession. The inadequate capacity of our ports and rail infrastructure is negatively impacting the levels of export trade and underscore the importance and urgency of collaboration between public and private entities in addressing the economic challenges of the day and in building a solid platform for economic recovery.

In collaboration with other Development Financial Institutions within **the dtic** family, ECIC is well positioned to play a counter-cyclical role to boost intra-Africa trade. It is quite pleasing that we ended the past financial year on an upward trajectory. In the fourth quarter alone, we approved transactions of more than $500m. I am confident that we will take this positive momentum into the new financial year.

Over the past 22 years we have progressively built our balance sheet in anticipation of the underwriting storms that may lie ahead. As it happens, the Corporation is facing headwinds in Ghana, and we count on our capital adequacy measures to weather these storms. Our ability and capacity to negotiate and manage workout situations will place us in good stead, as we set out to navigate the debt restructurings, claims and salvages linked to our Ghana exposures.

The Corporation is also undergoing significant leadership changes with the recent departure of our former CEO. On a positive note, this presents us with the opportunity to refresh and reset as we set out on an organisational redesign exercise to build a fit for purpose organisation that is future ready. The need to increase the level of integration between the work of **the dtic** entities and **the dtic** requires a paradigm shift in our operating model and resource allocation.

We have increased the number of our interns and started to embark on a recruitment drive for new graduates and other professionals that will bring fresh blood and new ideas that should boost innovation and enable us to grow our own timber. The intake of new people and infusion of new ideas dovetails with our efforts to nurture a people centred organisation and foster a customer centric culture of excellence and positive customer experience.

Building a capable state is one of the key objectives that is central to the Joint Key Performance indicators of **the dtic** group. As a member of **the dtic** family, ECIC is committed to invest in the training of its staff and management through targeted Corporate-wide training programmes to tackle the knowledge and skills required in the pursuit of the short-term trade insurance line of business that forms part of the expanded ECIC mandate.

Highlights and significant developments

The Corporation has achieved a Level 1 B-BBEE score for the third time, as well as another clean audit. This demonstrates the strong corporate governance environment within which the Corporation operates and the strong pursuit of the transformation agenda to build an inclusive economy.

The Performance Section on page 80 details the achievements against the strategic objectives for the year. We achieved two-thirds of our strategic objectives which reflects a determined effort by the Corporation despite the tough economic and operating conditions. Five of the fifteen targets that were not achieved are:

1. $550 million worth of approved transactions – where the Corporation achieved $ 509 million value of approved transactions and came under this target by a close margin of less than 10%.
2. Four approved transactions – where the Corporation approved three transactions.
3. $60 million worth of approved transactions within expanded sectoral coverage
   a. We are in the early stages of the rollout of the short-term insurance strategy and thus far the uptake for short-term transactions is still low and tentative. We are encouraged by the engagements between our business development team and the different teams within the banks and various exporters that this new line of business will gain momentum in the new financial year. The intra-Africa trade facility that has been signed between ECIC and IDC lays a strong basis for effective collaboration between these two sister institutions.
4. Five companies benefitting from the Export Passport Programme
   a. The process of getting all the parties comfortable with the execution version of the Cooperation Agreement on the Export Passport Programme took longer than anticipated. To date, ECIC, IDC and NEF have signed up to the Export Passport Programme. The process is underway to secure the signature of the agreement by **the dtic**.
5. Achieve a 5% increase in equity
   a. The significant increase in provisions raised for the Ghana exposure has resulted in an 8% decline in the equity capital of the Corporation in US Dollars when excluding foreign exchange movements and related taxes. This is mainly due to the IBNR raised for various Ghana projects and the Concentration Risk Reserve raised because of the downgrade of the internal credit risk rating of Ghana pursuant to the default by the Government of Ghana on its debt service obligations.

ESG matters and climate change

ECIC has appointed an Environmental Social Governance Specialist during the financial year. The ESG Policy has been revised to comply with the Equator Principles IV. The Policy, amongst others, provides for the categorisation of projects in relation to the ESG impacts, deals with the due diligence process for Category A, B and C projects and outlines the ECIC stance on climate change related issues. This development is quite significant as ECIC is well poised to support renewable energy projects and foster a just transition to clean energy sources and a greener economy.

Opportunities to enhance the export credit scheme

We are engaging with the shareholder to amend our founding legislation to authorises ECIC to provide insurance cover for non-South African financing institutions. ECIC's ability to provide insurance cover for non-South African financing institutions would unlock additional funding capacity for South African exporters from these non-South African financial institutions.

In addition to this, ECIC is pursuing the opportunity to expand the insurance coverage to Euro currency and enhance ECIC's capacity to unlock opportunities for exporters and investors in regions where transactions are denominated in Euro currency.

Stakeholder engagement

Understanding stakeholder expectations is vital to the effective execution of the ECIC mandate. The results of the two surveys conducted this year highlight positive stakeholder feedback and provides the Corporation with recommendations to further improve on this.

The Stakeholders section on page 62 details the results of the surveys as well as the stakeholder engagements and marketing initiatives that have bolstered our brand profile and the advocacy work carried out by the Corporation.

Financial Performance

PREMIUMS, CLAIMS AND UNDERWRITING PROFIT SUMMARY

2018/19 TO 2022/23 (R'000)

	2022/23	% Movement 2022/23	2021/22	2020/21	2019/20	2018/19
Insurance premium revenue	150 357	-23%	196 290	701 331	213 930	154 278
Net insurance revenue	239 119	-53%	512 654	611 453	523 290	580 843
Underwriting profit/ (loss)	(1 358 914)	-356%	(298 035)	556 718	453 596	623 402
Claims paid	(877 800)	-	-	-	(373 787)	(206 469)
Investment income	277 589	-7%	297 453	822 981	122 549	320 224

ASSET GROWTH

2018/19 TO 2022/23 (R'000

	2022/23	% Movement 2022/23	2021/22	2020/21	2019/20	2018/19
Total financial assets (including cash and debtors)	10 205 433	12%	9 098 937	8 413 288	8 797 567	7 908 271
Total assets	11 561 475	14%	10 136 431	10 204 214	10 784 073	9 734 640
Total equity	6 607 022	-1%	6 646 714	6 504 738	6 049 617	5 013 602

While the Corporation experienced an underwriting loss of R1,4 billion, the total financial assets have increased by 12% and now exceed the R10 billion threshold. The underwriting loss is driven largely by the provisions that have been raised for the Ghana projects following the default on debt by the government of Ghana. Despite these huge provisions, the Corporation has recorded a total comprehensive loss of R40 million.

The Financial Overview section on page 90 details these results, and the associated management of financial capital and the insurance portfolio.

Acknowledgements

This Integrated Report represents collective inputs and a wide array of contributions from the Board, management and the staff. Once again, we are indebted to many stakeholders who have helped us achieve these results, either through their direct engagement, or through investments.

I thank our shareholder, **the dtic** for their support in creating an enabling environment conducive to our business growth and development.

I thank the Board and executive management for their wise counsel and insightful contributions in steering the Corporation towards governance excellence and driving performance.

I would like to express my sincere gratitude to all our employees for their unwavering dedication and commitment, particularly during these difficult economic times.

Way forward

The Outlook Section on page 114 gives insight into the targeted outcomes of the ECIC 2023/24 Corporate Plan.

We are determined to build a strong foundation that will serve as a springboard for increased levels of intra-Africa trade, transform the export value chain by supporting new and established role players to diversify and grow our export basket and push back the frontiers of unemployment and inequality.

Mandisi Nkuhlu

Chief Executive Officer

27 July 2023

ORGANISATIONAL OVERVIEW

ORGANISATIONAL OVERVIEW

WHO WE ARE

The Establishment of ECIC

- Most ECAs were created after World War II. South Africa also began to offer official support for export transactions in 1957.
- Instead of creating a dedicated ECA, the Department of Economic Affairs (now the Department of Trade, Industry and Competition, **the dtic**) offered reinsurance cover to Credit Guarantee Insurance Corporation of Africa Limited (CGIC), a privately owned insurance company.
- After 1994, **the dtic** began the process of normalising external trade to prepare full participation in the global trade village.
- The study commissioned by **the dtic** revealed that the insurance market gap was for medium to long term export transactions.
- As from 1 July 2001, **the dtic** stopped offering reinsurance cover for Short-Term trade transactions.
- A dedicated ECA was established in South Africa in the form of the Export Credit Insurance Corporation of South Africa SOC Ltd (ECIC).
- The core business was to fill the market gap through the provision of medium/long term export credit and investment insurance on behalf of the government.
- On the 31st of May 2021, the ECIC mandate was expanded to include short-term insurance support involving the export of non-capital goods (consumables) and related services.

WHAT WE DO

We provide risk mitigation solutions for South African exporters who offer goods and services into the international market. Our focus is on Africa and other emerging markets outside the continent that are considered too risky for conventional insurers.

The delivery of our mandate is aligned with South Africa's national imperatives of inclusive economic growth, job creation and competitiveness in global markets, especially in Africa and other emerging markets that are considered as too risky for conventional insurers.

Our export credit and investment insurance solutions rest on best practice risk management and underwriting principles, and act as a catalyst for private investments where commercial lenders are either unwilling or unable to accept long-term risks.

The Corporation's insurance products facilitate international trade and protect parties involved in cross-border projects, from financing institutions to exporters. Single projects are often linked to comprehensive ECIC policies that cover both commercial and political risk.

Respectively, such risks relate to buyers who, for whatever reason, do not honour contractually agreed payments and projects that fail due to the actions of host governments. The Corporation's footprint in Africa and substantial appetite for insuring against political risk despite political volatility and underwriting projects with flexible terms and conditions that suit project specific needs and cash-flow profiles, give us a competitive advantage.

Our legislated, strategic, and operating environment gives context to our business model and the relationship between the inputs, output, outcomes, and impact of our activities.

ETHICS AND CULTURE

The continued high-profile lapses in corporate governance in private and public sector entities over the past years emphasise the importance of a strong culture of integrity and ethical leadership.

As an insurer, the Corporation is regulated by the Prudential Authority and Financial Sector Conduct Authority on prudential matters and conduct issues respectively. The Social and Ethics Committee drives ethical leadership and a culture of ethical business conduct among employees throughout the Corporation. The Committee fulfils its functions and responsibilities in terms of the Companies Regulations, 2011 and other Board-assigned functions, as required.

During the reporting period, the Committee confirmed that the Corporation's business conduct aligned with the applicable UN Global Compact Principles and OECD Recommendations Against

Corruption regarding human rights, labour standards, the environment and anti-corruption.

In its ethical conduct overview, the Committee ensured that the Corporation's Fraud Prevention Policy, Whistle-Blowing Policy and Code of Ethics and Business Conduct were reviewed regularly and communicated to all employees to combat corruption, manage identified fraudulent activities and ensure that the essential features of ethical conduct are governed and managed effectively.

WHERE WE OPERATE

The total Sum insured by Country of the insurance portfolios is as follows:

	2022 R'000	2022 Country rating	2021 R000	2021 Country rating
Ghana	7 994 941	5	7 414 960	4
Iran	-	-	5 080 130	5
Zimbabwe	4 448 708	7	3 568 063	7
Ethiopia	1 444 585	6	959 828	6
Mozambique	1 225 816	5	1 307 638	5
Angola	532 699	5	-	-
Malawi	425 623	5	337 046	5
Lesotho	288 192	5	974 977	5
DRC	252 677	5	247 028	6
Tanzania	68 813	5	82 675	5
Congo Brazzaville	59 465	6	48 304	6
Eswatini	52 119	5	121 611	5
Zambia	46 193	5	60 561	5
Cote d' Ivoire	45 582	5	37 027	5
Botswana	17 506	3	29 260	3
Uganda	-	-	373 069	6
South Africa*	117 000	4	117 000	4
Nigeria	11 881	6	-	-
Total	**17 031 800**		**20 759 177**	

**South Africa country exposure results from ECIC providing insurance cover under the ECIC expanded mandate to cover short-term debt.*

On 31 March 2023, the total sum insured was R17,03 billion ($956,7 million) compared to R20,8 billion ($1,44 billion) on 31 March 2022. The reduction in the total sum insured is largely influenced by the non-renewal of investment insurance in Iran, payment of a claim in Lesotho, insurance cover expiration, and drawdowns on existing projects.

The Corporation uses an internal country rating method to assess country risks. The country rating method is benchmarked with that of other Export Credit Agencies, and where there is inadequate information, consultations are made with the Department of International Relations and Cooperation (DIRCO) to ascertain the view on the political environment in countries where the Corporation carries or plans to take risk.

Below are the country rating definitions:

1: Highest credit quality. "1" rating denotes the lowest expectation of credit risk. Its assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

2: Very high credit quality. "2" rating denotes a very low expectation of credit risk. It indicates very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

3: High credit quality. "3" rating denotes a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

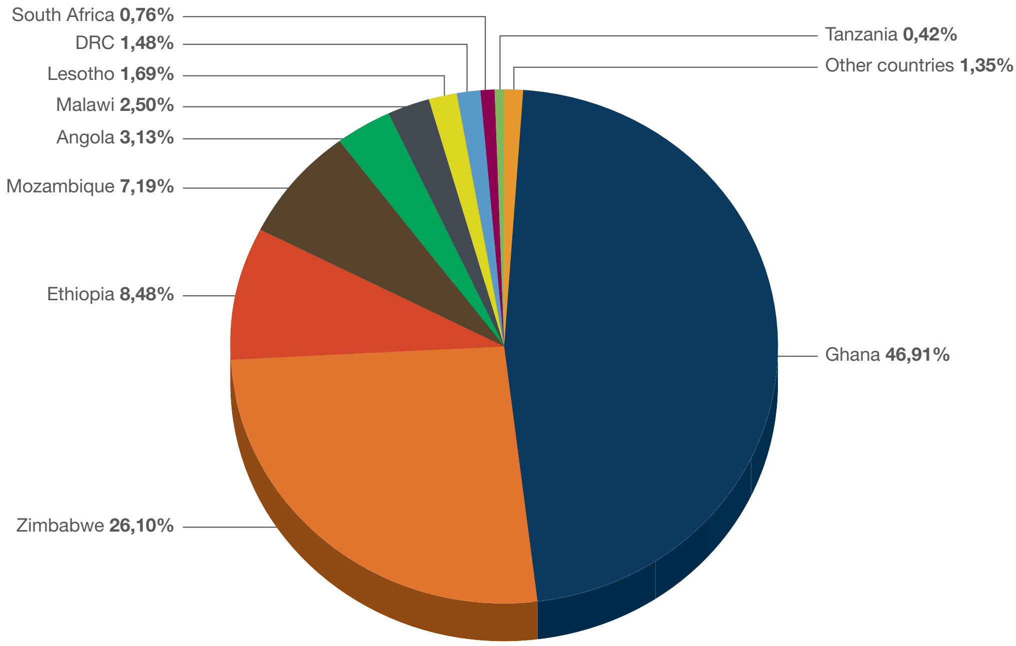
4: Good credit quality. "4" rating indicates that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions is more likely to impair this capacity.

5: Speculative. "5" rating indicates that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met.

6: Highly speculative. "6" rating indicates that significant credit risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favourable business and economic environment.

7: High default risk. "7" rating indicates that default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favourable business or economic developments.

Summary of Total Sum Insured by Country – 31 March 2023



Other countries include: Botswana, Cote d' Ivoire, Republic of Congo (Brazaville), Zwaziland and Zambia

Figure 5: Impact of sums insured by country

The top country exposure in the insurance portfolio is skewed substantially towards Ghana comprising 46,91% of the insurance portfolio exposure, followed by Zimbabwe and Ethiopia at 26,1% and 8,48% respectively as the top three country exposures.

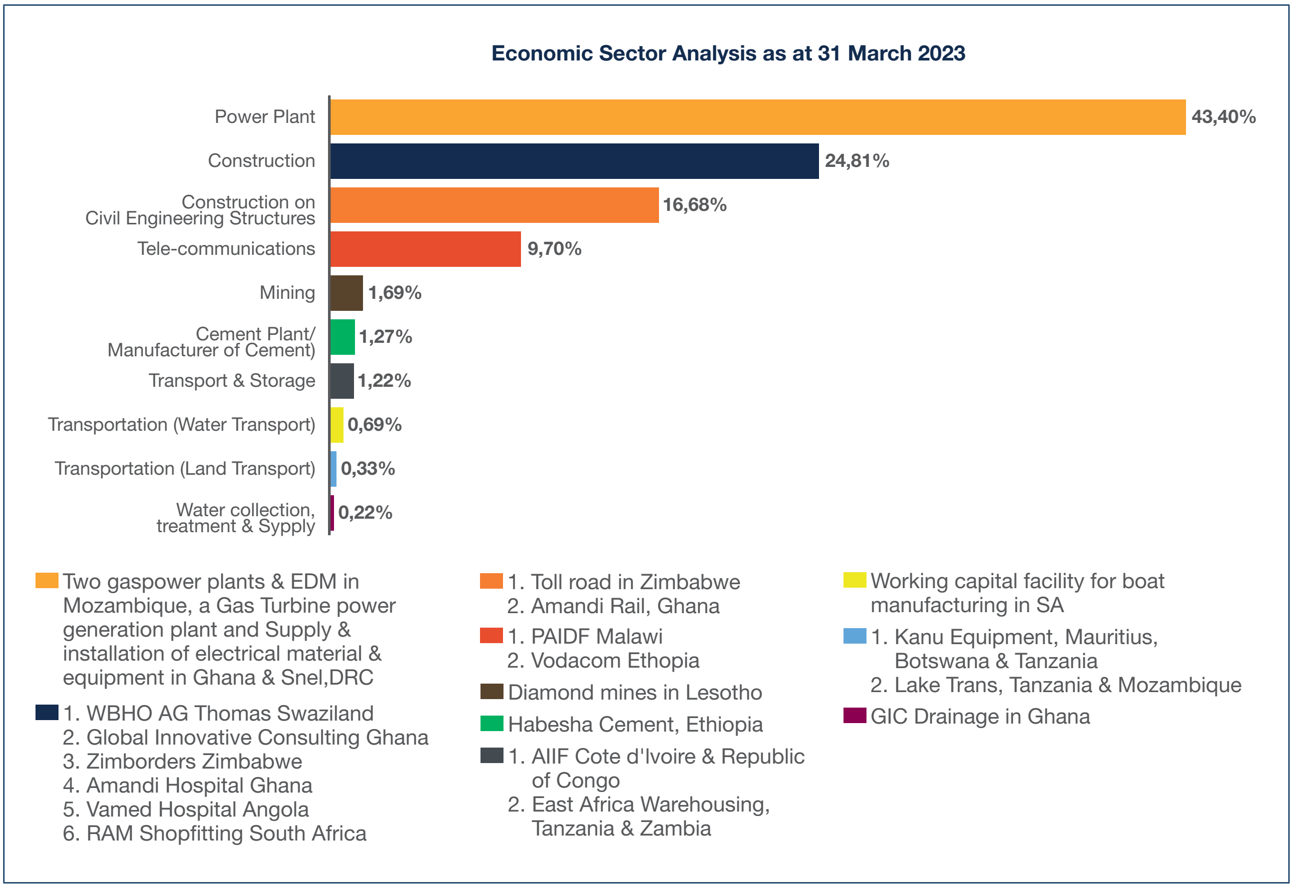
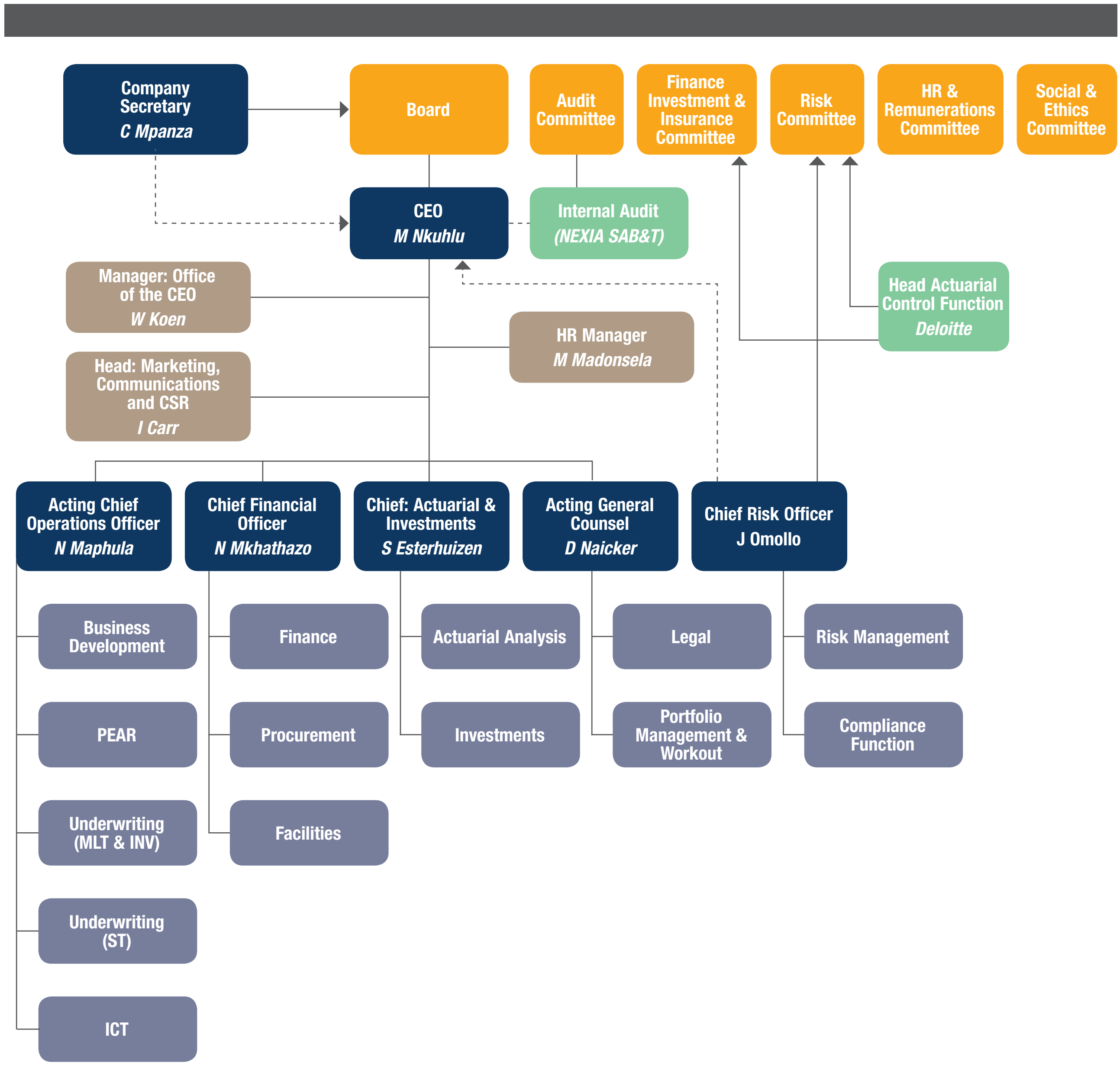


Figure 6: Economic Sector Analysis

The top three largest sectors amount to $812 million (R14,47 billion) which is 84,88% of the total sum insured, including power and energy at $415 million (43,4%), construction at $237 million (24,81%), and construction of civil engineering structures at $160 million (16,68%).

ORGANISATIONAL STRUCTURE – CURRENT



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, except for the executive director's term which is aligned to the CEO contract of five years. The five Board committees include directors from **the dtic** and National Treasury, as shareholder representatives, and help the Board to fulfil its role.

Dheven Dharmalingam, Chairperson

Age: 57

Qualifications: CA (S.A), Member of the Institute of Directors

Areas of expertise: Finance; Taxation and Insurance; Strategy; Change management and Organisational Redesign

Position on other boards: Board member at African Bank Holdings Limited, Executive Director of Companies with personal investments

Years of service: 5

Mandisi Nkuhlu, Late Executive Director

Age: 55

Qualifications: B Iuris, LLB, Management Advancement Programme, Executive Leadership Programme, Senior Executive Programme

Areas of expertise: Law and Finance

Positions on other boards: None

Years of service: 16

Lerato Mataboge, Non-Executive Director (**the dtic**)

Age: 44

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

Positions on other boards: None

Years of service: 5

Vuyelwa Matsiliza, Cert. Dir, CD(SA), Independent Non-Executive Director

Age: 56

Qualifications: MBL, BA Honours in Economics (Cum Laude), Secondary Teachers Diploma

Areas of expertise: Treasury management, Project finance, Corporate finance and investment management, Governance

Position on other boards: Board member at Bayport Financial Services South Africa, Afgri Poultry Pty Ltd (Chairperson), South African Postbank SOC Limited, Phakamani Foundation NPC (pro Bono), IsivandeSethu NPC (pro Bono)

Years of service: 10

Siobhain O'Mahony, Independent Non-Executive Director

Age:36

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: The South African Cities Network, The South African Institute of Professional Accountants, Member of the Enforcement Committee of the Information Regulator of South Africa, Executive Director of companies with personal investments

Years of service: 10

Sisa Mayekiso, Independent Non-Executive Director

Age: 40

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: 5

Lerato Mothae, Independent Non-Executive Director

Age: 46

Qualifications: CA(SA)

Areas of expertise: Auditing, Finance, Financial Management

Positions on other boards: The South African National Accreditation System (SANAS)

Years of service: 5

Deshni Subbiah, Cert. Dir., Independent Non-Executive Director

Age: 39

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

Areas of expertise: Actuarial and Risk Management

Position on other boards: Land and Agricultural Development Bank of South Africa Life Insurance SOC Ltd, Land and Agricultural Development Bank of South Africa Insurance SOC Ltd, Legal Practitioners Indemnity Insurance Fund, Capitec Life

Years of service: 5

Errol Makhubela, Non-Executive Director (National Treasury)

Age: 46

Qualifications: BCom Finance and Economics, Post Graduate Diploma in Law of Banking and Finance, Master of Business Leadership

Areas of expertise: Economics, International Trade Finance, Strategy and Risk Management

Position on other boards: SANRAL

Years of service: 0

Willem Van Der Spuy, Alternate Non-Executive Director (**the dtic**)

Age: 50

Qualifications: BA (Honours) International Relations

Areas of expertise: International Trade and Investment

Position on other boards: None

Years of service: 1

Xoliswa Mpanza, Company Secretary

Age: 33

Qualifications: LLB, LLM (Business Law); CSSA Post Graduate Qualification: Company Secretarial and Governance Practice (CIS)

Areas of expertise: Law, Corporate Governance

Position on other boards:

Saint E'steve Home Owners Association NPC (pro bono)

Years of service: 0

EXECUTIVE MANAGEMENT

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, except for the executive director's term which is aligned to the CEO contract of five years. The five Board committees include directors from **the dtic** and National Treasury, as shareholder representatives, and help the Board to fulfil its role.

MANDISI NKUHLU, Late Chief Executive Officer

Age: 55

Qualifications: B Iuris, LLB, Management Advancement Programme, Executive Leadership Programme, Senior Executive Programme

Areas of expertise: Law and Finance
Positions on other boards: None

Years of service: 16

NTSHENGEDZENI GILBERT MAPHULA, Acting Chief Operations Officer

Age: 51

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: 17

NOLUTHANDO MKHATHAZO, Chief Financial Officer

Age: 41

Qualifications: CA(SA), Management Advancement Programme

Areas of expertise: Finance, auditing and financial management

Positions on other boards: None

Years of service: 13

JOHN OMOLLO, Chief Risk Officer

Age: 55

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: 12

SIAS ESTERHUIZEN, Chief Actuarial & Investments

Age: 43

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: 7

DIANNE NAICKER, Acting General Counsel

Age: 45

Qualifications: BProc Law (UKZN), LLM (International Commercial Law -Manchester, UK), Company Secretarial and Governance Practice (CSSA), Advanced Certificate in Management Practice (Henley Business School)

Areas of expertise: Export Credit Insurance and Project Finance

Positions on other boards: None

Years of service: 12

EXTERNAL ENVIRONMENT

EXTERNAL ENVIRONMENT

Economic and Political Outlook

The global economy is projected to decelerate to 2.9 percent in 2023 from 3.1 percent in 2022. This is underpinned by the synchronised tightening in monetary policy, supply chain disruptions and the impact of the Russia-Ukraine war. The global economic recovery remains fragmented as economic growth in different countries will be constrained by a myriad of domestic and geopolitical factors. Only one-in-ten advanced economies are projected to see improved economic growth in 2023, while an uptick is forecast for most emerging markets and developing economies supported by the reopening of the Chinese economy. Irrespective of the moderation in supply bottlenecks, global trade growth is projected to decline to 1.7% percent in 2023 compared to 2.7% in 2022, with most countries focusing on multilateral cooperation and reinforcing trade blocs.

Global inflation has been slowing and is forecast at 6.6 percent in 2023 from 8.8 percent in 2022 due to declining commodity prices. Tighter financial conditions and further increases in interest rates by central banks in the first few months of 2023 will reduce credit growth. However, inflation in many countries is still significantly above central banks' targets and increases the risk of financial distress in countries with pre-existing financial vulnerabilities. In the medium term, gold is likely to maintain its attractiveness in investment portfolios as an inflationary hedge.

Meanwhile, the combined impact of global inflation and trade restrictions spurred by the Russia-Ukraine war have caused significant food insecurity issues in low-income countries with up to 81 million people in eastern and southern Africa experiencing acute food insecurity, including famine. Climate change and adverse weather patterns alongside currency depreciations also contribute to the weak food security outlook.

China's annual parliamentary session culminated in President Xi Jinping securing an unprecedented third 5-year term. In his speech, the president focused on deteriorating relations with the US while the newly appointed premier, Li Qiang, pushed a more reconciliatory tone, indicating that cooperation between the two countries has mutual benefits. Geopolitical strife is likely to remain high in coming years as deglobalisation continues. In her first official visit to the continent since taking office, U.S. Vice President, Kamala Harris, announced a financial support package of US$100 million for Benin, Ghana, Guinea, Cote d'Ivoire, and Togo, earmarked to address security, governance, and development issues in the region.

In the global equity space, despite quarterly gains in both developed and emerging markets, developed markets namely the S&P 500, the Nikkei 225, and Euro Stoxx 50, outperformed emerging markets. Bonds assumed their traditional role of acting as a shock absorber given challenges in the banking sector when equities underperform. Bank shares came under pressure, and investors sought out the perceived safety of bonds, driving yields lower in March. The yield on the US 10-year government bond fell back 41 basis points to 3.5 percent in the first quarter of the year.

The 2023 failure of a few US Banks – the first since the Global Financial Crisis- highlights financial stability risk in the context of heightened uncertainty and higher interest rates. Significant changes in interest rates affected bond values and prompted financial distress. This is however not likely to cause a financial crisis as policy makers responded swiftly through guarantees for deposits.

On the African continent, uncertainty and delayed debt restructuring negotiations in unlocking vital IMF assistance for Ghana endured and will likely continue to dampen investor sentiment that could trigger more capital outflows. The delay is likely to result in borrowing constraints that will require revisions on spending plans and stricter fiscal consolidation. A protracted negotiation period into 2024 for Zambia's debt restructuring will render similar results alongside a weaker currency that will worsen inflation pressure and further limit growth. According to the IMF, 45 percent of low-income countries and 25 percent of emerging market economies are at high risk of debt distress, while facing lower growth, and higher borrowing costs.

Protests were observed in several countries on the continent in the first quarter of this year, and political uncertainty is expected to rise with various countries holding elections amidst waning support for ruling parties. Social unrest broke out following the announcement of new President William Ruto in Kenya and there has been disruptions as a result which could negatively impact production, exports, and tourism if it persists into the coming quarter. President Ruto has been on a few official regional visits to improve bilateral and regional relations, while IMF and World Bank funding is expected to support Kenya's financing needs.

Bola Ahmed Tinubu of the ruling All Progressives Congress emerged as a winner in Nigeria's March 2023 national election. The incoming President won by a narrow margin in a vote filled with criticism. Uncertainty around the introduction of meaningful economic reforms could further prolong economic recovery given the impact of low crude oil production, which remains the mainstay of the country.

Back home, President Ramaphosa delivered the State of the Nation Address, followed by an announcement of a few changes to his cabinet, ahead of general elections scheduled for 2024. This included the appointment of the first Minister of Electricity to address power shortages. The Finance Minister also presented a 'prudent and balanced budget' including the much-anticipated debt relief programme for energy utility Eskom. The budget demonstrated National Treasury's commitment to restoring fiscal discipline by making difficult budgeting trade-offs and maintaining fiscal restraint. However, the weak financial position of state-owned entities and higher than budgeted public sector wage bill may cause fiscal targets to be missed.

In February 2023, the country was officially added to the Financial Action Task Force grey list which will result in increased monitoring and deeper due diligence on international transactions. National Treasury has enacted two major pieces of legislation and is involved in ongoing efforts to address areas of strategic deficiencies. Countries generally take one to three years to address deficiencies, and South Africa is targeting to address identified issues by 2024.

The South African Reserve Bank (SARB) increased the repo rate by a cumulative 75 basis points in Q1 2023, bringing the repo rate to 7.75 percent, which the SARB views as less supportive of credit conditions. Headline inflation is forecast to remain above the target range until the third quarter of 2023, only reverting to the mid-point of the target range in the fourth quarter of 2024 with the rand expected to remain under pressure in the medium term.

BUSINESS MODEL

BUSINESS MODEL

Capitals employed

The Corporation pursues its mandate through a set of strategic objectives aligned with national priorities. These are reflected in the African integration and industrial development focal area of the Industrial Policy Action Plan (IPAP) and aligned with encouraging private sector investment as indicated in Government's Nine-Point Plan, as well as the National Development Plan (NDP), specifically the 2019-2024 Medium-Term Strategic Framework (MTSF).

The crux of achieving our objectives lies in value creation.

The capitals employed to create value are defined as:

FINANCIAL CAPITAL

Financial capital is created through insurance premiums and investment income. The Corporation maintains sufficient capital to meet regulatory and financial capital requirements to support its sum insured, with trade-offs in utilising available capital to fulfil its mandate through employing the capitals indicated herewith.

HUMAN CAPITAL

The Corporation's experienced employees and board embed a diverse, inclusive, and high-performance culture to execute on the strategy. In return, employees benefit from a productive and ethical work environment that promotes engagement, wellness and diversity and rewards excellence.

INTELLECTUAL CAPITAL

The Corporation's intellectual capital vests in intangibles such as brand value, reputation, software, rights and licences, systems, policies, and protocols, as well as tacit knowledge that includes significant expertise in underwriting, undertaking due diligence research and analysing the reports to inform investment decisions and an understanding and appetite for managing political risk in Africa that is unmatched in the private sector.

SOCIAL AND RELATIONSHIP CAPITAL

Leveraging relationship capital is imperative to accessing new markets and increasing business reach, as well as responding to the legitimate and reasonable needs, interests, and expectations of stakeholders in the best interest of the Corporation over time. A stakeholder-centric approach gives parity to all sources of value creation, including internal stakeholders who are always material to business, while this may or may not hold true for external stakeholders.

The Corporation is B-BBEE Level 1 compliant and implements a range of social impact initiatives annually through its Corporate Social Responsibility (CSR) programme.

The Corporation is a tax paying entity thereby contributing to funding public services and social programmes.

MANUFACTURED CAPITAL

The Corporation's business structure and operational processes require the use of office equipment, office furniture and computer equipment, as well as the rental of an office building.

NATURAL CAPITAL

The Corporation impacts the natural environment directly in our operations through, inter alia, the use of water and energy and emphasising energy efficiency in our business environment and indirectly through financing projects that impact on natural resources.

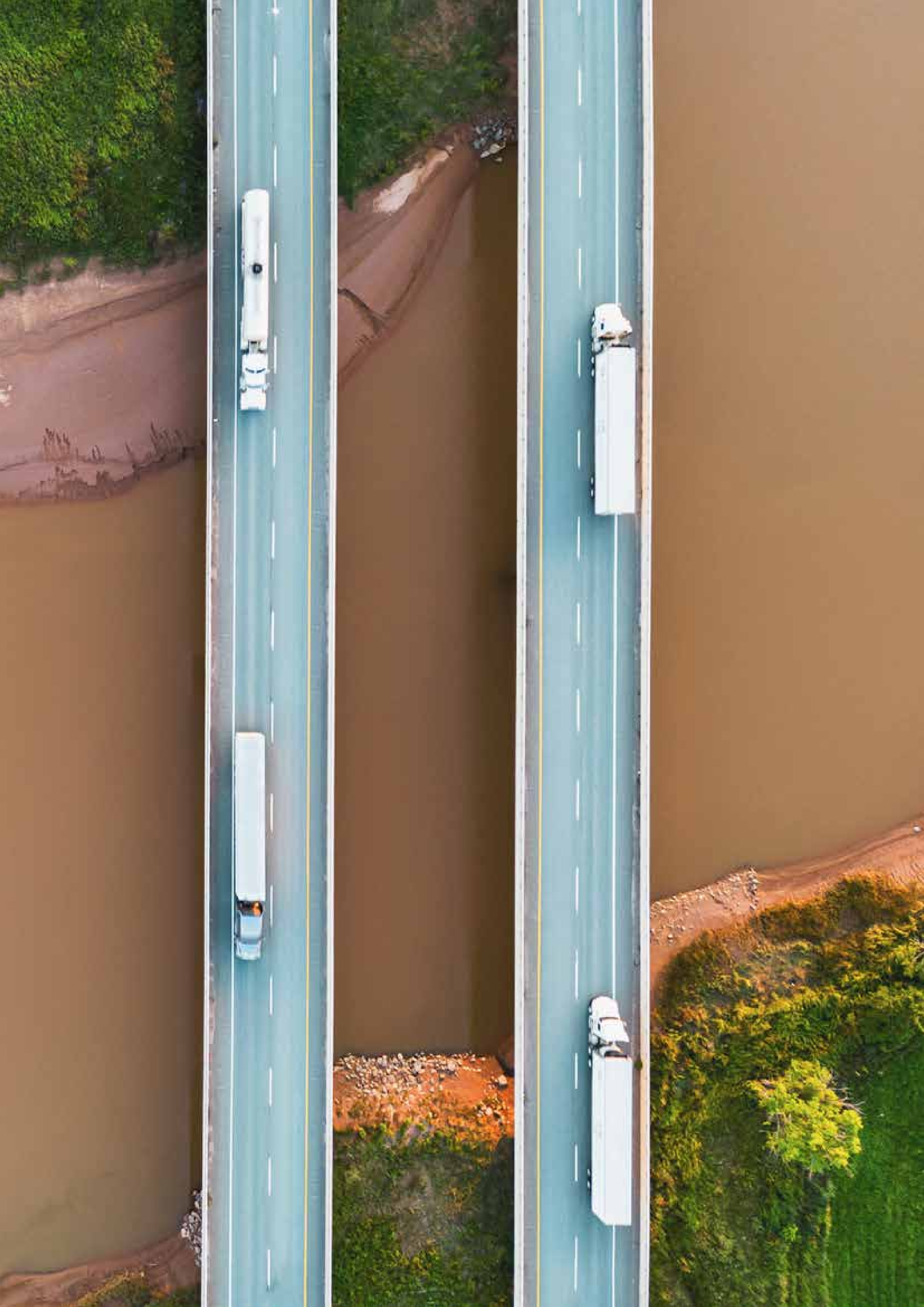
OUR VALUE CREATING BUSINESS MODEL

	ECIC Value Creation Process				
	Inputs	**Outputs**	**Risks**	**Key Performance Indicator**	**Outcomes**
Financial capital	• Insurance Premium Revenue: R150 million (2022: R196 million) ↓ • Underwriting Loss: R1,4 billion (2022: R298 million) ↓ • Net Investment Income: R278 million (2022: R297 million) ↓ • Claims paid: R878 million (2022: R NIL) ↓ • Number of insurance policies: 29 (2022: 31) ↓	• Equity: R6,6 billion (2022: R6,6 billion) ↓ • Total Financial Assets: R10,2 billion (2022: R9,1 billion) ↑ • Project up and running after payment of claim • Insurance Portfolio of R17 billion (R21 billion) ↓	• Uncertain macro-economic outlook • Regulatory / Legislative changes • Recession in the US • SA Credit Downgrade • Competition	• Increase in equity: -8% (2022: 3%) ↓ • Operating cost base of underwriting activities excluding bonuses: R130 million (2022: R120 million) ↑ • Value of transactions approved: $509 million (2022: $250 million) ↑ • Value of approved transactions within expanded sectoral coverage: $8 million (2022: $64 million) ↓	• ECIC is self-funded • ECIC is financially stable • Contributes to growth, development, and transformation of South African exporters • Reduced National Treasury contingent liability • Increased shareholder value
Human capital	• Employee costs: R109 million (2022: R103 million) • Training: R2 million (2022: R3 million) ↓ • Number of insurance policies: 29 (2022: 31) ↓	• Staff complement: 92 (2022: 86) ↑ • Graduate trainees included in staff complement: 3 (2022: 3) • Job opportunities created/ sustained: 4 487 (2022: 3 498) ↑	• Insufficient capacity • Insufficiently skilled capacity	• Retention of staff: 94% (2022: 97%) ↓ • Staff efficiency: 16% (2022: 13%) ↑ • Culture Entropy Score: 26% (This is the first time being measured)	• Strategic business objectives met • Quality-rich and performance-driven organisational culture • Retention of diverse talent • Work-engaged employees

	ECIC Value Creation Process				
	Inputs	**Outputs**	**Risks**	**Key Performance Indicator**	**Outcomes**
Intellectual capital	• Additions of computer software and models: R NIL (2022: R NIL) • Amortisation / Usage of computer software and models: R NIL (2022: R691 000) • Cyber security tools, services, employee awareness and training: R287 000 (2022: R439 000)	• Research reports on trade and investment opportunities • Carrying value of intangible assets: R NIL (2022: R285 000) • Improved cybersecurity posture	• Business recovery • ICT risk • Regulatory / Legislative changes • Cybersecurity breaches / attacks	• Implementation of Business Process Automation Plan: 72% (2022: 60%) • Maintain B-BBEE Score: Level 1 (2022: Level 1) • No breaches on risk appetite limits over the 5-year period: NONE (2022: NONE) • Risk maturity levels of the Corporation: Level 2 across 100% of metrics (2022: Level 2 across most metrics) • External Audit results: Clean audit (2022: Clean audit) • No cybersecurity breaches reported	• Improved knowledge of ECIC products and African markets • Working environment conducive to delivering on mandate considering Industry 4.0 • Reduced reputational and financial loss risk

	ECIC Value Creation Process				
	Inputs	**Outputs**	**Risks**	**Key Performance Indicator**	**Outcomes**
Social and relationship capital	• Socio-Economic Development: R7 million (2022: R14 million) ↓ • Tax paid: R99 million (2022: R19 million) ↑ • Appointment of ESG Specialist • Implementation of Transformation Strategies	• Bursaries offered for South African Actuaries Development Programme and Thuthuka Education Upliftment Fund Bursaries: R4,6 million (2022: R1 million) ↑ • R2,8 million allocated to EME service providers (2022: R8,6 million) ↓ • R1,4 million allocated to export oriented SMMEs (2022: R6,6 million) ↓ • Approved ESG Reporting Framework • Number of black-owned fund managers: 5 (2022: 5) • Number of black woman-owned fund managers: 1 (2022: 1) • Total funds allocated to black-owned fund managers: R2 billion (R2,1 billion) ↓ • Total funds allocated to black woman-owned fund managers: R242 million (2022: R221 million) ↑	• Competition • Damage to reputation / brand • Negative social impacts that are linked to insured projects	• Maintain B-BBEE Score: Level 1 (2022: Level 1) • Culture Entropy Score: 26% (This is the first time being measured) • Corporate Reputation Index Performance (CRIP) score: 77% (2020: 81%) ↓	• Increased brand awareness • Transformation and capacity building • Protection from reputational damage • Positive impact on skills shortage and job creation • Relationship with key stakeholders improved • Long-term sustainability • Evolving business model to meet stakeholder needs

	ECIC Value Creation Process				
	Inputs	Outputs	Risks	Key Performance Indicator	Outcomes
Manufactured capital	• Additions of owned property and equipment: R1,7 million (2022: R1 million) ↑ • Depreciation / Usage of owned property and equipment: R1 million (2022: R1 million) ↑	• Carrying value of owned property and equipment: R3 million (2022: R3 million) ↑	• Business recovery • ICT risk • Regulatory / Legislative changes	• Implementation of Business Process Automation Plan: 72% (2022: 60%) ↑	• Working environment conducive to delivering on mandate considering Industry 4.0
Natural capital	• Cost of printing and stationery: R100k (2022: R79k) ↑ • Cost of water and electricity: R708k (2022: R683k) ↑ • Travel costs: R2 million (2022: R343k) ↑ • Financing projects that impact the natural environment • Appointment of ESG Specialist	• Zero fines/ penalties related to environmental impacts • Insured projects comply with the World Bank Equator Principles • Monitoring of projects' Environmental and Social Management Plans	• Business recovery • ICT risk • Regulatory / Legislative changes	• Implementation of Business Process Automation Plan: 72% (2022: 60%) ↑	• Working environment conducive to delivering on mandate considering Industry 4.0



GOVERNANCE REPORT

GOVERNANCE REPORT

The Board is responsible for the governance and compliance framework of the ECIC.

Compliance with laws, rules, codes, and standards

The ECIC operates in a highly regulatory environment. The Board plays an oversight role in ensuring that the Corporation complies with applicable laws and considers adherence to non-binding rules, codes, and standards. A dedicated Unit for the Compliance function identifies applicable legislation, regulatory requirements, and related amendments, and analyses their impact on the Corporation and facilitates compliance monitoring and control using a risk-based approach. The function collaborates with other risk assurance providers and internal functions, including Operations.

Management committees through business processes and in line with the delegation of authority, escalate material regulatory issues to the Board and corrective action is taken to address any identified noncompliance.

Legal and regulatory universe

The ECIC is a Schedule 3B public entity in terms of the Public Finance Management Act, 1 of 1999, as amended (PFMA). The Corporation was reconstituted in terms of the Export Credit and Foreign Investment Insurance Act, 78 of 1957, as amended, and incorporated in terms of the Companies Act, 71 of 2008, as amended. South Africa's legislative framework for corporate entities also applies to the ECIC although the PFMA supersedes all other legislation excluding the Constitution. The Corporation is also registered as a financial services provider and complies with applicable insurance regulations, such as the Short-Term Insurance Act, 53 of 1998, as amended by the Financial Services Laws General Amendment Act, 45 of 2013; Financial Advisory and Intermediary Services Act, 37 of 2002 and Insurance Act, 18 0f 2017, as amended.

An Export Credit Insurance Agreement together with the Shareholder's Compact (which is renewed annually), both with the Minister of Trade, Industry and Competition, governs the ECIC's business conduct, as required by the PFMA. The ECIC also subscribes to the King IV Report on Corporate Governance for South Africa, 2016 (King IV).

Public Finance Management Act (PFMA)

Compliance with the PFMA drives transparency, accountability and sound management of revenue, expenditure, assets, and liabilities in all public entities. The ECIC Board, as the Accounting Authority, takes effective and appropriate oversight steps to prevent irregular, fruitless and wasteful expenditure. Further, the ECIC Materiality and Significance Framework is reviewed on an annual basis. Compliance with PFMA reporting, according to section 55(2)(b), is disclosed on page 93 of the Annual Financial Statements.

Alignment with King IV

The Board adopted and welcomed King IV, with its principles of openness, integrity and accountability as enshrined in the King Code on Corporate Governance. The extent of our compliance with applicable King IV governance principles and recommendations during the past year is available on the ECIC website @ www.ecic.co.za.

Board of Directors and its composition

The ECIC is governed by a unitary Board of Directors who, collectively, have the required knowledge, experience, and business acumen to guide the Corporation's strategy and governance. The Board consisted of nine directors, being six independent non-executive directors, two non-independent non-executive directors (government representatives, from **the dtic** and National Treasury) and the CEO as an executive director (Mr. K Kutoane's appointment was effective up until 30 June 2022 and has been replaced by the late Mandisi Nkuhlu as the new executive director as from 9th May 2023). All directors jointly have a fiduciary duty to exercise due diligence, and skill in carrying out their responsibilities. The Board is accountable to the shareholder for the ECIC's activities and performance.

BOARD CHARTER

The Board Charter is reviewed annually and sets out the responsibilities and duties of the Board and ECIC management. The Charter ensures that the Board exercises full control over significant matters, including but not limited to the ECIC's vision, mission, values, strategic objectives, corporate plans, annual budget and performance monitoring against set objectives, organisational design, the integrated report, and annual financial statements.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

The roles of the Chairperson and Chief Executive Officer (CEO) are separated. The Chairperson is an independent non-executive director who works with a qualified Company Secretary, ensuring that the Board functions efficiently, is focused and operates as a unit. The responsibility for managing the ECIC's business is delegated to the CEO, as the executive director, who is also accountable to the Board.

DELEGATION OF AUTHORITY

The Board confers authority on management through the CEO in terms of the approved delegation of authority matrix. The delegation of authority document is updated as and when is required and regulates the delegation of authority from the Shareholder, Board, Board committees and management.

INDEPENDENCE OF DIRECTORS

The Board Charter supports independence and objective decision-making with no director holding unfettered decision-making powers. Director "independence" is aligned with King IV, while non-executive directors who represent government departments are not considered as independent. None of the directors have contractual or family relationships with the Corporation, nor do they participate in the Corporation's incentive schemes or charities that benefit from donations made by the ECIC. This ensures fair, unbiased, and unfettered judgements in matters that affect the Corporation.

COMPANY SECRETARY AND SECRETARIAT

The Company Secretary guides and assists the board of directors to discharge their fiduciary responsibilities and duties in the best interests of the Corporation. The Company Secretary's duties include providing directors with timely and unrestricted access to Corporation information, director training, induction, Board and Board committee performance evaluations, meeting agendas and minutes.

APPOINTMENT POLICY

Director recruitment is in accordance with **the dtic**'s Policy Framework and the Procedures on Oversight and Governance of Public Entities and Statutory Institutions. Board vacancies are publicly advertised, and candidates are subject to security clearance. The policy provides a generic set of principles, procedures and processes that promote good corporate governance and strengthen **the dtic**'s oversight responsibilities over its group of entities. The shareholder appoints the directors (and CEO) to, typically, serve for the prescribed term. At the end of the term, a director may be reappointed at the shareholder's discretion for another term of office, to the limit of only two terms.

BOARD MEETINGS

The Board through the office of the Company Secretary, develops an annual work plan that covers its mandate and sets meeting dates and agendas. Meetings are scheduled in advance and special meetings are convened as required on notice. Directors who cannot physically attend meetings can participate virtually, through telephone conference calls or other electronic means, as prescribed by the Companies Act. Executive Management Committee members attend meetings by invitation to report on relevant matters. The Board met eight (8) times during the 2022/23 financial year, with four (4) of those meetings being special meetings to consider material matters such as the Annual Financial Statements, project approvals and other operational matters.

Table 1: Board members, committees and meeting attendance from 1 April 2022 to 31 March 2023

Board Members (Directors)	Board and Board Committee Meetings and Attendance					
	Board (8)	Audit (6)	Risk (4)	FIIC (7)	HRREMCO (6)	SEC (3)
Non-Executive Directors						
D Dharmalingam	8 (C)	-	3	-	6	3
V Matsiliza	7	6		7	6 (C)	-
S O'Mahony	8	6	4 (C)	-	6	-
S Mayekiso	8	6		7 (C)	6	-
L Mothae	8	6 (C)	-	-	6	3
D Subbiah	8	-	4	7	-	3 (C)
Shareholder representative: L Mataboge (Alternate: W van der Spuy)*	8			4		
E Makhubela #	6		4	5		
Executive director						
K Kutoane	10	4				3

Notes to the table

(C) = Chairperson of Board Committee

*Shareholder representative (**the dtic**)

#Shareholder representative (National Treasury)

**Term ended 30 June 2022

DIRECTOR INDUCTION, ORIENTATION, AND ONGOING EDUCATION

A comprehensive director orientation, induction and training programme is implemented on an ongoing basis to inform new directors about their duties and responsibilities. Existing Board members are encouraged to, and do, participate in the induction programme. The orientation programme is structured to improve directors' understanding of the ECIC's legislative framework, governance processes, delegation of authority and business operations. Board members attend regular internal and external briefing sessions to broaden their understanding of the ECIC's operations and keep Board committees informed about new legislation and regulations, as well as local and international industry developments, technology issues, risk management and corporate governance best practices. Director mentoring or coaching is available, as and when required.

INDEPENDENT ADVICE

The Board recognises the need for directors to take independent professional advice at the Corporation's expense according to an agreed procedure. No individual director exercised this right during the period under review.

BOARD AND DIRECTOR EVALUATIONS

An annual evaluation process assesses the effectiveness of the Board and Board committees and can identify any major operational weaknesses and/or the relative skills mix and other considerations for effectiveness. The Board submits its evaluation and progress report annually to **the dtic**.

The overall performances of the Chairperson, Company Secretary, Board, and committees were viewed as satisfactory. The CEO's performance is also reviewed annually by the Board and Executive team and the relevant feedback provided therein.

The Board, under the leadership of the Chairperson, remains committed to the process, which has been embraced as a valued feedback mechanism.

INFORMATION TECHNOLOGY GOVERNANCE

The Audit Committee and Risk Committee monitor IT governance by considering the efficacy of IT controls, policies and processes and their risk to financial reporting and the effectiveness of financial controls. The Committees also monitor initiatives to manage IT risks appropriately to mitigate threats to operational continuity.

VALUES AND ETHICS

The ECIC's values support its Code of Ethics and Business Conduct. Directors and employees are required to declare potential conflicts of interest between organisational obligations and personal interests. Should these arise, members are required to recuse themselves during the discussion of the related matter at meetings.

BOARD COMMITTEES

In terms of the Memorandum of Incorporation and/or the Companies Act, 71 of 2008 as amended, the Board has, effectively and efficiently, established committees and delegated responsibilities. The committees are governed by Board Approved Terms of References (TOR) that define the composition, role, responsibilities, and delegated authority of each committee. The respective TORs are aligned with regulatory requirements and governance best practice. Board Committee TORs are reviewed annually, as recommended by King IV.

The Board Committees are the:

1) Audit Committee;
2) Risk Committee;
3) Finance, Investment, and Insurance Committee;
4) Human Resources and Remuneration Committee; and
5) Social and Ethics Committee.

The Board remains ultimately accountable for the proper fulfilment of committee functions, except for the statutory functions of the Audit Committee and the Social and Ethics Committee. Committee chairpersons report to the Board on their deliberations and recommendations.

ACTIVITIES IN 2022/23

The Board undertook, among others, the following activities:

- Approved projects which were strategically aligned with the Corporation's mandate; and
- Provide oversight over the implementation of the Strategic/Corporate Plan.

PLANS FOR 2023/24

The Board's plans for 2023/24 include, among others, the following:

- Ensure that the Corporation approves projects that positively contribute towards the South African economy and promotes value creation;
- Enhance and ensure that an ethical corporate culture is fully embedded into the organisation; and
- Monitor Board succession planning to ensure Board continuity.

Audit Committee

The Audit Committee is constituted as a statutory committee in terms of the Companies Act, 71 of 2008 as amended, and is also responsible for all other duties assigned to it by the Board. During the year under review, the committee consisted of four (4) independent non-executive directors appointed by the shareholder at the annual general meeting. The Audit Committee met six (6) times during the 2022/23 financial year with 1 of those meetings being a special meeting to consider material operational matters. The committee operates in terms of a formal terms of reference and Board-approved annual work plan.

The external and internal auditors attend committee meetings, have unrestricted access to the committee and chairperson and can address the Audit Committee at each meeting without the presence of management. The Audit Committee has not recommended the engagement of an external assurance provider on material sustainability issues to the Board as it regards the internal assurance as adequate, given the maturity of existing processes.

The committee believes that it has complied with its legal and regulatory responsibilities for the year under review (refer to Audit Committee Report).

ASSURANCE STATEMENTS

The Audit Committee is satisfied that:

- the ECIC complied with its legal, regulatory, and other responsibilities;
- correct and up-to-date quarterly returns, required by the PFMA and Treasury Regulations, were lodged with **the dtic**;
- accounting policies and financial statements are appropriate and comply with International Financial Reporting Standards and the requirements of the Companies Act, 71 of 2008;
- the internal auditor, Nexia SAB&T Chartered Accountants Incorporated was suitably independent;
- internal controls and risk management measures, including internal financial controls, are effective, as outlined in the internal auditor's written assessment;
- internal financial controls and risk management measures (including internal financial controls) are effective and form a sound basis for reliable financial statements;
- the committee executed its duties in terms of the requirements of King IV. Instances where these requirements have not been applied, if any, is provided online;
- the external auditor was appointed in line with sections 25(1)(b), (2), (3) and (4) of the Public Audit Act, 25 of 2004;
- the external auditor is independent in accordance with King IV, which considers previous appointments, other work undertaken for the ECIC, and possible conflicts of interest as described by the Independent Regulatory Board for Auditors;
- the external auditor provided suitable assurance that internal governance processes within the ECIC support and demonstrate its claim to independence.

ACTIVITIES IN 2022/23

The Committee undertook, among others, the following activities:

- Considered the Annual Financial Statements;
- Recommended the appointment of the external auditor and supervise the external audit process.

PLANS FOR 2023/24

The Committee's plans for 2023/24 include, among others, the following:

- oversee the compliance with the law and regulations of any other applicable statute and of controlling bodies (legal and regulatory provisions) that may have a material impact on the Corporation's financial statements or compliance policies;
- identify key matters arising in the current year's external auditor's management letter and satisfy itself that they are being properly followed up.

Risk Committee

The Risk Committee is responsible for the risk identification, evaluation, monitoring, mitigation and management. The Committee provides oversight over the effectiveness and function of the:

i. risk management function, processes and systems;

ii. compliance management function;

iii. information and communication technology (ICT) function;

iv. capital management activities.

The committee assists the Board by ensuring that risk management processes and controls effectively identify, assess, monitor and report on key risks in an integrated and timely manner. Mitigation measures against identified risks are to be implemented appropriately. The committee is delegated by the Board to oversee the implementation of applicable regulatory developments, such as the Own Risk Self-Assessment (ORSA), risk appetite and combined assurance. Committee members serve on the Audit Committee; Finance, Investment, and Insurance Committee; Human Resources and Remuneration Committee; and Social and Ethics Committee for ease of collaboration on risk issues. The committee met four (4) times during the 2022/23 financial year.

ACTIVITIES IN 2022/23

The Committee undertook, among others, the following activities:

- advised the Board on the overall risk appetite, tolerance, and strategy within its existing and future macroeconomic and financial environments;

- advised the Board, prior to decision-making, on the risks and implications of proposed strategic transactions on the Corporation's risk appetite and tolerance levels, which included the sourcing of independent external advice, where appropriate;
- regularly reviewed and approved Risk Register measures and methodology;
- set Risk Dashboard to monitor critical risks accurately and timeously;
- advised the Board on existing risk exposures (Portfolio Report) and future risk strategy;
- received and considered all risk matters reported by the Board and/or committees;
- reviewed reports of material breaches of risk limits and the adequacy of proposed actions;
- ensured that appropriate resources were available to manage risk and that those responsible had access to the necessary information to perform their function effectively;
- had oversight responsibility for the Business Continuity and Disaster Recovery Plan;
- evaluated the adequacy and effectiveness of the enterprise risk management system;
- reviewed risk policies, including the underwriting risk policy and operational risk policy;
- monitored the Corporation's ICT framework and strategy;
- reviewed annual regulatory returns submitted to the Prudential Authority;
- reviewed the ORSA Report.

The committee believes that it discharged its obligations adequately during the year in respect to risk management, compliance, ICT governance, capital management and solvency activities and re-insurance activities.

PLANS FOR 2023/24

The Committee's plans for 2023/24 include, among others, the following:

- Consider the Corporation's holistic risks; project risk assessments and exposure and advise the Board on the appropriate risk appetite which should be accepted;
- Consider material risks for approved projects raised by Finance, Investment and Insurance Committee and/or the Risk Function;
- Consider the succession planning of all Committees and the Board, from a risk perspective.

Finance, Investment, and Insurance Committee

The Finance, Investment and Insurance Committee is comprised of three (3) independent non-executive directors and two non-independent non-executive directors (**the dtic** representative and the National Treasury representative (Mr. E Makhubela's appointment was effective 20 June 2022). Meetings are also attended by the statutory actuary and investment managers on invitation. The committee met seven (7) times during the 2022/23 financial year under review, with 1 of those meetings being a continuation meeting and the 2 special meetings to consider projects.

ACTIVITIES IN 2022/23

The committee undertook, among others, the following activities:

- reviewed investment policies;
- oversaw the development of the investment strategy;
- oversaw and guided the implementation of the Corporation's asset managers' mandates;
- monitored asset managers' and the statutory actuary performance;
- provided information to the Board on the achievements and challenges experienced by the Corporation's fund managers and the economic outlook locally and globally;
- monitored investments to ensure optimal returns;
- oversaw the local mandates, selection of new managers and termination of managers;
- monitored the absorption of the IMU liability onto the Corporation's books;
- reviewed and oversaw the utilisation of the annual budget;
- helped the Board ensure that the ECIC's investment portfolio is adequately managed.

PLANS FOR 2023/24

The Committee's plans for 2023/24 include, among others, the following:

- Close monitoring of the Ghana projects
- In-depth consideration of ESG matters – some failures due to governance
- Fund Managers Transformation Strategy
- Allocation of risk pool

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee consists of the Board Chairperson as well as four other independent non-executive directors. The Committee met six (6) times during the 2022/23 financial year, with 2 of those meetings being special meetings to consider material operational matters.

AREAS OF RESPONSIBILITY

The Human Resources and Remuneration Committee is responsible for ensuring that remuneration matters are fair, responsible and in line with the remuneration philosophy. The committee oversees the implementation of the remuneration policy and makes recommendations to the Board regarding the remuneration of employees and remuneration matters of non-executive directors. The Committee considers Board and executive succession and determines the Board's induction and continuing development programme.

ACTIVITIES IN 2022/23

Some of the matters that the Human Resources and Remuneration Committee addressed during the reporting period included:

- Taking account of business performance and recommended the 2021/22 short-term incentive pay-outs;
- Reviewing the Corporation's remuneration policies and monitoring their implementation and effectiveness;
- Developing the year's human resources strategic plan;
- Reviewing the performance of the CEO and members of the Executive Management Committee.
- Involved in the recruitment process of the CEO following the end of employment term of the previous CEO.

PLANS FOR 2023/24

- Review of remuneration policies to ensure that the Corporation continues to remunerate employees fairly
- Ensure that the Corporation enhances its performance management and puts the necessary controls and measures to mitigate possible weaknesses.
- Consider the efficacy and efficiency of the hybrid working system and the inherent, including the operational and risk elements of such system.

Social and Ethics Committee Statutory Report

The Social and Ethics Committee is constituted as a statutory committee of the Board under section 72(4) of the Companies Act, 71 of 2008 as amended (read with Regulation 43 of the Companies Regulations). The Social and Ethics Committee Chairperson presented a report on the Social and Ethics matters at the Corporation's 21st Annual General Meeting. The committee met three (3) times during the 2022/23 financial year.

RESPONSIBILITIES

The committee fulfils its functions and responsibilities in terms of the Companies Regulations 2011 and, from time to time, other Board-assigned functions. These responsibilities are documented in the committee's Terms of Reference and annual work plan.

ACTIVITIES IN 2022/23

The committee received several management reports and considered the following matters within its mandate:

- confirmation that the ECIC's business conduct is aligned with the applicable UN Global Compact Principles and OECD Recommendations Against Corruption regarding human rights, labour standards, the environment and anti-corruption;
- the corporate social investment programme;
- progress against the ECIC's employment equity plans;
- consumer relationships to ensure that industry specific consumer protection legislation and policies (i.e., FAIS, Short-Term Insurance Act) are in place and compliance managed performance against **the dtic**'s generic Broad-based Black Economic Empowerment scorecard to achieve the highest rating possible.
- The committee focused specifically on:
  - stakeholder engagement (pages 62 of this report)
  - marketing and communication initiatives (page 63 of this report)
  - socio-economic development initiatives (page 83 of this report)

  - o remedial actions for the improved occupational health and safety of employees and visitors.
- The committee held a Social and Ethics Workshop for the purposes of enhancing the current mandate of the committee to align with leading practices of Social and Ethics Committees. Some of the outcomes from the workshop amongst others include:
  - o Greater focus on ESG matters and reporting (including the approval of the ESG Policy and ESG Policy Framework;
  - o Review of the committee composition to include at least one (1) member of the Audit Committee and one (1) member of the Risk Committee in the Committee membership in order to ensure that those committees are adequately represented on the Committee;
  - o Heightened focus on the management of the Corporation's ethics;
  - o Development of a Sustainability Reporting Framework and Plan
  - o Enhanced oversight and reporting of social and ethics matters.

ETHICAL CONDUCT OVERVIEW

The Fraud Prevention Policy, Whistle-Blowing Policy and Code of Ethics and Business Conduct are in place and were reviewed to combat corruption, manage identified fraudulent activities and ensure that the essential features of ethical conduct are governed and managed effectively. These policies are communicated adequately to staff.

COMPLIANCE

The ECIC's conduct is guided by several policies, including:

- The Code of Ethics and Business Conduct;
- Fit and Proper Policy;
- Whistle blowing policy;
- Fraud prevention policy;
- Sanctionable practices and combating financing of terrorism policy;
- The Conflict of Interest Policy;
- The Gifts Policy (requires employee to declare gifts above a certain threshold);
- The Procurement Policy (details conduct during supply-chain processes).

The committee is of the view that the ECIC assigned the necessary importance to its environmental, social, and ethical governance responsibilities and aligned its initiatives with the Company's business strategy. No substantive legislative or regulatory non-compliance or transgressions of codes of best practice that fall within the committee's mandate were brought to its attention. The committee has no reason to believe that any such non-compliance or non-adherence occurred.

PLANS FOR 2023/24

The committee recognises the dynamic nature of its environmental, social and ethics mandate and will ensure that relevant policies, plans, and programmes are in place to promote and sustain social and economic development, good corporate citizenship, environmental responsibility, fair labour practices and good consumer relations. Going forward, the focus will be on ethics management, performance oversight and industry peer-benchmarking.

The committee's additional focus areas for 2023/24 are, amongst others, the following:

- Implementation of the ESG Policy and Framework;
- Improved ESG Reporting (including reporting on projects);
- Implementation of the Sustainability Reporting Framework and Plan;
- Continued implementation of the ECIC Ethics Framework;
- Ongoing enhancements of the role of the Social and Ethics Committee to continue to align with leading practice.

OTHER GOVERNANCE STRUCTURES

Executive Management Committee

The Executive Management Committee (EXCO) is chaired by the CEO and includes the Chief Operations Officer (COO); Chief Financial Officer (CFO); General Counsel (GC); Chief Risk Officer (CRO); and Chief Actuarial and Investment Officer. The P.A to the CEO serves as the EXCO secretary. The CEO co-opted the Head: Marketing, Communications and CSR; Head: Information Communication Technology; Head: Human Resources; Manager in the CEO's office; and Senior Compliance and Ethics Officer onto EXCO. The committee's five focus areas are administration, operations, projects, enterprise risk management and ICT.

ACTIVITIES IN 2022/23

The Executive Management Committee met at least once a month to ensure effective operational decision-making and management oversight and attend to matters delegated by the Board. These included:

- developing the Corporation's strategy and budget for Board consideration and approval;
- ensuring effective day-to-day operations in accordance with approved strategies, policies, and procedures;
- evaluating insurance cover applications and considering amendments, waivers, or consents;
- monitoring the status, salvage, and claims of projects;
- monitoring and reviewing employee development such as staff training, personal development, and management development;
- identifying, mitigating, monitoring, and reporting on enterprise-wide risks
- overseeing stakeholder relationship;
- overseeing the effective management of ICT resources;
- approving corporate social investment and funding for enterprise supplier development projects;
- monitoring progress against corporate performance targets.

REMUNERATION REPORT

The Remuneration Report for the year ended 31 March 2023 is structured in accordance with the requirements of King IV and is divided into the following three sections:

- Section 1 – A background statement regarding committee considerations and decisions for the financial year
- Section 2 – An overview of the Corporation's remuneration philosophy and policy applicable to the coming year.
- Section 3 – The implementation report which deals with how we have implemented the remuneration policy during the past year.

Part 1: Background Statement

The global, regional and domestic environments remained very uncertain through the 2023 Financial Year.

The financial year ending March 2023 continued to be a challenging year for the Corporation resulting in the Corporation not achieving some of its targets.

The South African economy faced not only this difficult external environment, but also the weakening impact of heightened electricity loadshedding.

These headwinds to economic growth complicated the Corporation's efforts to facilitate and encourage the export of South African goods and services.

In discharging its responsibilities set out in the Committee's terms of reference, the following were key focus areas for the year under review:

- Led the process for the appointment of the Chief Executive Officer.
- Considered the Chief Executive and Divisional Executives performance contracts as a function of setting their remuneration.
- Reviewed the Corporation's human capital and remuneration policies and practices to ensure that they remain fit for purpose and are aligned with strategic objectives. The Committee concluded that the Performance Linked Short Term Incentive Policy is to be reviewed in the 2024 Financial Year.
- Considered and recommended adjusted salary increases for approval by the Board.
- Considered the performance of the Corporation, recognised, and rewarded eligible employees with adjusted short-term incentives.
- Reviewed and approved the Corporation's Succession Planning.
- Considered and recommended the Remuneration Report for approval by the Board.
- Reviewed and approved the Corporation's Balanced Scorecard for the 2024 Financial Year.
- Considered progress made on the implementation of the Employment Equity Plan.

Business performance and the impact on remuneration

The Corporation continued to operate in a volatile, uncertain and complex environment during the review period. This resulted in the Corporation not achieving all its targets. During the 2023 Financial Year, the Corporation had sixteen targets to be achieved in terms of the Corporate Scorecard. The Corporation achieved eleven of the sixteen targets resulting in a weighted corporate performance score of 3.27 out of 5.00 compared to a score of 3.37 over the period that ended 31 March 2022.

The extent to which we achieve the set targets has a direct impact on the short-term incentives payable to employees.

Remuneration Governance

The Human Resources and Remuneration Committee assists the Board in ensuring that the Corporation remunerates fairly, responsibly, and transparently. Furthermore, it oversees the implementation of the remuneration policy and makes recommendations to the Board regarding the remuneration for Non-executive Directors for approval by shareholder.

The Human Resources and Remuneration Committee is chaired by an Independent Non-Executive Director and comprises of five Non-Executive Directors. The CEO and other members of Exco attend meetings by invitation, but do not vote and are not present when their remuneration is determined. The Committee's Chairperson provides feedback to the Board after each Committee meeting of key decisions and relevant discussions.

The Human Resources & Remuneration Committee had six meetings in the 2023 Financial Year.

Shareholder engagement

In line with the requirements of the King IV and the Companies Act, the remuneration policy and the remuneration implementation reports are tabled to the shareholder for a non-binding advisory vote at the Annual General Meeting (AGM). The shareholder considered and supported the remuneration policy and implementation report.

Key focus areas for the 2023/24 Financial Year

The Committee anticipates the following key focus areas for the next year:

- Continue to review remuneration practices and adjust as required.
- Review of the Remuneration, Reward and Recognition Policy to ensure that the resultant outcomes support the strategic objectives and that these are appropriate to the changing environment.
- Review the Performance Linked Short Term Incentive Policy, specifically the Short-Term Incentive (STI) pool build-up methodology, ensuring it remains fit for purpose. Deliberately focus on building the short-term insurance trade skills to capacitate the new short term insurance trade line of business.
- Focus on retaining and attracting critical skills.
- Deliberately focus on succession planning, talent development and employee engagement.
- Focus on reinforcing the desired culture and encourage ethical behaviour consistent with the Corporation's values.
- Organisational design and structure review to ensure that the Corporation is well-structured and is fit for purpose.
- Assess the total cost of remuneration (and its component parts) and its impact on the Corporation's overall cost base and financial performance.

For the year under review, the committee is satisfied that it has fulfilled its obligations in terms of its mandate.

Part 2: Remuneration Philosophy, Policy and Framework

ECIC's remuneration philosophy is to remunerate and reward employees in line with market norms. ECIC recognises that remuneration, reward, and recognition have a direct link to attraction, performance, engagement, motivation, and retention of talented individuals. Consequently, the Corporation remunerates, recognises and reward employees in line with the norms prevailing in the competitive market and the value they create for the stakeholders. The total remuneration approach includes a competitive mix of base salary, variable pay, employee benefits and recognition awards.

The remuneration policy sets out the methodology, agreed by Board, to remunerate employees and it ensures that value is appropriately shared between the Corporation and employees.

EXECUTIVE & STAFF REMUNERATION

ECIC adheres to a 'total cost to company' methodology, which we refer to as the guaranteed pay. All employees, including the executive director, receive guaranteed pay based on their role in the Corporation. Contributions to medical aid, retirement funding and insured benefits are included in the guaranteed pay. In addition to the guaranteed pay, the Corporation offers annual short-term incentives.

REMUNERATION STRUCTURE

Our remuneration structure comprises broadly of fixed guaranteed pay and short-term incentives (STI) as detailed below:

Guaranteed Pay

The Corporation seeks to attract and retain the best talent with market-related pay. Guaranteed pay is made up of base pay and benefits such as medical aid and provident fund. It is set considering the size, scope, and complexity of the role, benchmarked to market. Remuneration is reviewed on an annual basis, considering Consumer Price

Index (CPI), market trends, employees and the Corporation's performance, internal parity and affordability and takes effect on 1 April each year.

Our pay philosophy is to benchmark guaranteed pay to the median of the market at the (50th percentile), and we benchmark annually to ensure our total rewards and benefits package remains aligned to and competitive with the market.

As an integral part of total guaranteed pay, the Corporation provides a flexible structure of benefits that can be tailored, within certain limits, to individual requirements. These include:

- retirement funding
- group life cover and
- medical aid/insurance.

The Corporation pays an Acting Allowance to employees who are required to act in roles that are higher than their designated roles.

Short-term incentives

The Short-term incentives aim to cultivate a high-performance culture and promote the attainment of short-term targets that will ultimately lead to the achievement of long-term goals. Short term incentives are discretionary and are awarded as a percentage of total guaranteed pay. The actual award is based on a weighted mix of the level of performance achieved by the Corporation and the individual.

The pool available for short-term incentives is determined by financial performance against previously set and agreed targets and demonstrated value creation.

The Board has the discretion to grant payment of the short-term incentives and it is therefore not an automatic entitlement. The discretion of the Board is dependent on the Corporation's annual financial results and/or any other factors as determined by the Corporation from time to time.

SIGN-ON, RETENTION AND RESTRAINT PAYMENTS

The Corporation will offer sign-on bonuses and retention bonuses under exceptional circumstances, and these will be preapproved by the Human Resources & Remuneration Committee. These special-purpose short-term variable remuneration arrangements are typical in the context of hiring senior and key employees to compensate for loss of certain accrued benefits Sign-on bonuses for the Executive Director(s), Executives and/ or Prescribed Officers must be approved by the Shareholder Minister.

PAYMENTS ON TERMINATION OF EMPLOYMENT

On termination of employment, ECIC will pay employees the benefits that were due to them. The Human Resources & Remuneration Committee has discretion regarding all terms of such agreements (to be exercised on a case-by-case basis).

BOARD REMUNERATION

Board members receive a fee for each Board and committee meeting attended, both of which are determined by the Minister of Trade, Industry and Competition. Board members also receive an annual retainer and are compensated for all costs incurred in carrying out their ECIC duties.

Part 3: Implementation report

This section of the remuneration report sets out the reward decisions taken in 2023 pertaining to the Corporation's executive director, prescribed officers, and the general workforce.

Total remuneration

King IV and the Companies Act require that the individual remuneration of all members of executive management should be disclosed.

The table below declares the remuneration paid to the Executive Director and Executives during the reporting period. In implementing remuneration for the Executives, there were no deviations from the Corporation's Remuneration Policies, as approved by the Board:

Table 2: Executive remuneration

2023 R'000	Basic salary	Bonus paid	Provident fund	Cell phone allowance	Acting allowance	Other benefits*	Total
K Kutoane – Former Chief Executive Officer[1]	1 046	1 594	-	16	-	16	2 672
M Nkuhlu – late Chief Executive Officer[2]	2 666	1 023	258	36	191	309	4 483
C Kgoale[3] – Former Company	262	-	32	6	-	14	314
S Thwala[4] – Acting Company Secretary	-	-	-	-	61	-	61
X Mpanza[5] – Company Secretary	202	-	20	-	-	9	231
N Mkhathazo – Chief Financial Officer	2 223	828	346	30	-	52	3 479
S Esterhuizen- Chief Actuarial & Investment	2 518	947	322	25	-	16	3 828
N Maphula – Acting Chief Operations Officer[6]	1 981	824	313	30	187	221	3 556
J Omollo – Chief Risk Officer	2 135	824	338	30	-	24	3 351
D Naicker- Acting General Counsel[7]	-	-	-	-	135	-	135
	13 033	**6 040**	**1 629**	**173**	**574**	**661**	**22 110**

2022 R'000	Basic salary	Bonus paid	Provident fund	Cell phone allowance	Acting allowance	Other benefits*	Total
K Kutoane – Chief Executive	3 925	1 538	-	44	-	76	5 583
Officer (Director) C Kgoale – Company	1 263	389	127	21	-	64	1 864
Secretary the late M Nkuhlu – Chief Operations	2 503	999	246	30	-	226	4 004
Officer N Mkhathazo – Chief Financial	2 014	799	319	30	-	51	3 213
Officer S Esterhuizen- Chief Actuarial	2 397	917	307	24	-	17	3 662
& Investment N Maphula – General Counsel	1 716	723	271	30	-	236	2 976
J Omollo – Chief Risk Officer	1 894	723	300	30	-	17	2964
	15 712	**6 088**	**1 570**	**209**	**0**	**687**	**24 266**

**Other benefits comprise of travel allowance, medical benefits, connectivity allowance and social security contributions.*

[1]*Former Chief Executive Officer- term of employment came to an end on the 30 June 2022*

[2]*The Corporation's Chief Operations Officer was appointed as the Acting Chief Executive Officer with effect from 01 July 2022 and was appointed as the Chief Executive Officer with effect from 01 December 2022*

[3]*Former Company Secretary-resigned with effect from 17 June 2022*

[4]*Appointed Acting Company Secretary with effect from 30 July 2022*

[5]*Appointed Company Secretary with effect from 01 February 2023*

[6]*The Corporation's General Counsel was appointed as the Acting Chief Operations Officer with effect from 01 July 2022*

[7]*Appointed Acting General Counsel with effect from 01 July 2022*

3.2 Remuneration Amendments implemented

SHORT TERM INCENTIVES

The Human Resources and Remuneration Committee considered the overall operating environment and financial results in determining the short-term incentives payable in the 2023 Financial Year. These were assessed in terms of the respective financial performance scorecards approved.

A formulaic determination of the STI pool for the 2023 Financial Year based on actual performance as compared to targets, created a pool of R21 483m (2022: R20 172m).

SALARY INCREASES FOR 2023 FINANCIAL YEAR

The salary increase process for the 2023 Financial Year was concluded, providing an average increase of 5.8% across the Corporation.

In awarding annual salary increases, the increase percentages granted to general staff are generally higher than those granted to senior and executive management, thereby narrowing the pay gap that exists between the highest and lowest paid employees.

DISCLOSURE OF DIRECTOR'S REMUNERATION

Payments to directors for the year ended 31 March 2023 for services rendered are as follows:

2023			
	Fees	Reimbur-sive Expenses	Total R'000
D Dharmalingam	377	4	381
S Mayekiso	416	2	418
S O'Mahony	368	13	381
V Matsiliza	416	3	419
L Mothae	337	1	338
D Subbiah	356	9	365
E Makhubela*	-	1	1
Total	**2 270**	**33**	**2 303**

2022			
	Fees	Reimbur-sive Expenses	Total R'000
D Dharmalingam	285	0	285
S Mayekiso	302	4	306
S O'Mahony	240	3	243
V Matsiliza	275	32	307
L Mothae	239	0	239
D Subbiah	255	18	273
E Makhubela*	-	4	4
Total	**1596**	**61**	

**The director is a government representative (National Treasury) and is not paid meeting attendance fees.*

The increase in non-executive remuneration in the 2023 financial year when compared to the 2022 financial year is mainly due to the backpay for the 2019 to the 2022 financial years on adjustment of the rates.

The Human Resources & Remuneration Committee is satisfied that all benefits are justified and suitably disclosed.

Executive Contracts

Executives except for the Chief Executive Officers (CEO) are employed on permanent employment contracts with notice periods of one to three months. The CEO is employed on a 5-year fixed term contract and his notice period is 3 months.

Employment contracts are offered until the retirement age of 65 years.

STAKEHOLDERS

STAKEHOLDERS

Building relationships with key stakeholders and leveraging strategic partnerships impact directly on the Corporation's ability to generate revenue. Embedding relationships and increasing local and international public and private sector strategic partnerships increases our business reach and new market access.

We regard stakeholders as individuals or groups who, reasonably, can be affected significantly by our business activities, outputs or outcomes or whose actions can significantly affect our ability to create value over time.

Our approach to stakeholder interaction is that of cementing inclusive, mutually beneficial, long-term relationships founded on complete and responsive communication to the legitimate and reasonable needs, interests, and expectations of our stakeholders in the best interest of the organisation over time. In following this stakeholder-centric approach, we give parity to all sources of value creation, including the social and relationship capital embodied by our stakeholders.

STAKEHOLDER MANAGEMENT FRAMEWORK

The ECIC Board has adopted the principles of openness, integrity and accountability as espoused in King IV™ in its inclusive approach, and transparent and meaningful reporting to stakeholders.

Annually, the Board approves a Stakeholder Management Framework with management implementing the following plans each financial year:

- Stakeholder Engagement Plan.
- Customer Engagement Plan.
- Employee Engagement Plan; and
- Marketing and Communications Plan.

The Stakeholder Management Framework seeks to achieve the following:

- More equitable and sustainable social development by giving those who have a right to be heard the opportunity to be considered in decision-making processes.
- Determine material issues for sustainability management and reporting.
- Enable better management of risk and reputation.
- Allow for a pool of resources (knowledge, people, money, and technology) to solve problems and reach objectives that cannot be reached by single organisations.
- Enable understanding of complex operating environments, including market developments and cultural dynamics.
- Enable learning from stakeholders, resulting in product and process improvements, and innovations.
- Inform, educate, and influence stakeholders in a way that can improve their decisions and actions, which will in turn have an impact on ECIC and on society; and
- Contribute to the development of trust-based and transparent stakeholder relationships.

To achieve the above goals the Stakeholder Management Framework focuses on the following areas as recommended by King IV:

- Arrangements for governing and managing stakeholder relationships.
- Methodologies for identifying individual stakeholders and stakeholder groupings.
- Determination of material stakeholders based on the extent to which they affect, or are affected by, the activities, outputs, and outcomes of the organisation.
- Management of stakeholder risk as an integral part of organisation-wide risk management.
- Formal mechanisms for engagement and communication with stakeholders, including the use of dispute resolution mechanisms and associated processes.
- Measurement of the quality and effectiveness of material stakeholder relationships, and appropriate responses to the outcomes; and
- Areas of focus.

Stakeholder management is delegated to the CEO in terms of the ECIC Delegation Matrix. The outcomes of the engagements from the abovementioned management plans informs the annual review of the Stakeholder Management Framework and associated plans.

93% of the 2022/23 Stakeholder Engagement Plan was implemented, with the 2 initiatives not implemented being delayed by external factors.

MARKETING AND COMMUNICATIONS

AfCFTA Media Campaign

ECIC implemented both local and international campaigns with a specific focus on the AfCFTA. The campaign began with a focus on South Africa, DRC, and Ethiopia during 2021/22, while the 2022/23 campaign focused on Uganda, Angola, and South Africa.

The media campaign boasted various social media activations aligned to ECIC trade and business events. The social media activations showcased noteworthy growth in the click through rate (CTR) on Twitter and LinkedIn inclusive of the digital programmatic campaign. The URL for the campaign landing pages for the programmatic digital engagements are performing positively and increasing the overall CTR. The contact forms managed by the Business Development Unit, which are available in French and Portuguese are also used to further enhance the campaign.

The campaign is mainly focused on programmatic digital advertising, social media, airport, and billboard advertising on various digital platforms. The social media content mix included thought leadership pieces focused on the AfCFTA, profiles of key individuals within the ECIC, highlighting ECIC projects (particularly in the countries of focus) as well as content around ECIC products and initiatives aimed at stimulating exports and supporting the AfCFTA.

Corporate Reputation Index Performance (CRIP) Survey

The main objectives of this study were to assess the following:

- Brand Awareness: Assess the ECIC's brand value and brand equity
- Corporate Reputation: Determine the ECIC's corporate reputation level
- Desired Reputation: Develop a roadmap to aid the ECIC realise its desired reputation level
- Perceptions: To ascertain the current perceptions of the ECIC amongst its key external stakeholders

The 2022 study maintained the use of a thematic aggregated satisfaction score as used in 2016 and 2018. The research comprised 35 items (questions). Stakeholders were grouped and surveyed in the following categories:

The study computes the CRIP score based on the following building blocks:

- Economic Upliftment
- Image and Brand
- Relationship Management
- Governance and Compliance
- Product Offering
- Customer Satisfaction

By measuring the elements above, the Corporation was able to develop and improve the company's corporate reputation to meet the organisation's strategic objectives. The purpose of a tracking study is to compare results over time; it allowed the Corporation to identify trends, keep track of one's brand health as well as served as an early warning system for key issues relating to the ECIC's brand. This is the third brand, reputation, and customer satisfaction survey conducted by the ECIC, and allowed comparisons to be made between 2016, 2018 and 2023.

Stakeholder relationships are crucial intangible assets that form the foundation for an organisation to grow and prosper as a business. A strong, positive reputation will play an important role in improving the overall efficiency of the ECIC, as well as increasing employee confidence and reducing negative information relayed about the corporation. Corporate reputation is based on a company's past actions and the probability of future behaviour.

80 stakeholders completed the survey, and the study achieved an overall CRIP score of 77% based on the 6 themes and Net Promoter Score of 55%. The 6 themes are as follows:

	2016	2018	2022
Economic upliftment	61%	67,0%	75%
Image and brand	60%	690%	81%
Relationship management	56%	64,3%	74%
Governance and compliance	74%	75,0%	84%
Product offering	44%	53,8%	74%
Satisfaction	56%	64,3%	76%

Trade and Industry Events, Conferences & Partnerships

ECIC participated in the following events and partnerships during the financial year:

1. MINING INDABA 2023

ECIC formed part of the mining community at the annual Investing in African Mining Indaba which came together to spark change and drive investments in Africa from the 6 – 9 February 2023 in Cape Town.

The event delved into integral economic strategies, supporting supply chain security, and seizing investment opportunities capitalising on the commodities super cycle as the investing in African Mining Indaba (Mining Indaba) was solely dedicated to the successful capitalisation and development of mining interests in Africa. Succeeding for over 27 years, Mining Indaba has a unique and widening perspective of the African mining industry, bringing together visionaries and innovators across the entire value chain. Additionally, Mining Indaba continues to support education, career development, sustainable development, and other important causes in Africa.

ECIC hosted an exhibition stand at the event along with the ECIC Mining Indaba team led by ECIC Acting COO Mr Ntshengedzeni Gilbert Maphula and included Philemon Thobane, Paul Mojalefa and Odirile Ramasodi. ECIC has planned a host of meetings with relevant banks and other companies to discuss pipeline and other existing deals at the event.

2. AFRICAN ENERGY COLLOQUIUM 2023

In conjunction with the Africa Energy Indaba (AEI), the South African Electro Technical Council (SAEEC) in collaboration with the Export Credit Insurance Corporation of South Africa (ECIC), powered by the Department of Trade, Industry and Competition (**the dtic**) hosted the 2nd African Energy Colloquium between 6 – 9 March 2023. The colloquium brought together key stakeholders, policymakers, and private and public sector CEOs from Africa's energy sector.

The objective of the colloquium was to discuss and unlock the pertinent elements and challenges faced in developing Africa's energy sector. This edition of the colloquium will re-engage with a specific focus on the lessons learnt during the COVID-19 pandemic and how African Energy Leaders will utilise these lessons to formulate solutions for the Continent.

ECIC Business Development Specialist, Paul Mojalefa, participated in discussions in the lead up to the African Energy Colloquium under the topic: *"Leveraging African content to operationalise the African Continental Free Trade Agreement"*, and *"Doing Business from South Africa: Financing Capital Projects from South Africa"* on Monday, 6 March 2023.

3. AFRICA ENERGY INDABA 2023

The Corporation participated in the 15th Africa Energy Indaba 2023 from the 7 – 9 March, which was a physical in-person event this year, with all conference sessions, side events and the exhibition taking place at the Cape Town International Convention Centre, South Africa.

The conference discussed, debated, and sought solutions to enable adequate energy generation across Africa. A diverse group of luminaries and high-profile speakers will share their real-world insights about the changing energy landscape in Africa.

In addition to providing a platform for the most ground-breaking and diverse energy panels, the Africa Energy Indaba hosted a 2-day energy exhibition where world-class industry organisations demonstrated their commitment to provide the solutions Africa needs to meet its growing energy demands. The Corporation participated at the exhibition with the aim of profiling the brand to a diverse clientele led by ECIC Marketing Officer, Odirile Ramasodi.

ECIC CEO, the late Mandisi Nkuhlu attended the Energy Leaders Dialogue which was a private session by McKinsey under Chatham house rules.

ECIC Senior Underwriter, Lebohang Mosetu participated in a plenary session under the topic *"Is Climate Focused Funding Appropriate for Africa?"*

4. GTR AFRICA

GTR Africa 2023 offered unrivalled insights into the latest trends and developments impacting African trade, export, and infrastructure financing through an extensive programme of expert speakers and interactive discussions. The event included a full exhibition and provided the invaluable opportunity for participants to network and connect with industry leaders, peers, and potential clients.

Portia Dube, Head of Business Development represented the brand at GTR Africa 2023 on a panel discussion moderated by Gabriel Buck under the topic *"Bonds, loans & ESG: Could 2023 be the year of the ECA?"*. This high-level discussion assessed the pros and cons of various infrastructure financing sources and structures, with a specific focus on bonds, ECA-backed deals, and concessional finance.

5. SOUTHERN AFRICAN RAILWAY ASSOCIATION

ECIC was a sponsor at the 11th Southern African Railway Association conference and exhibition held on the 26 – 28 October 2022 at Gallagher Convention Centre in Johannesburg.

The Southern African Railway Associations (SARA) is Africa's only railway event hosted by Railway Operators, and this includes Transport Ministers from the region. The event tackled key industry issues head-on and showcase global innovations, as well as provided the platform for African rail corridor updates. Different key players and stakeholders from the African Continent and beyond attended this event.

ECIC Head of Business Development, Portia Dube participated in a panel discussion under the topic 'Investments in Infrastructure' at the SARA Rail Conference.

The theme of the conference was 'Transforming Rail Transportation Through Innovative Logistics Solutions for an Increased Modal Shift'. Portia will join fellow panellists Mr Davis Pwele, DBSA, Mr. Reginald Demana, IDC, Mr. Mike Salawou, AFDB, and Ms. Tefelo Majoro, GGDA, for what was an enlightening discussion.

6. KWAZULU-NATAL EXPORTERS WEEK

ECIC is participated at the Kwazulu-Natal Exporters Week, an annual programme of Trade & Investment KwaZulu-Natal (TIKZN) developed to recognise, promote, and assist with growing KwaZulu-Natal's export businesses and industries.

The theme of the Kwazulu-Natal Export Week that took place from 29 November to 2 December was **"Think Africa, Think Growth".**

ECIC Business Development Specialist, Isaac March, participated in a live panel on **'Intra-African Trade'** on 29 November 2022. The multidisciplinary panel will included speakers from Afreximbank, SA Unilever and the Trade Research Advisory, who unpacked opportunities within The African Continental Free Trade Area (AfCFTA), provided information on how to fund export transactions in emerging African markets, as well as reflected on the Ukraine/Russia conflict to consider if there are any opportunities that present themselves on the African continent as a result of supply chain challenges resulting from the conflict.

7. MANUFACTURING CIRCLE EXPORTER FORUM

ECIC was a sponsor at the Exporter Forum event that took place at the CSIR from 28-29 November 2022. This high-level engagement discussed topics on how to increase South African exports to the world was hosted by Manufacturing Circle supported by The Department of Trade Industry and Competition (**the dtic**). The Acting CEO the late Mandisi Nkuhlu participated on the panel discussion *"How can we competitively export?".*

8. TXF AFRICA 2022

ECIC Head of Business Development, Portia Dube, participated in a panel titled **'TXF Export Finance: Bridging the funding gap'** at the virtual TXF, UXOLO & PROXIMO INFRASTRUCTURE, ENERGY & NATURAL RESOURCES AFRICA that took place on 7 December 2022.

The esteemed panel discussed how best to unlock public and private capital to fund critical projects across the continent. Some of the key questions the panel of experts engaged with, included: How we deal with increasing issues of debt sustainability and disadvantageous lending ratings? Will we see longer tenors, an extended period of 95/5% cover, and more private market activity? The ESG challenge; will it be possible to balance the environmental need for green and the social need for infrastructure? The panel was moderated by Ed Harkins, SACCI, and panellists include Luka Lightfoot, Baker & McKenzie, Frederik Hsu, NMS International, Sekete Mokgehle, Nedbank Corporate and Investment Bank.

9. INFRASTRUCTURE AFRICA

ECIC participated in a virtual conference **Infrastructure Africa from the 17 – 18 August 2022.** The event connected industry stakeholders and leading African countries to foster dialogue, promote investment and expansion, as well as facilitate business development around Africa's growth was attended by more than 1300 virtual participants.

Senior Development Specialist, Paul Mojalefa was part of a panel discussion on the topic **'Boosting capital for development: New approaches to financing Africa's infrastructure development (Infrastructure Funding and Financing Mechanisms).'**

10. AFRICA TRADE SOUTH AFRICA

ECIC partnered with the Africa Trade South Africa 2022 (ATSA) Virtual Conference. The conference explored South Africa – Africa trade and investment opportunities in relation to AfCFTA. The event brought together government and non-governmental institutions, project developers, financiers, African economists, policy makers, institutional investors, development and commercial banks, fund managers, private equity investors and multilateral financial institutions. More than six hundred connected delegates attended the event.

Head of Business Development, Portia Dube participated in the finance panel composed of leading women in business from key institutions in Africa on the topic discussion **'The African Continental Free Trade Area (AfCFTA): Exploring the inherent opportunities that the world's biggest free trade area holds for export, finance and women entrepreneurs in Africa'** The panel was broadcasted live on CNBC Africa, that brought PR/Publicity value of more than R 6 million.

11. TRANSPORT EVOLUTION AFRICA

ECIC was a silver sponsor at the 10th Edition of the **Transport Evolution Africa Forum & Expo** from the 28 – 29 September 2022 at the Durban ICC. The event tackled key industry issues head-on and showcased global innovations, as well as provide the platform for African port, rail, and road corridor updates.

ECIC Economist, Jeffrey Mashiane is participating in a live panel discussion under the topic **'Funding and financing of the African Transport network for the AfCFTA to become a reality'** moderated by Jeff Blackbeard, Director of Sectors and Markets, Moore Global, South Africa.

This session will also look at the implementation and updates available for funding in support of AfCFTA progress. It also shared success stories on transport funding and lessons learnt in understanding the gap financing for transport infrastructure, integration, and digitisation.

12. GTR AFRICA

ECIC participated at the Enlit Africa event through sponsorship and exhibitions at the Cape Town International Convention from 7 to 9 June 2022. The event is a leading platform bringing together Africa's power, energy, and water sector role players to showcase expert knowledge, innovative solutions, and foresight from industry to shape Africa's energy transition.

ECIC Senior Underwriter Lebohang Mosetu participated in a panel discussion under the topic 'COVID-19, climate change and the investment landscape – Managing energy risk and uncertainty in South Africa'.

13. TXF GLOBAL 2022

The corporation also participated at the TXF Global from 7 to 8 June 2022. The hybrid event was hosted in Portugal, and it is the largest export, agency & project finance event that gathered innovative and refreshing content by industry experts.

ECIC CEO, Kutoane Kutoane was part of the discussion panel the “ECA CEO soapbox” titled Product and policy reviews of the global ECA’s. The discussions included the fossil fuels in the current climate, the role of ECAs in promoting domestic projects as well as their role in reaching Net 0.

14. MANUFACTURING INDABA

The Corporation participated at the Manufacturing Indaba from 21 to 22 June 2022 at the Sandton Convention Centre. As a silver sponsor ECIC hosted an exhibition stand at the conference and activated branding on various platforms during the conference.

ECIC Senior Economist, Sindiso Ndlovu joined a panel of Financial Institutions and Banks in a discussion under the topic: ‘Financing the economic recovery – Critical constraints and opportunities for public and private sector financing of the industrial economy.’

INVESTING IN OUR PEOPLE

To build a successful Corporation of the future, ECIC needs appropriately skilled and capable employees. In Financial Year 2023, key focus areas were to attract, retain and develop talent and skills.

Table 3: Investing in our People

	2021/22	2022/23
Number of full-time permanent employees	87	92
Salaries and benefits (Rm)	R79,230 million	R85, 457 million
Women representation in Executive Committee (%)	17%	33%
Black representation in Executive Committee (%)	83%	83%
Total training spend (Rm)	R3 million	R 2,9 million

Staff complement and employee diversity

The Corporation continues to have a lean staff complement. During the reporting period, staff complement consisted of 92 employees (2022:87) including those on fixed-term contracts and graduate trainees. The growth in staff complement is to ensure that the Corporation has sufficient capabilities for the medium term to long term trade insurance and short-term trade insurance.

In Financial Year 2023, the Corporation maintained a slightly higher representation of female employees relative to male employees with 53% female employees and 47% males. The number of employees living with disabilities increased from 2.4% in 2022 to 4% in 2023. This is evidence that the Corporation continues to make steady progress on diversity and inclusion.

Employee and retention

During the period under review, the employee attrition rate was up from 3% to 6% but was still within the tolerable rate of 15%. The Corporation achieved a retention rate of 94% (2022:97%) against an internal target of 85%. While ECIC recognises the mobility of a millennial workforce, it expects its staff retention rate to be within its tolerable rate of 85% in the foreseeable future.

Employee development

The Corporation invested R2,1 million in employee development for the period ending March 2023. By encouraging employee skills development, we continue to transform the skills profile of the Corporation ensuring that the Corporation has the requisite skills to deliver on its strategy.

Learnerships

The Corporation continued with implemented a learnership programme with 8 learners living with disabilities during the period under review. This programme is aimed at assisting students who live with disability and lack necessary resources to further their studies. The 8 learners graduated with a National certificate in Generic Management.

Employee Wellness

Employee wellness remained a priority during the year, and the Corporation continued to drive several employee support and engagement activities. The employee assistance programme assisted ECIC employees with coping strategies, stress management, grief counselling and parental guidance. Employee wellness days were hosted throughout the year.

Employee Engagement

A culture based on strongly held and widely shared set of beliefs that are supported by strategy is key to the success of the Corporation.

Noting the importance of culture to the success of the Corporation, during the year under review, the Corporation conducted a Culture Assessment Survey using the Barrett Value Centre.

The Corporation achieved a Culture Entropy Score of 26%. A Culture Entropy Score of 26% indicates that the Corporation needs to focus on its culture and aim to reduce cultural entropy.

In addition to the Culture assessment, the Corporation implemented the employee engagement plan with various actions to address the survey results achieved in Financial Year 2022.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RISK MANAGEMENT

RISK MANAGEMENT

Risk framework

ECIC has an elaborate risk framework that comprises a suite of policies, procedures and processes that holistically seek to manage risk within the Corporation's risk appetite. The Corporation's strategic themes include sound risk management that ensures the Corporation remains sustainable in both the short and long run. Global trends in a post-COVID world are important in so far as a forward-looking assessment of risk eligibility in regions/geographies, sectors and obligors are concerned. The forward-looking tripwires and early warning signals have assisted the Corporation to identify potential high-risk opportunities and to put in place commensurate risk sharing/transfer mechanisms to fully eschew risk or to restrict risk to within acceptable levels. The Board composition in terms of skills and experience ensures that Board oversight remains effective in augmenting management decision making when the Corporation navigates difficult risk terrain. Regular interactions with regulatory bodies in the financial services sector have enabled the Corporation to embrace and institute sound risk management and compliance practices that ensures continued support to policy holders.

ECIC Board risk oversight

The Risk Committee of the Board exercises delegated oversight responsibility from the Board on all risk-taking opportunities of the Corporation. The Combined Assurance plan that incorporates role players across the three lines of defence, and monitored by both the Risk and Audit Committees has evolved over the years and provides varied risk perspectives to Board.

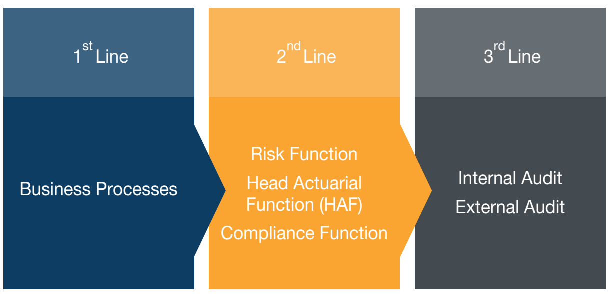


Figure 7: Integrated Assurance Model

Risk management

ECIC's business landscape traverse different geographies and regions as well as industries and obligors. As a result, the Corporation strives to manage the various disparate risks that could be present in a single transaction, within the different risk categories. To ensure achievement of holistic view of risk, there is need to delineate all risks as set out below:

Country risk

The risk that an investor in a foreign jurisdiction may not be able to receive monetary value duly due to them from their investments and/or loans arising from acts of commission and/or omission by the host government constitutes country risk. As part of its country risk management strategy, the Corporation's country risk assessment and management methodology combines qualitative and quantitative methods comprising of primary and secondary research, with the latter taking into account published material from multilateral development agencies (MDAs). The key metrics that underpin country risk assessments include economic and exchange control considerations, sovereign debt analysis and government policy.

Underwriting risk

Underwriting risk is an overarching risk that comprises several risks that vary between transactions. Some of the risks in this category include completion/construction risk, supplier or reserve risk, market risk and credit risk. The Corporation uses internal analysis and external expert analysis to assess and manage underwriting risk from transaction inception to end-of-life. Prudent management of the insurance book is achieved by adherence to the Corporation's risk appetite limits and tolerance.

Investment risk

The Corporation ensures that its investment risk appetite is comparatively lower than its underwriting risk appetite to attain reasonable returns and strengthen its capability to meet claim obligations without eroding its capital base. This approach determines the asset classes that are included in the investment portfolio. Increasing requirements and expectations around environmental and social (ESG) impact management by fund managers is important. In this regard, periodic manager due diligence includes a view on governance and risk management.

Operational risk

The Corporation uses both leading and lagging key risk indicators (KRIs) to manage operational risks proactively. In post-pandemic era, emerging operational risks need to be identified and managed accordingly. As the Corporation embraces hybrid working conditions it is important to make sure that risk levels that could be exacerbated by reduced physical interaction are kept to within acceptable levels. Increasingly, the Corporation explores innovative ways to ensure full engagement of staff is achieved under the hybrid work arrangement, whilst emerging risks are managed to within set limits.

Risk Appetite

The Board together with management have crafted the Corporation's risk appetite as stipulated in the Risk Management Strategy, as per below excerpt:

Core Principle	Risk Appetite Statement	Measure	Breach (Y/N)
Self-Sustaining on a standalone basis	The Corporation shall grow the business by maintaining a capital buffer above SCR and EC.	The SCR and EC cover ratios shall not fall below 115% and 110% respectively	N
Maximum underwriting capacity	The Maximum Insurance Capacity that can be sustained by the available capital.	The Maximum Insurance Capacity is 10 times multiple of Equity. This Limit is subject to both EC and SCR cover ratio limits.	N
Country concentration risk	The maximum combined loss (gross of claim salvages) of a single event from exposures in a single country.	$696 million loss ($313 million loss net of salvages)[1]	N
Industry concentration risk	The maximum combined loss (gross of claim salvages) of a single event from exposures in an industry.	$696 million loss ($313million loss net of salvages)	N
Obligor concentration risk	The maximum loss (gross of claim salvages) of a single obligor/project.	$313 million loss (at a 100% LGD)[2]	N
Protect Reputation and Brand	The Corporation will manage or avoid situations / actions that could have a negative effect on its reputation and brand	N/A	N
Liquidity risk	To ensure liquidity risk is kept low, the Corporation shall ensure that its insurance liquidity ratio (ILR) does not fall below set limit	ILR>100%	N

[1]*The claim salvages are assumed to be 55% i.e., 45% LGD as per the highest expected for securitized investment insurance transactions.*
[2]*Should an exposure be underwritten above this limit, a lower LGD must be justified.*

Above solvency derived risk appetite limits are the utmost maximum or high watermark in terms of possible risk exposure under the different measures. The Corporation is in the process of reviewing its risk appetite framework to ensure operative limits that take cognisance of potential convergence and/or intersection of disparate risk factors that could potentially result in higher aggregate exposures playing out simultaneously.

At a macro level, the Corporation is exposed to global economic shocks that have a knock-on effect on the demand of South African exports globally and to Africa in particular. In the post pandemic world most countries have been left with elevated debt levels arising from their respective fiscal allocations to finance pandemic containment measures on one hand. On the other hand, persistently high global inflation has resulted in monetary policy normalization in most developed economies, with resultant high cost of borrowing. The confluence of high debt and high borrowing costs have seen a sharp rise in the risk of sovereign default in one country, within the ECIC portfolio.

Whilst the Corporate risk register captures the sovereign default risk, other risks that have deteriorated include reputational risk and credit downgrade risk. Whilst the former emanates from perceived stringent claims payment process, especially where material policy requirements have been breached in ECIC's view, the latter is due to less capital relief from comparatively low rated ECIC paper. Both risks will have to be managed closely to ensure continued confidence in ECIC cover. The continued weakness of the rand and the risk of possible US sanctions against South Africa, both move in the same direction in terms of weakening ECIC's balance sheet. Rand weakness results in appreciation of US dollar assets and balance sheet erosion through high taxes. The risk of sanctions would trigger outward portfolio flows that adversely impacts the value of rand assets to meet claims payments. Governance and ICT risks are also trending upwards due to potential cyber-attacks as well as Board succession planning challenges.

Click on the link below to access the 2022/23 Risk Register:

Corporate Risk Register

Own Risk and Solvency Assessment (ORSA)

The ORSA process is an integral element of the Corporation's risk governance system. While subject to regulatory requirements, it is designed primarily to satisfy the internal need to manage all material risks and ensure sufficient capital to meet solvency and business requirements. The assessment is conducted annually and can be undertaken more frequently if circumstances dictate, in line with the ORSA policy.

The ORSA ensures that:

- processes and systems are in place and can adequately assess, monitor, and measure the risk profile and solvency requirements
- risk management system can accurately assess the Corporation's risk profile and the amount of capital required to cover the risks
- assessment of the results is embedded in decision-making process.

The ORSA encompasses reasonably foreseen and relevant material risks that include, at a minimum, underwriting, credit, market, operational and liquidity risks (where relevant) and any additional risks arising from activities and operations. The ORSA identifies the relationship between risk management and the level and quality of financial resources required and available. The assessment also addresses the quantitative and qualitative elements relevant to the medium- and long-term business.

The assessment includes:

- potential future changes in the risk profile in stressed situations
- the quantity and quality of own funds required over the business planning period
- the quantity and quality of own funds available, including the composition of own funds across the various tiers and changes to this composition over the planning horizon
- the overall solvency needs expressed in quantitative terms, complemented by a qualitative description of the risks and any deviations between the risk profile and implied risk profile underlying the solvency capital requirement calculation.

PERFORMANCE

2022/23 PERFORMANCE REPORT

Output	Performance Measure or Indicator	2022-23 Annual Target	Actual Achievement	Reason for Variance
INDUSTRIALIZATION AND GROWING THE ECONOMY				
CONTRIBUTE TO TRADE FACILITATION THAT RESULTS IN JOB CREATION				
Facilitation of exports and cross border investments	Value of approved transactions	USD550 million	**Targets not achieved.** 3 transactions to the equivalent value of USD509 million has been approved: 1) Letseng Diamonds – R130 million 2) Yellow Equipment – $308 million 3) NMSI – $193 million	The COVID-19 recovery and fiscal challenges being experienced by some of the African countries, and the tough economic conditions which are exacerbated by the ever-worsening power shortages are having a bearing on the value chains that support economic activities, especially in driving exports.
	Number of approved transactions	4 deals approved		
	Value of approved transactions within expanded sectoral coverage	USD60 million	**Target not achieved.** Two transactions to the equivalent value of USD8,22 million has been approved: 1) Robertson and Caine – R130 million 2) RAM Shopfitting – R13,2 million	The uptake for short-term transactions has been very low as we are in the early stages of the rollout of the short-term line of business. Furthermore, it should be noted that trade credit insurance is the primary product that drives short term insurance business that is currently not offered by ECIC . However, the product is in the development phase and would be offered soon once approved by Board. It is expected that there would be a significant increase in the short-term exposure with the introduction of the trade credit insurance product.
	Export Passport Programme	5 companies benefiting	**Target not achieved.** Cooperation Agreement on Export Passport Programme has been finalised and awaiting signatures.	The process of getting all the parties comfortable with the execution version of the Cooperation Agreement on the Export Passport Programme took longer than anticipated. Whilst the contents of the agreement have been settled, some of the Entities are following their internal governance process to secure the execution of the agreement.
ACTIONS TO PROMOTE TRANSFORMATION				
ENHANCE TRANSFORMATION				
Maintain B-BBEE Score	B-BBEE Level	Level 1	**Target achieved.** B-BBEE Level 1 obtained.	N/A
BUILDING A CAPABLE STATE				
IMPROVE EMPLOYEE VALUE PROPOSITION				
Retention of staff	% staff retained	Retain 85% of staff	**Target achieved.** 94% staff retention achieved.	N/A
IMPROVE BUSINESS PROCESSES AND SYSTEMS				
Automation of business processes	% of business processes automated	70% of business processes automated	**Target achieved.** 72% (33 of 46) of business processes automated.	N/A
IMPROVE STAFF EFFICIENCY				
Staff efficiency	Employee cost to earned premium (3-year average)	Ratio not greater than 31%	**Target achieved.** Staff efficiency ratio of 16%.	N/A
EMBED RISK MANAGEMENT PRACTICES				
Embed risk management practices	No breaches on risk appetite limits over the 5-year period	No breaches on risk appetite limites (from 1 April 2022)	**Target achieved.** No breaches on risk appetite limits to-date.	N/A
	Risk maturity levels of the Corporation	Level 2 across 100% of metrics	**Target achieved.** Level 2 achieved across 100% of metrics.	N/A
ENHANCE FINANCIAL SUSTAINABILITY				
Increase in capital base	% increase in equity (excluding foreign exchange movements and related tax)	5% increase in equity	**Target not achieved.** A decrease of 8% has been reported.	This is mainly due to the IBNR raised for various Ghana projects and CRR raised on the downgrade of the credit risk rating for Ghana pursuant to the default on debt.
Track the operating cost base of underwriting activities	Operating cost base of underwriting activities	Operating cost below R150 million	**Target achieved.** Operating cost of R130 million.	N/A
STAKEHOLDER AND CUSTOMER ENGAGEMENT				
Maintain a high CRIP score	Corporate Reputation Index Performance (CRIP) score	CRIP score of 70%	**Target achieved.** CRIP score of 77%.	N/A
Improve employee engagement and organisational culture	Culture Entropy score	Culture Entropy score below 30%	**Target achieved.** Culture Entropy score of 26%.	N/A
ENHANCE CORPORATE GOVERNANCE				
Effective governance and internal control measures	External Audit results	Clean audit with no repeat findings and no more than 3 new findings on the BAC Report (judgmental differences not taken into account)	**Target achieved.** Clean audit obtained.	N/A

**The performance of this target is based on the South African Functional Currency financial statements in Note 40 on pages 85-86 of the Annual Financial Statements.*

VALUE ADDING HIGHLIGHTS FOR 2022/23

PROJECTS SUPPORTED

Aligned to the ECIC mandate of making SA exporters attractive to international buyers, the Corporation approved five transactions to the equivalent value of $517 million during the financial year. Two of these transactions relate to the expanded mandate which commenced on 31 May 2021.

Letšeng Diamonds (Lesotho) – R130 million

The project entails the design, construction, installation, and commissioning of a replacement Primary Crushing Area for Letšeng Diamonds (Pty) Limited. The Project will be implemented by Consulmet Metals (Pty) Ltd, a South African engineering entity focused on fast-tracked design and construction of mineral processing plants.

Letšeng ranks in the top 10 global diamond producers by revenue. The large, high value, greater than 100 carat diamonds from Letšeng account for 70% to 80% of the Group's revenue annually. Most of the off-taker sales are to India and China.

During the construction phase, a total of 248 job opportunities (man-hours) are estimated to be created/sustained in South Africa. A total of 233 job opportunities are estimated to be created/ sustained during the construction phase, and an estimated 15 job opportunities are expected to be sustained on an annual basis during the operational phase in South Africa. It is expected that SA content of at least R130 million (100%) will be achieved.

Robertson and Caine Working Capital Facility (US and Caribbean) – R130 million

This was the first transaction under the ECIC expanded mandate and has been renewed for another 12 months. This indicates confidence in the new ECIC product.

The transaction entails the financing of a Working Capital Facility for the manufacturing, supply and exporting of Catamarans to Travelopia (the exclusive distributor) for on sale to clients.

Yellow Equipment (DRC) – $308 million

The project entails the supply of 5,609 multipurpose yellow heavy infrastructure construction equipment to the Ministry of Infrastructure and Public Works to be used to rehabilitate and maintain infrastructure such as roads and water infrastructure amongst others in the Democratic Republic of the Congo (DRC).

The equipment purchased from South Africa will be utilised to upgrade gravel roads throughout the 26 provinces in the DRC and 145 districts for trade and access to social services and various facilities.

SA Content of $154 million (50%) is expected to be achieved. During the construction phase, a total of 4 474 job opportunities (man-hours) are estimated to be created/sustained in South Africa. For the operational phase, an estimated 582 job opportunities (man-hours) are expected to be sustained on an annual basis. Across both phases, the largest beneficiary of employment creation/ sustainability is estimated to accrue to semi-skilled labourers in South Africa.

NMSI (Zimbabwe) – $193 million

The project entails the design, construction and equipping of 2 District Hospitals and 16 Health Centres (Phase 1), and the design, construction and equipping of 3 District Hospitals and 6 Health Centres (Phase 2) in Zimbabwe.

The proposed District Hospitals will offer primary and secondary health care services (specialist services, training of medical personnel and outreach services) at the district level and the proposed Health Centres will offer direct primary healthcare services (pre-natal, post-natal, x-rays, ultrasound scans, rehab services, laboratory services, minor procedures including caesarean, dental, eye and CT Scanning) at the local level.

A total of 3 991 job opportunities (man-hours) are estimated to be created/sustained in South Africa during the construction and operational phase. Across both phases, the largest beneficiary of employment creation/sustainability is estimated to accrue to semi-skilled labourers in South Africa.

RAM Shopfitting (Nigeria) – R13 million

This is the second transaction under the expanded mandate. The project entails the designing, manufacturing, shipping, and installation of office furniture in Victoria Island, Lagos.

The estimated impact of the ECIC support scheme reflects the creation/sustainability of 16 job opportunities, which are estimated to be created/sustained during the construction phase only and these are mainly in the manufacturing sector.

MEASURING THE SOCIO-ECONOMIC IMPACT OF ECIC SUPPORT SCHEME

Measurement based on export credit drawdowns recorded in ECIC's insurance portfolio from 1 April 2022 to 31 March 2023, confirmed that the ECIC succeeded in facilitating six projects with total drawdowns amounting to R1.4 billion.

The estimated impact of the ECIC support scheme reflects the creation/sustainability of 4 487 job opportunities, of which a total of 3 528 job opportunities are estimated to be created/sustained during the construction phase, and an estimated 959 job opportunities are expected to be sustained on an annual basis during the operational phase.

The estimated employment impact on the South African economy is expected to be most pronounced in the construction phase. These impacts are estimated to be most reflective in the Manufacturing and Financial and Business Services sectors.

The exchange rate used is **$1 = ZAR17.8139** which was the prevailing rate on 31st March 2023. The drawn amount and the average local content for the year was used to determine the impacts on South Africa.

Table 4: Draws for the period 1 April 2022 to 31 March 2023

Projects	Loan Amount	Consolidated Drawdowns (Q1 to Q4)	Total Draws (1 April 2022 to 31 March 2023) @ spot rate 17,18139	SA content average achieved Financial Year 2022-2023
Zimborders	$129 136 125	$26 345 270	R469 312 006,68	64,38%
Liqhobong Bridge Facility	R182 184 000	R158 341 044	R158 341 044,10	46,75%
SNEL	$27 500 000	$170 486	R3 037 020,56	25,74%
EDM	$70 064 769	$7 661 799	R136 486 517,47	4,65%
Vamed	$29 903 539	$29 903 539	R532 698 653,04	50,00%
Letseng	R136 377 767	R106 008 200	R106 008 199,56	50,00%
			R1 405 883 441,39	

Table 6: Employment impact by sector [Number]

Country	Impact on SA	
	Construction Phase	Operational Phase
Agriculture	-	40
Mining	-	1
Manufacturing	742	556
Water and Electricity	-	4
Construction	-	2
Trade & Accommodation	-	147
Transport & Communication	-	19
Financial & Business Services	2 786	58
Community & Social Services	-	132
Total Employment Impact	**3 528**	**959**

SOCIO-ECONOMIC DEVELOPMENT

The ECIC Socio-economic Development (SED) Programme is intended to improve the quality of life of identified previously disadvantaged communities throughout the country, by implementing sustainable socio-economic interventions as guided by the SED Policy. The commitment is to support initiatives that are aligned with the skills gap in the export and insurance trade industry including consumer financial education initiatives that will empower the beneficiaries, to become aware of the financial risks, and opportunities in order to make informed choices.

ENTERPRISE AND SUPPLIER DEVELOPMENT

Pursuant to the Corporation's commitment to the social and economic transformation of South Africa, the ECIC ESD Programme is intended to:

- Build South Africa's industrial base in critical sectors of production and value adding manufacturing, which are labour intensive industries
- Build capacity by incentivising appropriate local supplier development programmes by businesses supplying imported goods and services
- Actively support procurement from at least 51% black-owned QSEs, EMEs, and professional service providers; and at least 30% black women-owned businesses

The following types of financial support are provided:

- Bridging Finance Grant to suppliers with secured firm contracts from ECIC. This allows the supplier to meet current obligations by providing immediate cash flow
- Asset Finance Grant for start-up and expansion capital to new and early-stage businesses. The grant is used to finance assets with a medium to long-term lifespan
- Working Capital Grant to new and early-stage businesses to cover operating expenses
- Debt Refinancing Grant to an existing business to settle an existing debt obligation. Debt financing may be provided to free up cash (often for a longer term, contingent on interest rate differential and fees)
- Training and Skills Development Finance Grant of R2,8 million allocated to EME service providers and R1,4 million allocated to export oriented SMMEs

South African Actuaries Development Programme

Bursaries of R992 795,60 to 4 female students.

Thuthuka Education Upliftment Fund Bursaries

- **Bursaries of R3,6 million offered**
- **10 students have enrolled for CTA in Accounting**

Consumer Financial Education – #L+EARN BIZ programme

Offered to 53 (31 female, 22 male) micro-enterprise owners with 9 webinars and 6 coaching sessions.

The #BIZ Close Out Event was held in December 2022 where the top ten (10) participants presented the L+EARN BIZ Final business pitches.

False Bay College

7 students have completed their NQF Level 2 theoretical training and Work Integrated Learning (WIL) at merSETA approved companies.

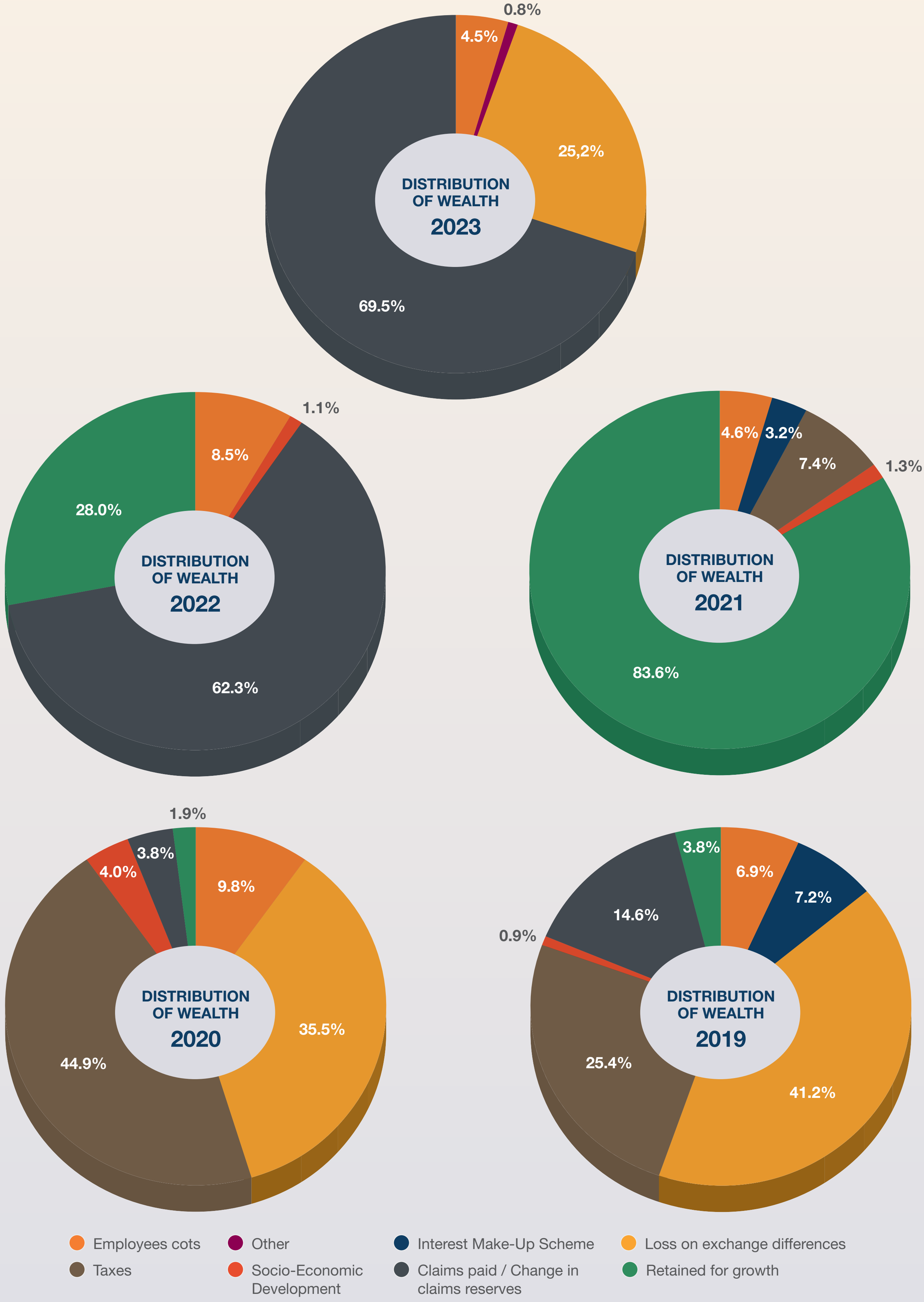
VALUE CREATION

		AFS Note	2023	%	2022	%	2021	%	2020	%	2019	%
Wealth created												
Net income			667,224		1,019,109		1,597,952		879,696		1 085 004	
Profit on exchange differences		25	-		65,431		408,754		-		-	
Salvages income / Change in claims reserves		14	241,792		83,644		69,331		114,140		395 902	
Interest Make-Up Scheme	#	18	-		39,489		-		34,704		-	
Deferred tax		27	47,867		55,648		-		20,278		-	
Paid to suppliers			(62,960)		(52,923)		(49,799)		(68,485)		(67 851)	
Loss for the year / Use of retained earnings	@		1,532,943		-		-		-		-	
			2,426,866		**1,210,398**		**2,026,238**		**980,333**		**1 413 055**	
Distribution of wealth												
Employee costs		23	109,145	4	103,380	9	92,375	5	96,320	10	97 363	7%
Interest Make-Up Scheme	#	18	10,781	0	-	0	64,375	3	-	0	101 527	7%
Loss on exchange differences			611,631	25	-	0	-	0	347,899	35	582 513	41%
Government												
Taxes		27	1,232	0	31	0	150,115	7	440,089	45	358 658	25%
Socio-Economic Development			6,662	0	13,901	1	25,998	1	39,653	4	13 355	1%
Claims paid / Change in claims reserves		14	1,687,415	70	753,750	62	-	0	37,265	4	206 469	15%
Retained for growth			-	0	339,336	28	1,693,375	84	19,107	2	53 170	4%
Depreciation and amortisation		23	3,067		4,994		7,719		4,762		2 792	
Deferred tax		27	-		-		18,317				34 393	
Profit for the year	@		(3,067)		334,342		1,667,339		14,345		15 985	
			2,426,866	**100.0**	**1,210,398**	**100.0**	**2,026,238**	**100.0**	**980,333**	**100.0**	**1 413 055**	**100.0**

#Net income earned / cost incurred on the IMU Scheme. This does not include the capital payments made on the IMU liability

@As a loss was made, an adjustment is made to reflect Retained for growth as NIL.

DISTRIBUTION OF WEALTH



FINANCIAL OVERVIEW

REFLECTIONS BY THE CHIEF FINANCIAL OFFICER

Mrs Noluthando Mkhathazo

REFLECTIONS BY THE CHIEF FINANCIAL OFFICER

Management's main objective is to run ECIC as a self-sustainable organisation inclusive of creating value to our stakeholders. This objective underpins how we conduct our business and manage the associated risks.

The past year has been the toughest year in the history of the organisation where we experienced the delayed impact of the Russia/Ukraine war and COVID-19 which resulted in many countries experiencing high debt levels with some even defaulting on their obligations with the case in point being Ghana.

As a consequence of the impact of macro-economic environment mentioned above; the Corporation raised the provision for incurred but not reported claims reserve (IBNR) of $91 million (R1.6 billion) for four projects ensuing the default on debt by the Government of Ghana (GoG). For two of the four projects, a claim of $15.1 million was received during the current financial year which is still under consideration. The defaults by the GoG have increased the sovereign credit risk in terms of our inhouse country risk rating model from a level 4 to a level 5 thus resulting in a creation of the provision for unexpired risks (concentration risk reserve) amounting to $7.6 million (R129 million). These two factors resulted in the Corporation reporting an underwriting loss of R1.4 billion for the year ended 31 March 2023.

The financial performance was further exacerbated by the foreign exchange losses reported of R612 million which are primarily driven by the depreciation of the South African Rand against the US Dollar from R14.4705 to R17.8139, therefore resulting into a net loss after tax of R1.5 billion, currency translation gain of R1.5 billion and total comprehensive loss of R39 million.

Due to the loss reported in the current financial year, the deferred tax asset for tax losses has since increased from R45 million reported in the previous financial year to R109 million in the current financial year. Despite tax losses recorded over the two consecutive years, the Corporation has a track record of generating taxable profits in the previous years and is expected to generate taxable profits from the 2024 financial year onwards. The deferred tax asset is expected to be utilised within the next financial year. This is demonstrated in the Corporation's corporate plan for 2023/2024 to 2027/28 financial years.

Despite raising these provisions, the Corporation continues to be solvent as indicated in the solvency assessment as at 31 March 2023 and beyond. As at 31 March, the Regulatory capital cover ratio stood at 267% while the Economic capital (internal view) cover ratio was 291%. However, in the period under review, the claims loss ratio deteriorated to 149% which is higher than our targeted ceiling of 50%.

The Corporation continues to monitor the developments regarding the engagements between Ghana and IMF on Ghana's request to access further disbursements under the IMF bailout package; this will inform the level of the claims provision and the prospects, timing and quantum of potential salvages. Given that these are sovereign loans, the salvage prospects are high as the Corporation is able to restructure the loans over longer tenors.

Financial Performance

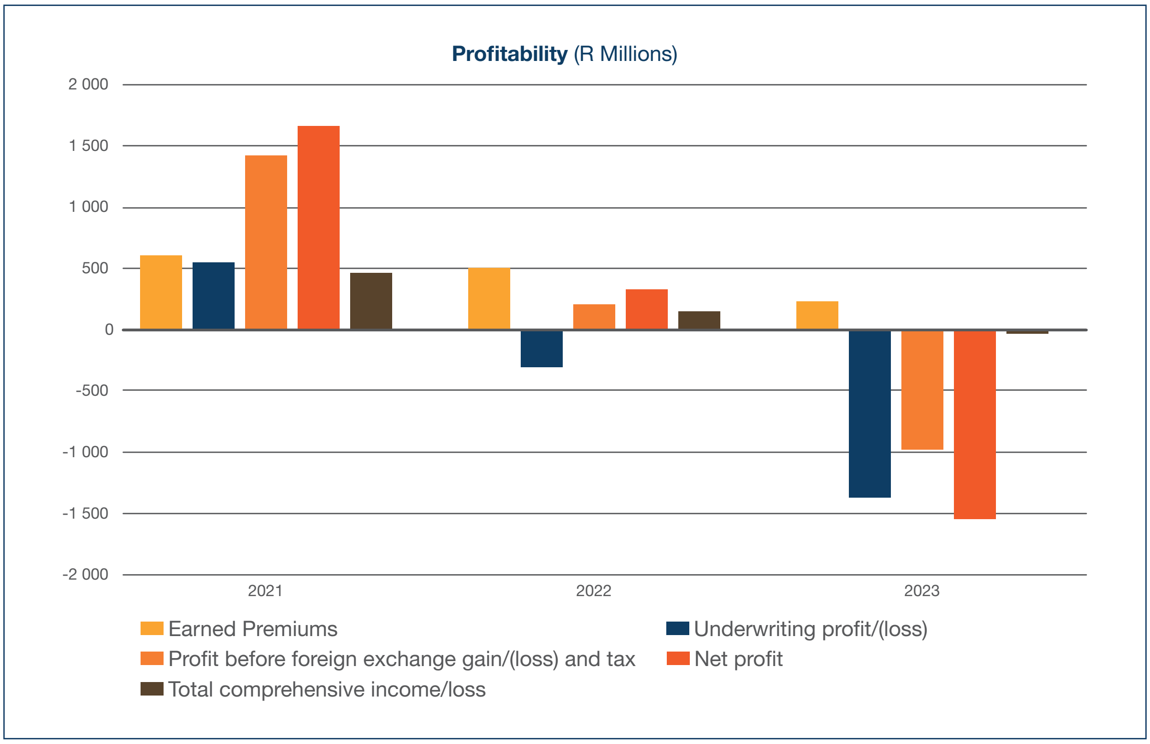


Figure 8: Profitability

The reduction in the earned premiums in the 2023 financial year by R274 million (54%) was as a result of the deterioration of the internal sovereign credit risk for the GoG. The reduction in the 2022 financial year was due to the portfolio becoming highly concentrated in high risk-rated countries and projects following the prepayment of the insured loan by one of our big projects.

The reduction in the earned premiums and the raising of the IBNRs both in the 2023 and 2022 financials years resulted in underwriting losses. The IBNR which was raised in the 2022 financial year was paid in the current year.

The investment (R278 million) and IMU incomes (R150 million) which reduced the underwriting losses in the current year from R 1.4 billion to R 971 million were netted of by foreign exchange loss (R612 million) thus resulting in the loss after tax of R1.5 billion for the year. The loss after tax was reduced by currency translation gains to a R40 million loss.

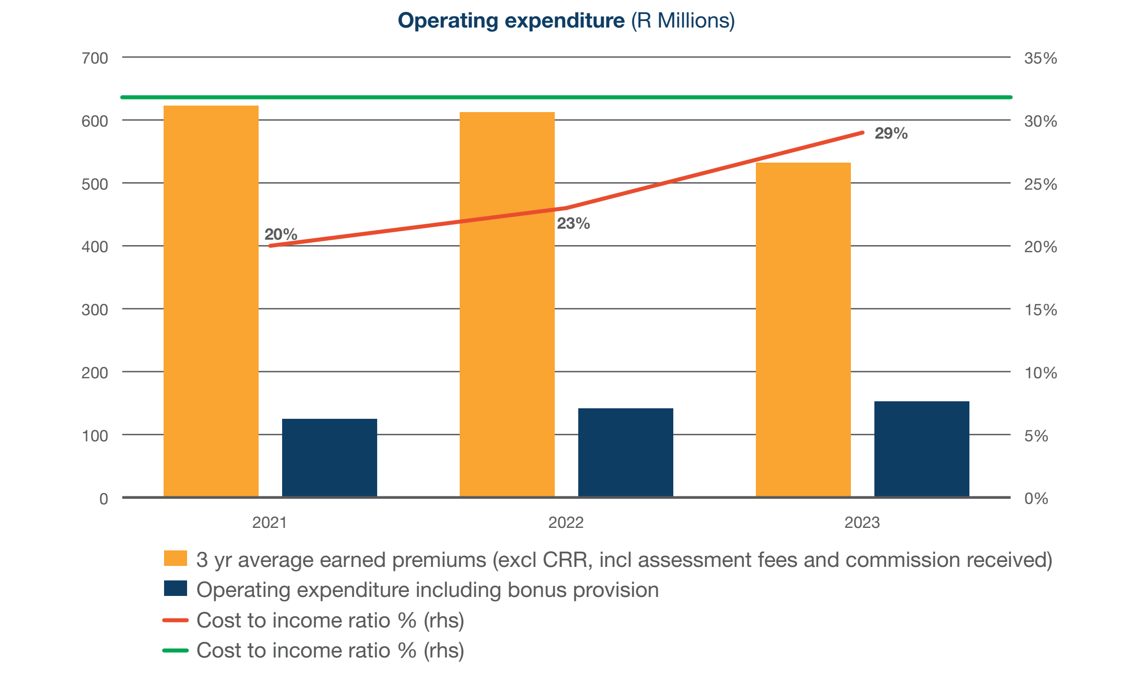


Figure 9: Operating expenditure

Management continues to run the Corporation in a cost-efficient manner, and the cost to income ratio continues to be below the targeted ceiling of 32%.

Irregular, fruitless and wasteful expenditure

Disclosure as required by section 55 of PFMA

Fruitless and wasteful expenditure

	2023 R'000	2022 R'000
Opening balance	-	-
Additions – relating to previous years	679	-
Additions – relating to current	624	-
Closing balance	**1 303**	**-**

There is a confirmed fruitless and wasteful expenditure paid in the previous and current reporting periods amounting to R1 303 328.95 (R 678 672.48 for the previous financial years and R624 656.47 for 2023 financial year) which relates to an error in the rate paid to directors. This matter has been referred to the Loss Control Function.

Irregular expenditure

	2023 R'000	2022 R'000
Opening balance	-	10
Condoned	-	(10)
Closing balance	**-**	**-**

The irregular expenditure recorded in the opening balance of the 2022 financial year was as a result of awarding a bid to a supplier whose tax affairs were not compliant. Adequate internal control remedies as outlined in the determination exercise were implemented.

Disciplinary steps were taken as a consequence of the irregular expenditure, however no criminal steps were taken as this did not involve criminal activities.

This irregular expenditure was condoned by National Treasury during the previous financial year.

Procurement through other means and variations

Procurement which are done through other means includes:

a) limited bidding;

b) written price quotations are above R1 million as stated in our procurement policy;

c) procurement that occurs in emergency situations and urgent cases; and

d) instances where less than three quotations were received.

Variations and expansions of contracts means:

a) expand a contract by increasing the scope of work; or

b) vary a contract by changing the scope of work.

c) The table below lists the procurements which were done through other means:

The table below list the variation and expansion of contracts which were above 15% of the original contract:

Reporting of procurement by other means

No	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
1	Provision of Short-Term Insurance for a period of 12 months	Sankofa Insurance Brokers (Pty) Ltd (Reg. No. 2009/011884/07)	SLA003-2022/23	Two (2) quotations were received from Sankofa Insurance Brokers (Pty) Ltd & Kunene Makopo Risk Solutions (Pty) Ltd) as at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotation. The RFQ was sent to six (6) potential bidders.	R845,814.44	01 June 2022	01 June 2022	31 May 2023
2	Stand build for Enlit Africa Event (Cape Town)	GL Events South Africa (Pty) Ltd (Reg. No. 2002/015718/07)	N/A	Only two quotes were received (Scan Display Solutions (Pty) Ltd and GL events South Africa (Pty) Ltd) at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotations. The RFQ was sent to six (6) potential bidders.	R26,898.58	01 June 2022	07 June 2022	09 June 2022
3	Stand build for Manufacturing Indaba (Sandton Convention Centre)	GL Events South Africa (Pty) Ltd (Reg. No. 2002/015718/07)	N/A	Only two quotes were received (Scan Display Solutions (Pty) Ltd and GL events South Africa (Pty) Ltd) at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotations. The RFQ was sent to six (6) potential bidders.	R28,784.58	02 June 2022	21 June 2022	22 June 2022
4	Brand and customer survey for 2022/23 and 2025/26	Surveyfiesta (Pty) Ltd (Reg. No. 2017/047424/07)	SLA008-2022/23	Only one quote was received (Surveyfiesta (Pty) Ltd) at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotations. The RFQ was sent to six (6) potential bidders.	R249,504.52	07 June 2022	17 June 2022	16 June 0225
5	Maintenance of the CCTV Cameras and the Emergency Doors	Mowana Embryo Enterprise (Pty) Ltd (Reg. No. 2015/421661/07)	N/A	Only one quote was received at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotations. The RFQ was sent to seven (7) potential bidders.	R198,000.00	14 June 2022	14 June 2022	13 November 2022
6	Provision of courier services for a period of three years	Brima Logistics (Pty) Ltd (Reg. No. 2005/009398/07)	SLA005-2022/23	Only one quote was received at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotations. The RFQ was sent to eleven (11) potential bidders.	R662,144.55	07 June 2022	24 June 2022	23 June 2025
7	CaseWare Licenses	Adapt IT (Pty) Ltd (Reg. No. 1996/006272/07)	N/A	Three quote exception as per the Procurement Policy	R238,901.47	01 July 2022	01 September 2022	31 August 2025
8	Kaspersky Licenses	Protutis (Pty) Ltd (Reg. No.2007/000784/07)	N/A	Three quote exception as per the Procurement Policy	R39,187.98	06 July 2022	02 August 2022	01 August 2023
9	Country Risk Subscription	IHS Information & Insight (Pty) Ltd (Reg. No. 1994/007870/07)	N/A	Three quote exception as per the Procurement Policy	R777,400.00	06 July 2022	14 July 2022	13 July 2023
10	Mimecast Licenses	Dimension Data (Pty) Ltd (Reg. No. 1987/006597/07)	N/A	Three quote exception as per the Procurement Policy	R50,936.75	07 July 2022	31 March 2022	30 March 2022
11	CCTV Storage upgrade	Mowana Embryo Enterprise (Pty) Ltd (Reg. No. 2015/421661/07)	N/A	Two (2) quotations were received (Vanti Pro (Pty) Ltd & Mowana Embryo Enterprises (Pty) Ltd) as at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotation. The RFQ was sent to fifteen (15) potential bidders.	R41,400.00	08 July 2022	08 July 2022	27 July 2022
12	Maintenance of five (5) watercoolers for the period of four (4) months	Servest (Pty) Ltd (1997/0063911/07)	SLA009-2022/23	Only one quote was received (Servest (Pty) Ltd) as at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotations. The RFQ was sent to five (5) potential bidders.	R13,570.00	08 July 2022	15 July 2022	14 November 2022

No	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
13	Harassment in the workplace workshop	Fasken t/a Bell Dewar Inc (Reg. No. 1995/004675/21)	ECIC030Q-2022/23	Two (2) quotations were received (Fasken t/a Bell Dewar Inc & Cliffe Dekker Hofmeyr Inc) as at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotation. The RFQ was sent to four (4) potential bidders.	R92,000.00	21 July 2022	21 July 2022	TBC
14	CaseWare file	Adapt IT (Pty) Ltd (Reg. No.1996/006272/07)	N/A	Sole source of Adapt IT (Pty) Ltd to customise the CaseWare file for ECIC annual financial statements in terms of paragraph 3 Paragraph of ECIC Procurement Policy. CaseWare International Inc has appointed CaseWare Africa, a division Adapt IT (Pty) Ltd as the sole distributor of CaseWare software products in Africa [South Africa].	R184,600.88	05 August 2022	01 September 2022	Upon completion
15	Catering for Strategic Session	Fabulously Clean (Pty) Ltd (Reg. No. 2019/213894/07)	N/A	Three suppliers were approached to send a quotation but only two quotes were received at the closing date of the RFQ. At least three quotations should be received for the process to be competitive.	R19,550.00	15 August 2022	16 August 2022	18 August 2022
16	Provision for foreign exchange services for a period of three years (re-issue)	Global Foreign Exchange Services (Pty) Ltd (Reg. No.1999/027016/07)	ECIC033Q-2022/23	Only one quote was received (Global Foreign Exchange Services (Pty) Ltd) at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotations. The RFQ was sent to ten (10) potential bidders.	1. Yearly foreign bank notes (up to the value of R1 million) commission fee percentage - 2.8750% 2. Yearly omnibus application and administration fees - R655.50 R774,850.00 R774,850.00	19 August 2022	01 October 2022	30 September 2025
17	Supply and delivery of Laptop Bags, Laptops, Monitors, Docking Stations, and accessories.	Spacetek Worx CC (Reg. No. 2010/107747/23)	N/A	Deviation-NT Regulation 16A.6.6. Participated in contract RFB740: Transversal Contract for the Provision of Outright Purchase for Personal Computers, Mobile Devices and Services, Outright Purchase of Computer Peripherals, Consumables and Services for Government Departments for a Period of Three (3) Years issued and awarded by the State Information Technology Agency (SOC) Limited. The selection of potential bidders was not through the Central Supplier Database but through the supplier list from SITA for contract RFB740. Actual procurement performed on three quote system and not a tender.	R774,850.00	25 August 2022	RFQ Cancelled	RFQ Cancelled
18	BountiXP 2023 Annual Subscription	BountiXP (Pty) Ltd (Reg. No. 2017/127781/07)	N/A	Three quote exception as per the Procurement Policy	R66,240.00	24 August 2022	01 September 2022	31 August 2023
19	Subscription	Remchannel (Pty) Ltd (Reg. No. 2010/010554/07)	N/A	Three quote exception as per the Procurement Policy	R63,135.00	01 September 2022	01 September 2022	31 August 2023

No	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
20	Subscription	Gartner South Africa (Pty) Ltd (Reg. No. 2015/253620/07)	N/A	Three quote exception as per the Procurement Policy	R499,495.60	07 September 2022	07 September 2022	31 August 2023
21	Subscription	Fitch Solutions Group Limited (Foreign Company Reg. No. 08789939)	N/A	Three quote exception as per the Procurement Policy	R339,997.50	13 September 2022	01 October 2022	30 September 2024
22	Venue for Board Strategic Session	Gemvest 45 (Pty) Ltd t/a Diep in die Berg (Reg. No. 2001/026921/07)	N/A	Two (2) quotation were received (Gemvest 45 (Pty) Ltd t/a Diep in die Berg and Gallagher Convention Centre (Pty) Ltd) as at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotation. The RFQ was sent to three (3) potential bidders.	R61,860.00	15 September 2022	19 September 2022	21 September 2022
23	Stand Build for Transport Evolution Africa	GL Events South Africa (Pty) Ltd (Reg. No. 2002/015718/07)	N/A	Two quotations were received (Scan Display Solutions (Pty) Ltd and GL Events South Africa (Pty) Ltd) as at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotation. The RFQ was sent to eight (8) potential bidders	R21,529.15	19 September 2022	28 September 2022	29 September 2022
24	IFRS 17 Consultant-Re-issue	Milliman (Pty) Ltd (Reg. No. 2012/057794/07)	N/A	Two quotations were received (Milliman (Pty) Ltd PWC) as at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotation. The RFQ was sent to three (3) potential bidders.	R221,260.00	21 September 2022	20 September 2022	19 September 2023
25	Job Grading and Evaluation	Towers Watson (Pty) Ltd (Reg No. 1998/001765/07)	N/A	Two quotations were received (Towers Watson (Pty) Ltd and 21st Century Pay Solutions Company (Pty) Ltd) as at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotation. The RFQ was sent to five (5) potential bidders.	R219,765.00	26 September 2022	11 October 2022	10 October 2025
26	Supply and delivery of two (2) vases of silk flowers per month for a period of five (5) years	Silk Creations (Pty) Ltd (Reg No. 2012/142835/07)	N/A	Two quotations were received (Silk Creations (Pty) Lt and Mohau O Montle General Trading CC) at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotation. The RFQ was sent to six (6) potential bidders.	R34,500.00	30 September 2022	TBC	TBC
27	Provision of offsite storage services for a period of five (5) years [Second (2) Re-Issue]	Metrofile (Pty) Ltd - Pretoria (Reg No. 2003/016054/07)	N/A	Two quotations were received (Metrofile (Pty) Ltd - Pretoria and The Document Warehouse (Pty) Ltd) at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotation. The RFQ was sent to three (3) potential bidders.	The contract is based on rates and usage basis	29 September 2022	04 November 2022	03 November 2023
28	Organisational Culture	JM Kotze trading as Organisational Culture Consulting (Sole Proprietorship)	N/A	One quotation was received JM Kotze t/a Organisational Culture Consulting as at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotation. The RFQ was sent to five (5) potential bidders.	R111,000.00	27 September 2022	21 February 2023	21 February 2023
29	Licenses	Quantec (Pty) Ltd (Reg No. 2017/337613/07)	N/A	Three quote exception as per the Procurement Policy	R114,695.25	13 October 2022	23 November 2022	23 November 2022

No	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
30	Stand Build for SARA Conference	GL Events South Africa (Pty) Ltd (Reg. No. 2002/015718/07)	N/A	Two quotations (Expo Guys (Pty) Ltd and GL Events South Africa (Pty) Ltd) were received as at the closing date and time of the Request for Quotations (RFQ), instead of the required minimum of at least three quotation. The RFQ was sent to eight (8) potential bidders.	R23,772.80	24 October 2022	26 October 2022	28 October 2022
31	Docusign envelope subscription	Advancenet (Pty) Ltd (Reg. No. 2018/506204/07)	N/A	Three quote exception as per the Procurement Policy	R538,602.50	22 November 2022	22 November 2022	21 November 2023
32	Email signature subscription	Rocketpad (Pty) Ltd (Reg. No. 2020/241196/07)	N/A	Three quote exception as per the Procurement Policy	R38,586.87	23 November 2022	23 November 2022	22 November 2023
33	Maintenance of water coolers for five years	Servest (Pty) Ltd (Reg. No.1997/0006391/07)	N/A	One quotation was received (Servest (Pty) Ltd) as at the closing date and time of the RFQ instead of the required minimum of at least 3 quotations. The RFQ was sent to six (6) potential bidders.	R275,678.00	24 November 2022	07 December 2023	06 December 2027
34	Leasing of a scanner	Document Excellence West (Pty) Ltd (Reg. No. 2017/036810/07)	N/A	Two quotations (Document Excellence West (Pty) Ltd and Ngombe Business Solutions (Pty) Ltd) were received at the closing date and time of the RFQ instead of the required minimum of at least 3 quotations. The RFQ was sent to seven (7) potential bidders.	R209,953.20	21 November 2022	14 December 2022	13 December 2023
35	Advance Business Writing	Siyanqoba Seminars (Pty) Ltd (Reg. No. 2008/008249/07)	N/A	One quotation was received as at the closing date and time of the RFQ instead of the required minimum of at least 3 quotations. The RFQ was sent to five potential bidders.	R45,988.50	02 December 2022	13 December 2022	14 December 2022
36	JIRA Service Desk subscription	Ovations Technologies (Pty) Ltd (Reg. No. 1999/013519/07)	N/A	Three quote exception as per the Procurement Policy	R43,856.40	02 December 2022	02 December 2022	01 December 2023
37	Venue Hire for ECIC employee wellness day on 8 December 2022	Titans Cricket (Pty) Ltd (Reg. No. 1991/005800/07)	N/A	Two quotations (Titans Cricket (Pty) Ltd and Irene Country Lodge (Pty) Ltd) were received as at the closing date and time of the RFQ instead of the required minimum of at least 3 quotations. The RFQ was issued to four (4) potential bidders.	R16,675.00	06 December 2022	08 December 2022	08 December 2022
38	Catering for Wellness Day	Excellere Events Co-Ordinators cc (Reg. No 2004/033657/23)	N/A	One quotation was received as at the closing date and time of the RFQ instead of the required minimum of at least 3 quotations. The RFQ was sent to four potential bidders.	R43,366.50	06 December 2022	08 December 2022	08 December 2022
39	Nessus Licenses	Aves Cyber Security (Pty) Ltd (Reg. No. 2001/028605/07)	N/A	Three quote exception as per the Procurement Policy	R72,551.09	06 December 2022	06 December 2022	05 December 2023
40	Boardpack licenses	Diligent Software t/a eShare (Pty) Ltd (Reg. No. 2015/323470/07)	N/A	Three quote exception as per the Procurement Policy	R356,703.93	06 December 2022	09 December 2023	08 December 2023

No	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
41	Packing, removal, delivery and re-assembling of ECIC assets and documents	Biddulphs Removals and Storage SA (Pty) Ltd t/a Biddulphs International (Reg. No. 1966/001148/07)	N/A	Two quotations (3G Relocations and Transport CC andBiddulphs Removals and Storage SA (Pty) Ltd t/a Biddulphs International) were received at the closing date and time of the RFQ instead of the required minimum of at least 3 quotations. The RFQ was sent to eight-teen (18) potential bidders.	R128,059.84	12 December 2022	TBC	TBC
42	Security Services for four months	Selkirk Security Services (Pty) Ltd (Reg. No. 2014/019174/07)	N/A	Two quotations received at the closing date and time of the RFQ instead of the minimum 3 quotations. The RFQ was sent to 7 potential bidders	R260,958.00	22 December 2022	01 January 2023	30 April 2023
43	Workday subscription	Workday Limited	N/A	Three quote exception as per the Procurement Policy	R943 400 (57155 USD)	06 January 2023	06 January 2023	31 December 2023
44	Legal Aspect of Project Finance Virtual(Online) Training	JH Consulting International Ltd	N/A	Two quotations (JH Consulting International Ltd and CCC Training Limited) were received at the closing date and time of the RFQ instead of the required minimum of at least 3 quotations. The RFQ was sent to seven (7) potential bidders.	Bid price - R199 500.00 VAT on imported services - R5 042.36	10 January 2023	06 February 2023	06 February 2023
45	Reward Online Subscription	21st Century Pay Solutions (Pty) Ltd (Reg. No. 2015/186537/07)	N/A	Three quote exception as per the Procurement Policy	R40,192.50	12 January 2023	TBC	TBC
46	Stand build for Mining Indaba Conference	La Premiere Exhibitions and Co (Pty) Ltd (Reg. No. 2019/283473/07)	N/A	One quotation received at the closing date and time of the RFQ instead of the minimum 3 quotations. The RFQ was sent to 9 potential bidders	R49,392.50	17 January 2023	18 January 2023	18 January 2023
47	Adobe Subscription	CHM Vuwani Computer Solutions (Pty) Ltd (Reg. No. 1990/002921/07)	N/A	Three quote exception as per the Procurement Policy	R41,518.11	17 January 2023	20 January 2023	19 December 2023
48	Supply and delivery of Laptop Bags, Laptops, Monitors, Docking Stations, and accessories.	Viewnet (Pty) Ltd (Reg. No. 2012/191201/07)	N/A	Deviation-NT Regulation 16A.6.6. Participated in contract RFB740: Transversal Contract for the Provision of Outright Purchase for Personal Computers, Mobile Devices and Services, Outright Purchase of Computer Peripherals, Consumables and Services for Government Departments for a Period of Three (3) Years issued and awarded by the State Information Technology Agency (SOC) Limited. The selection of potential bidders was not through the Central Supplier Database but through the supplier list from SITA for contract RFB740. Actual procurement performed on three quote system and not a tender.	R835,992.50	18 January 2023	18 January 2023	06 March 2023
49	Provision of culture entropy survey	Strategic Human Capital Consulting	N/A	One quotation (Strategic Human Capital Consulting (Pty) Ltd) was received at the closing date and time of the RFQ instead of the required minimum of at least 3 quotations. The RFQ was issued to eight (8) potential bidders. 130081.12 0	R54 050,00 $4620	13 January 2023	13 January 2023	Once-off

No	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
50	Workday Planning Support and Maintenance	Deloitte & Touche Consuting (Reg. No. 2005/007151/07)	N/A	Two quotations received at the closing date and time of the RFQ instead of the minimum 3 quotations. The RFQ was sent to 7 potential bidders	R950,130.00	24 January 2023	08 February 2023	07 February 2025
51	Legal Services	Norton Rose Fulbright South Africa Inc (Reg. No. 1984/003385/21)	N/A	Two quotations (Norton Rose Fulbright South Africa Inc and Bell Dewar t/a Fasken Inc) were received as at the closing date and time of the RFQ instead of the required minimum of at least 3 quotations. The RFQ was sent to four potential bidders	R460,000.00	20 February 2023	03 March 2023	02 March 2023
52	Diversity and inclusion overview workshop	TASC Business Consulting and Training (Pty) Ltd (Reg. No. 2017/316854/07)	N/A	Two quotations (Fachs Business Consulting and Training (Pty) Ltd and TASC Business Consulting and Training (Pty) Ltd) were received as at the closing date and time of the RFQ instead of the required minimum of at least 3 quotations. The RFQ was issued to six (6) potential bidders. One quotation from JH-Consulting was recieved late.	R68,310.00	21 February 2023	07 March 2023	07 March 2023
53	Stand Build for Africa Energy Indaba	GL Events South Africa (Pty) Ltd (Reg. No. 2002/015718/07)	N/A	One quotation was received as at the closing date and time of the RFQ instead of the required minimum of at least 3 quotations. The RFQ was sent to seven potential bidders.	R18,643.34	27 February 2023	01 March 2023	01 March 2023
54	Policy Reviews	21st Century Pay Solutions (Pty) Ltd (Reg. No. 2015/186537/07)	N/A	Two quotations (21st Century and Towers Watson (Pty) Ltd) were received as at the closing date and time of the RFQ. The RFQ was sent to seven potential bidders	R457,757.50	03 March 2023	TBC	TBC
55	Secretarial Services	FluidRock CoSec (Pty) Ltd (Reg.No. 2016/093836/07)	N/A	One quotation received as at the closing date and time of the RFQ. The RFQ was issued to five potential bidders.	R33,810.00	09 March 2023	TBC	TBC
56	Payspace License, support and Maintenance	myHRPY (Pty) Ltd (Reg.No. 2019/573778/07)	N/A	One quotation was received as at the closing date and time of the RFQ instead of the required minimum of at least 3 quotations. The RFQ was sent to 4 potential bidders	R801,006.57	14 March 2023	01 April 2023	31 March 2023
57	Research Editor	Clarity Global Strategic Communications (Pty) Ltd (Reg.No. 2019/175661/07)	N/A	One quotation received as at the closing date and time of the RFQ. The RFQ was issued to six potential bidders.	R258,060.00	29 March 2023	TBC	TBC
58	Online Learning Programme for ninety-five (95) employees for a period of twelve (12) months	Mdiga Dynamics CC (Reg.No. 2009/174790/23)	N/A	Two quotations (Mdiga Dynamics CC and iLearn Corporate Services (Pty) Ltd) were received as at the closing date and time of the RFQ. The RFQ was sent to four potential bidders	R960,000.00	30 March 2023	TBC	TBC
59	ESG Virtual Training	Centrixo Holdings(Pty) Ltd (Reg.No. 2013/075018/07)	N/A	One quotation was received as the closing date and time of the RFQ instead of the required minimum of at least 3 quotations. RFQ was sent to six potential bidders	R64,000.00	28 March 2023	TBC	TBC

Reporting of expansions and variations of contracts

The table below list the variation and expansion of contracts which were above 15% of the original contract:

No	Project Description	Name of Supplier	Contract Number	Reason for expansion or variation of contract	Original contract value	Value of contract expansion or variation of contract	Value of previous contract expansion or variation of contract	Award Date	Contract start date	Contract expiry
1	Labour lawyer to provide legal advice and represent ECIC at the labour court	Cliffe Dekker Hofmeyer (Pty) Ltd (Reg. No. 2008/018923/21)	N/A	Continuation of services as CDH has been appointed since September 2020 and understand the merits of the case. Appointing a new service provider may lead to incurring fruitless and wasteful expenditure as the cost incurred to date may end up being wasted as the new service provider may need to be briefed from scratch and which might delay the matter further.	R213,981.65	R149,500.00	R77,547.09	23 May 2022	30 September 2020	When the case ends
2	Provision of the outsourced services for Corporate Social Investment.	Alternative Prosperity Advisory and Products (Pty) Ltd (Reg. No. 2009/004818/07)	SLA013-2022/23	To ensure continuity of the operations of ECIC, whilst a new procurement process is initiated, the MC & CSR Unit requests that the expiry date of the contract be expanded from 12 June 2022 to 31 March 2023.	R1,499,894.00	R415,407.60	R0.00 R415,407.60 R0.00	19 May 2022	12 June 2019	31 March 2023

Assets and Liabilities Management

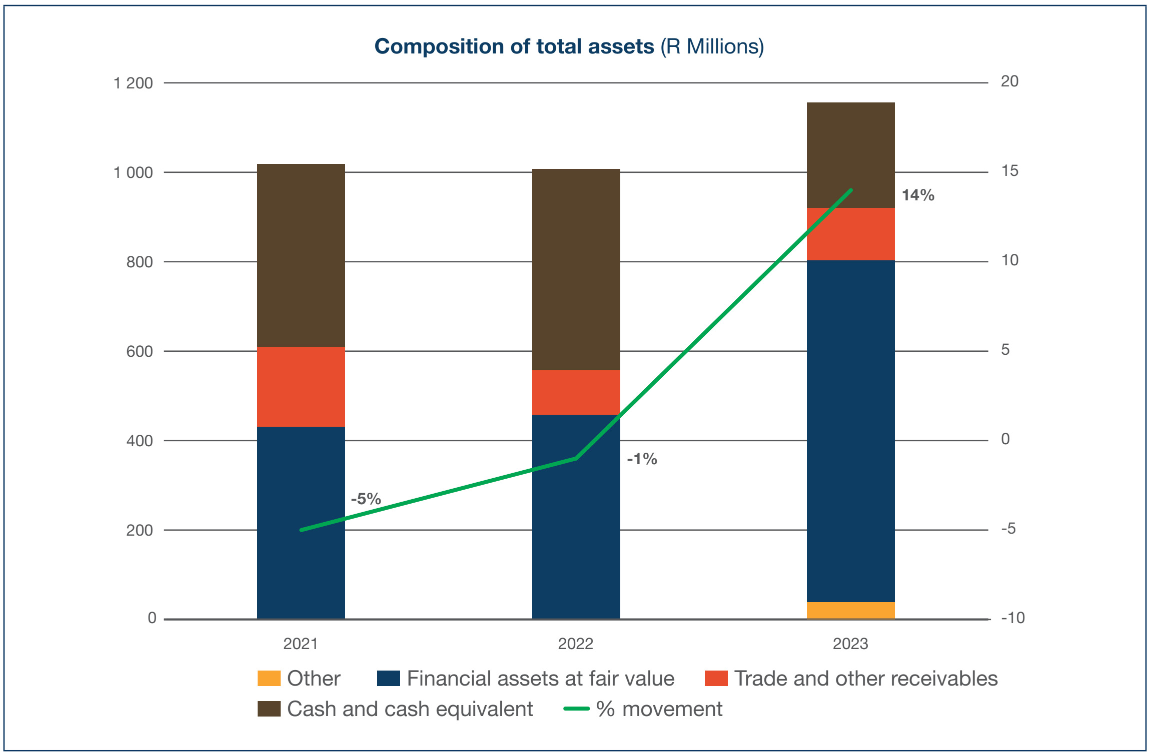


Figure 10: Composition of total assets

The total assets increased by R1.4 billion (14%) from R10.1 billion to R11.6 billion, which is mainly due to the depreciation of the ZAR against the USD Dollar. This increase was netted off by insurance and IMU claims paid in the current year.

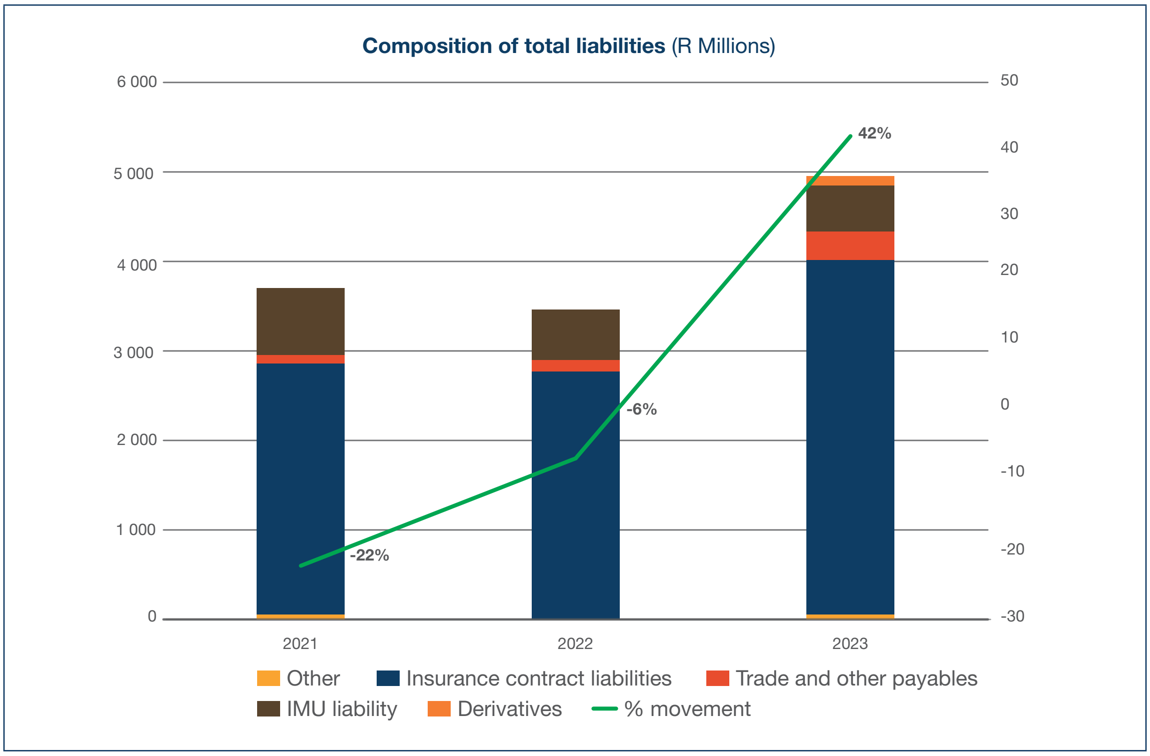


Figure 11: Composition of total liabilities

The total liabilities increased by R1. 5billion (42%) from R3.5 billion to R5.0 billion, which is mainly due to the IBNR raised in the current financial year and the depreciation of the ZAR against the USD Dollar. This increase was netted off by insurance and IMU claims paid in the current year.

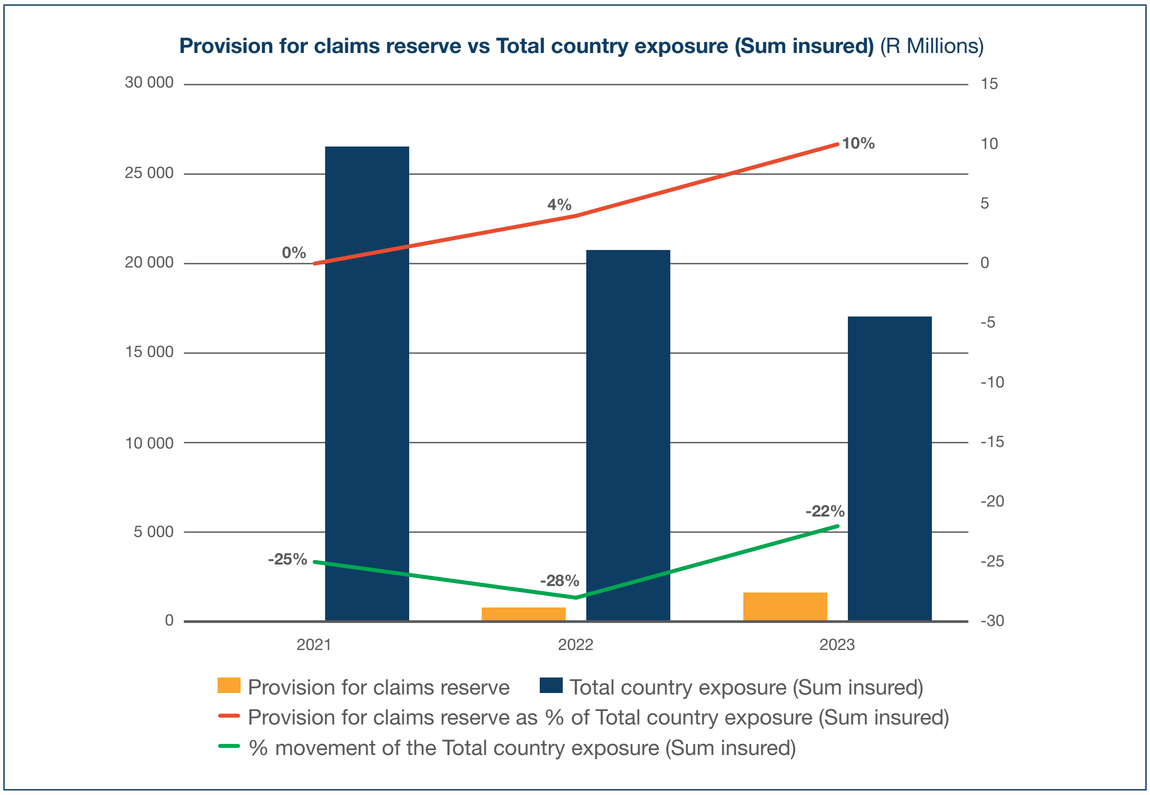


Figure 12: Provision for claims

The IBNR raised in the current financial amounts to 10% of the total sum insured which is an increase of 6% when comparing to the previous financial year. Despite raising this IBNR of R1.6 billion, the Corporation still has a strong solvency portion with the both the Regulatory capital cover ratio and the Economic capital cover ratio exceeding the 100% as required by the Prudential Authority. The Regulatory capital cover ratio and the Economic capital cover ratio stood at 267% and 291% respectively.

The litigation action which was instituted against ECIC as disclosed in the 2022 annual financial statements, in respect of certain rejected insurance claims, has been formally withdrawn by the applicant on the matter.

Cashflow Management

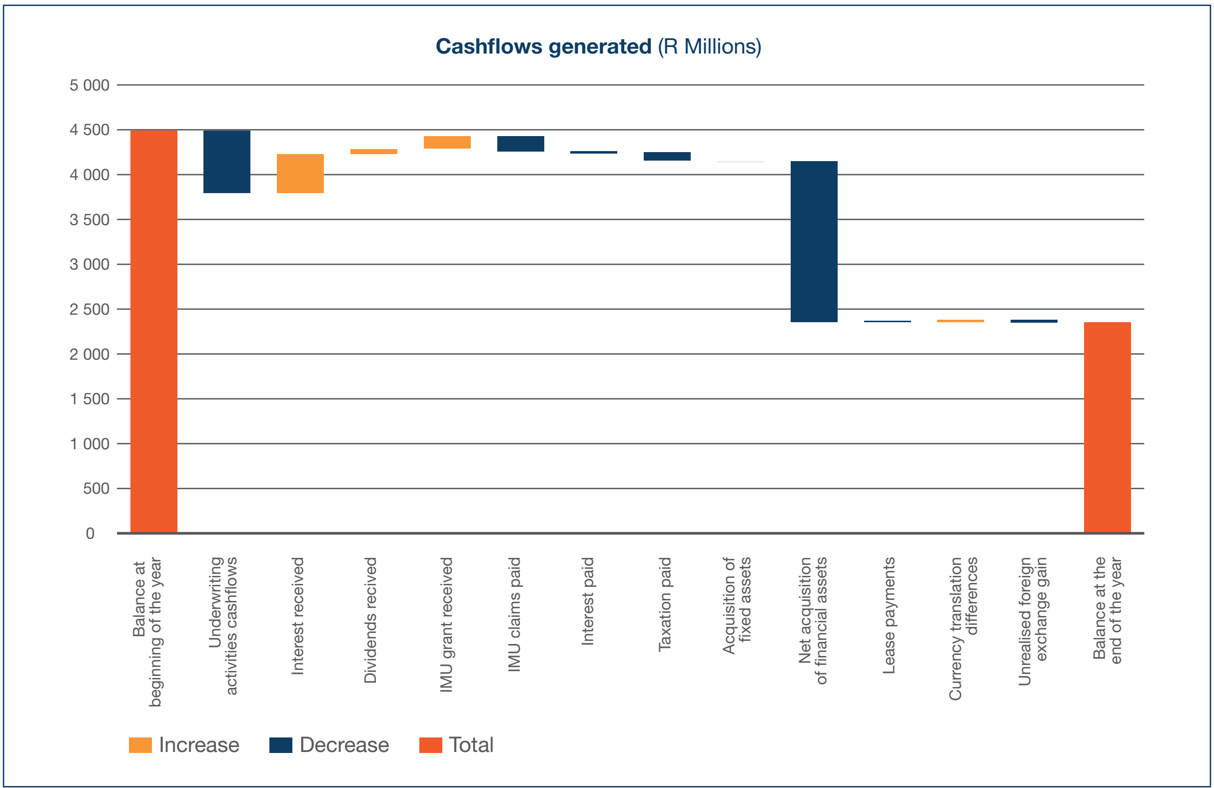


Figure 13: Cashflows generated

Outlook

From 01 April 2023, the organisation will be implementing IFRS 9 and IFRS 17. No material changes are expected with regards to IFRS 9 except that foreign exchange movement on an investment in Afreximbank bank will now be recognised in equity and not in the profit or loss.

On the other hand, IFRS 17 is expected to result in material changes relating to the following:

1. Provision for incurred claims will be recognised net of salvages. Currently, salvages are only recognised based on signed salvage restructuring agreement and the asset is only recognised for the salvages receivable within the next twelve months, for amounts receivable beyond that period a contingent asset is disclosed as a claim in favour of the Corporation but not recognised in the statement of financial position.
2. The IBNRS which were raised in the 2022 and 2023 financial years were recognised on a gross basis and a salvage asset was not recognised for these provisions.

   On transitioning to IFRS 17 the organisation will recognise potential salvages relating to these provisions and salvages which are currently disclosed as contingent.

   The earnings profile in the earlier years of the project tend to be higher under IFRS 17 than it was under IFSR 4. This will result in an increase in equity when transitioning to IFRS 17.
3. The carrying values of the insurance liabilities will be calculated net of premiums this will result in a reduction of both total assets and total liabilities. This will introduce volatility in the total assets and total liabilities on receipt of premiums:
4. Under IFRS 4 future premiums are booked as premium receivable asset. When received it simply moves from one asset to another (i.e., from premium receivable to cash).
   a. Under IFRS 17 future premiums are part of the fulfilment cash flows which are used to calculate the insurance liability. When premiums are received, they move out of liabilities to assets (i.e., insurance liability increase and cash increase).

For more detailed information on the impact of IFRS 17, please refer to page 25 of the annual financial statements.

ECIC INSURANCE PORTFOLIO

ECIC's sum insured is accounted for in both ZAR and largely in US Dollars. However, for reporting purposes, the US Dollar exposure is converted into ZAR at the relevant US Dollar/ZAR exchange rate. For historic periods, exposures were converted at the prevailing US Dollar/ZAR exchange rate as at year end (31 March) and the relevant US Dollar/ZAR exchange rates were: –

31 March 2020 at 1 US Dollar equivalent to R17,9822

- 31 March 2021 at 1 US Dollar equivalent to R14,8369
- 31 March 2022 at 1 US Dollar equivalent to R14,4705
- 31 March 2023 at 1 US Dollar equivalent to R17,8139

The sum insured for the next 5 years are converted at forecasted US Dollar/ZAR exchange rates as follows (rates applicable for the budget plan as of July 2022):

- 31 March 2024 to 31 March 2028 at 1 US Dollar equivalent to R16,00

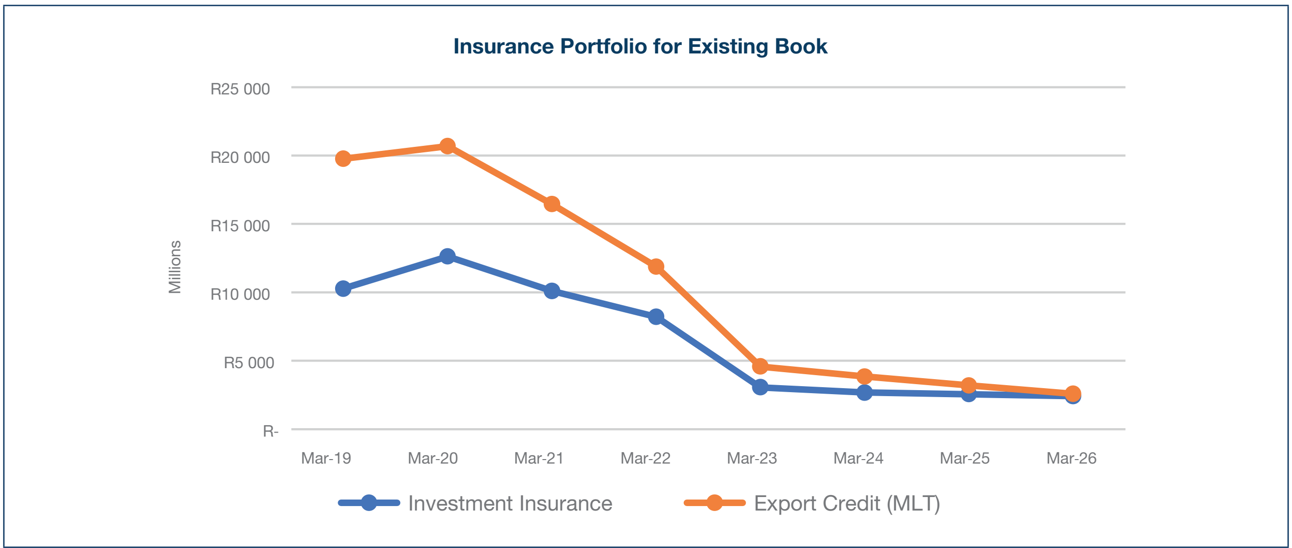


Figure 14: Insurance portfolio (existing book)

The ECIC insurance portfolio is made up of export credit loans, short-term (under expanded mandate), and investment (including equity and shareholder loans). The sum insured excluding any pipeline projects, is presented in figure 15 above, which reflects a sharp reduction in the insurance portfolio.

The reduction in the investment insurance follows the expiry of MTN Iran and CMG Mozambique policies. The restructuring of the Infralink debt which commenced in 2018 and became effective in March 2023. The borrower started servicing debt under the new profile during the restructuring discussion; this contributed towards the reduction of the investment insurance in March 2023. No new investment policy was added.

- The export credit insurance increased slightly as a net effect of new loans.
- Short-term insurance has a lifespan of up to 12 months.

The sum insured including pipeline is presented below in figure 16 which depicts ECIC expanded mandate to cover short-term transactions. Pipeline represents projects on offer of cover and projects where ECIC has made an in principle commitment:-

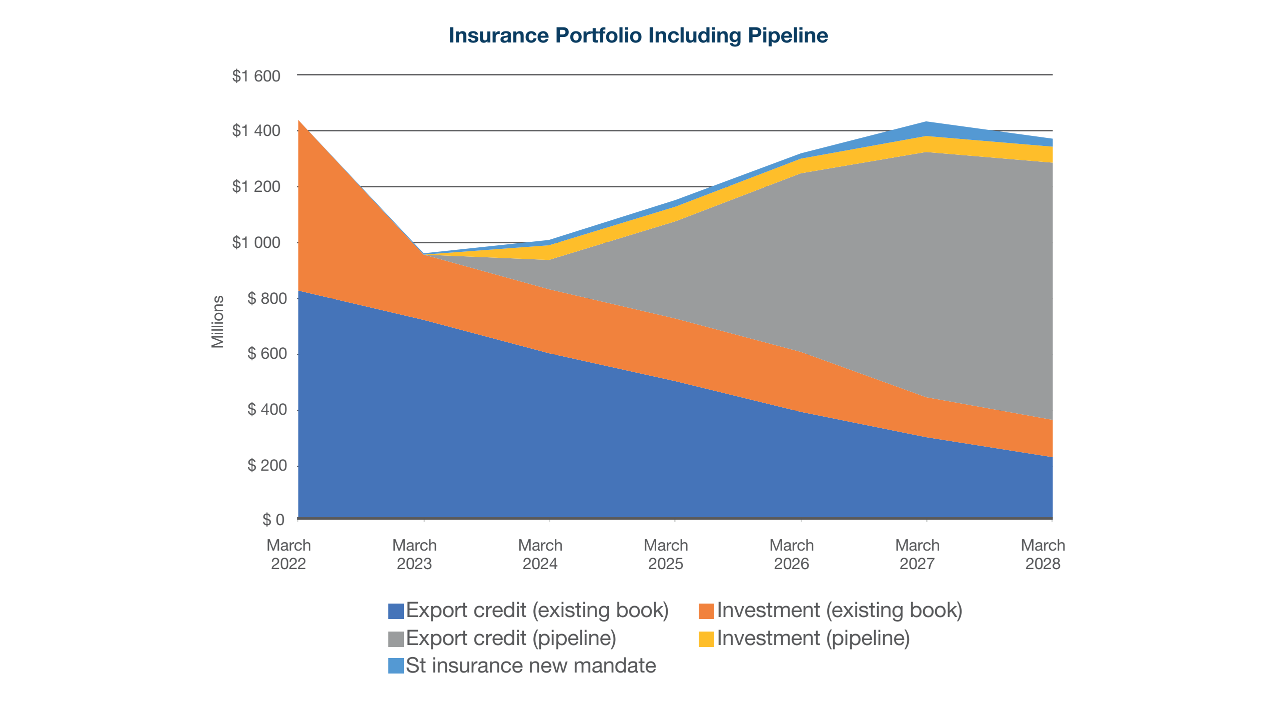


Figure 15: Insurance portfolio (including pipeline)

ECIC's sum insured per country remains largely in the same geographic areas. The top 3 countries are Ghana, Zimbabwe and Ethiopia (as presented in figure 16), which is also aligned to the top 3 economic sectors presented in table 6 below.

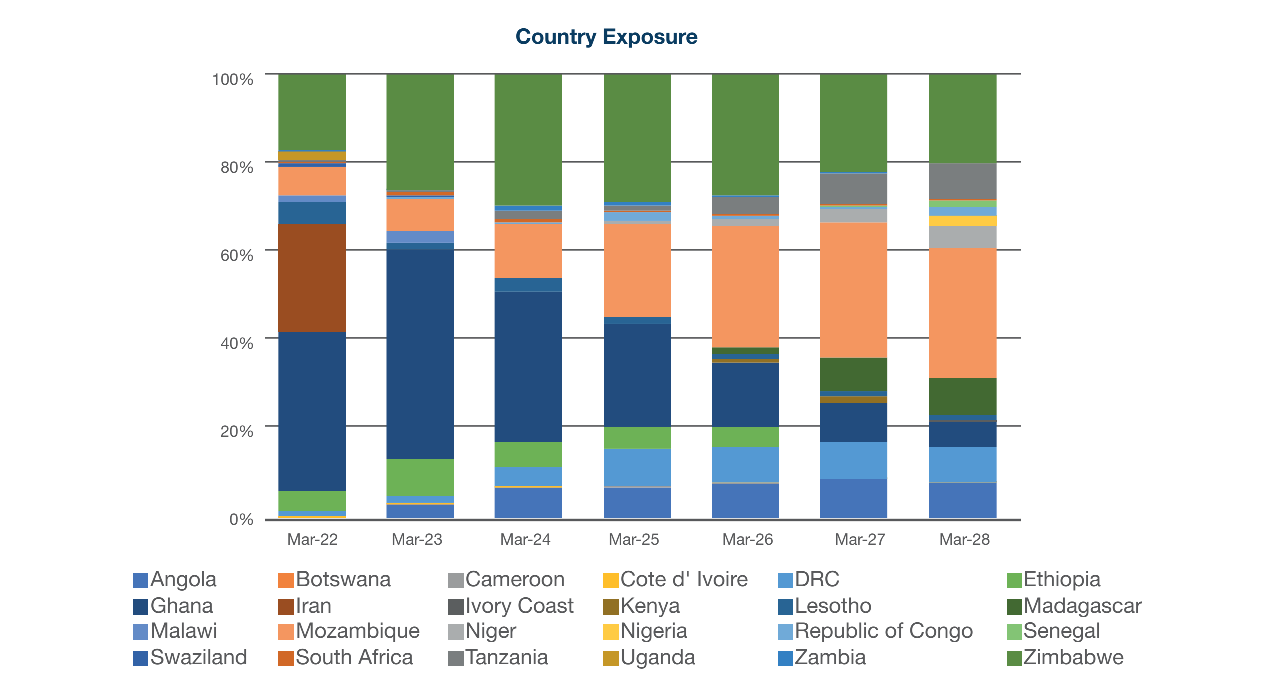


Figure 16: Sum insured per country

Table 6: Top 3 Economic sectors

Top three countries exposure amount to R13,9bn (81,49%)	
Ghana	46,91%
Zimbabwe	26,10%
Ethiopia	8,48%

Top three economic sectors amount to R14,47b (84,88%)	
Power and energy	43,40%
Construction	24,81%
Construction of civil engineering structures	16,68%

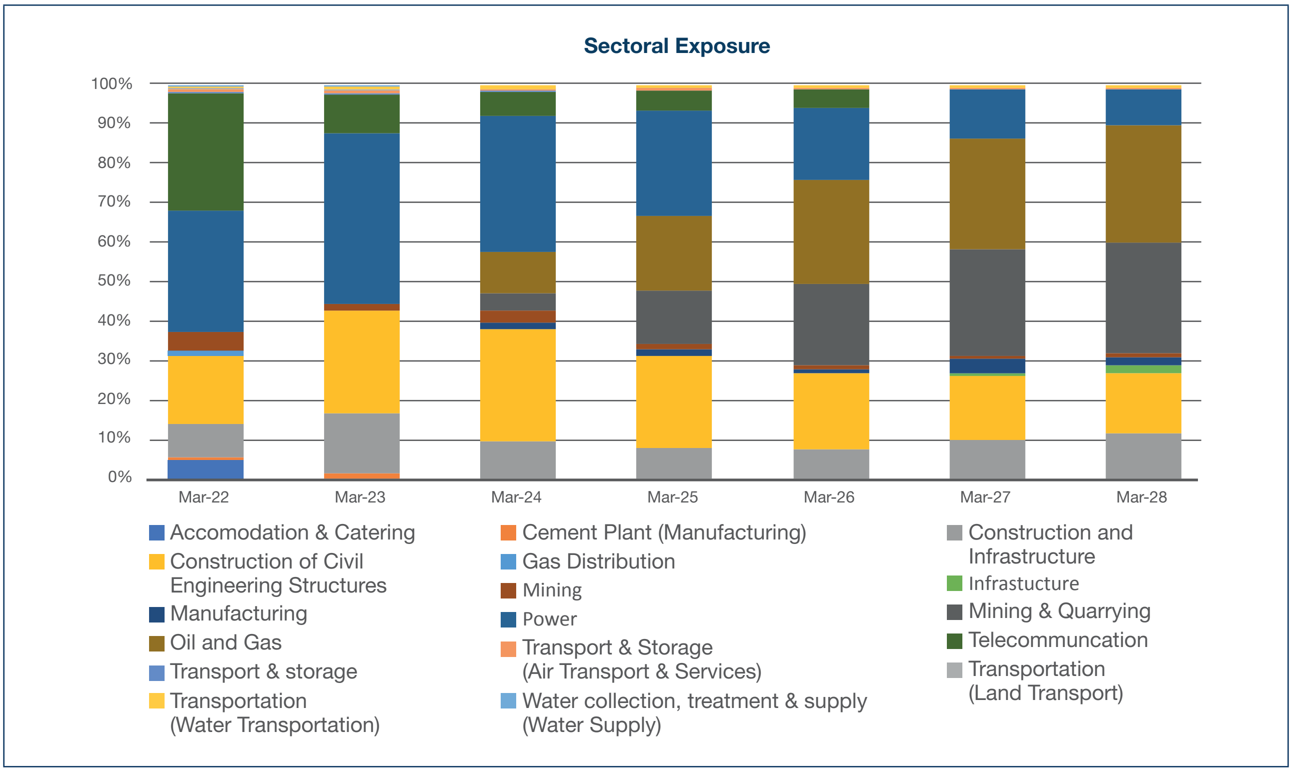


Figure 17: Sum insured per sector

Sovereign loans

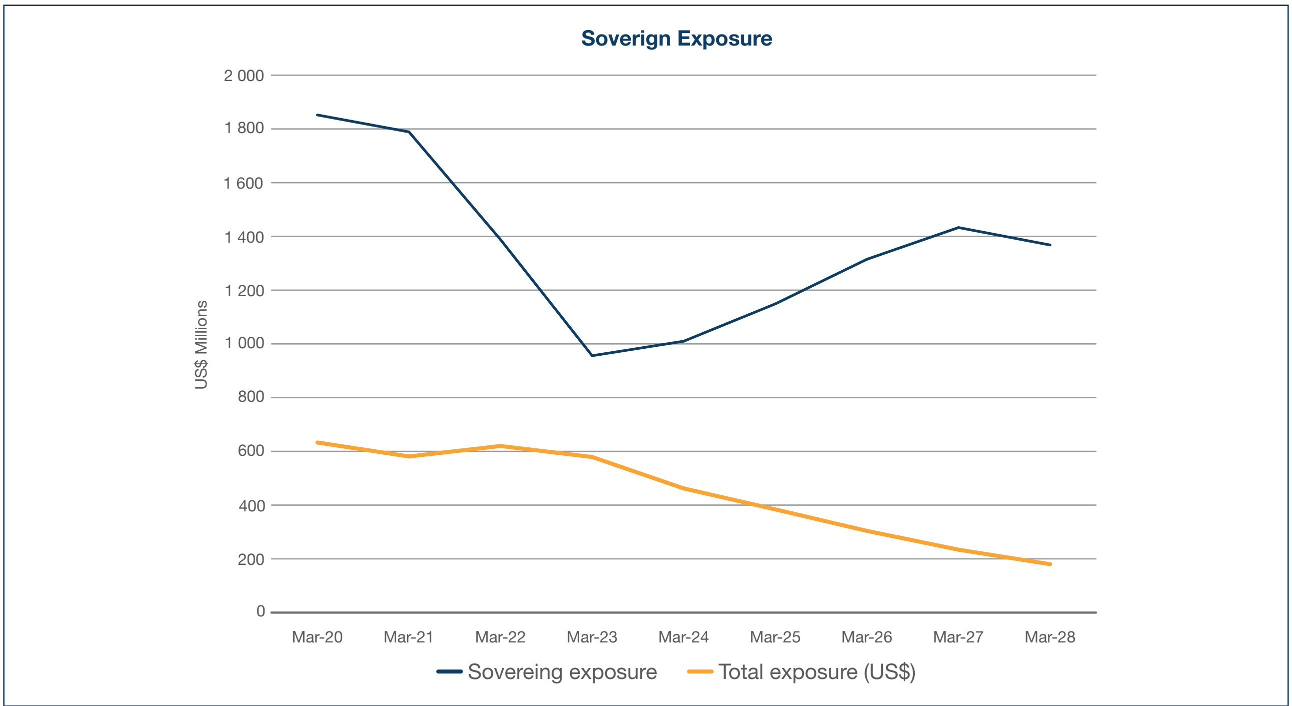


Figure 18: Sovereign Exposure

The largest sovereign exposure is in Ghana, which amounts to $433 million which comprises of loans funding a power plant, electrification programme, road rehabilitation, building and rehabilitation of hospitals and rehabilitation of the railway line. The second largest exposure is in Zimbabwe which amounts to $84,7 million loans funding the rehabilitation of toll-roads. Angola loan amounts to $30 million for military hospitals project. The Mozambique loan amounts to $28 million for the electrification network rehabilitation programme. Swaziland loan amounts to $3 million to fund the road rehabilitation.

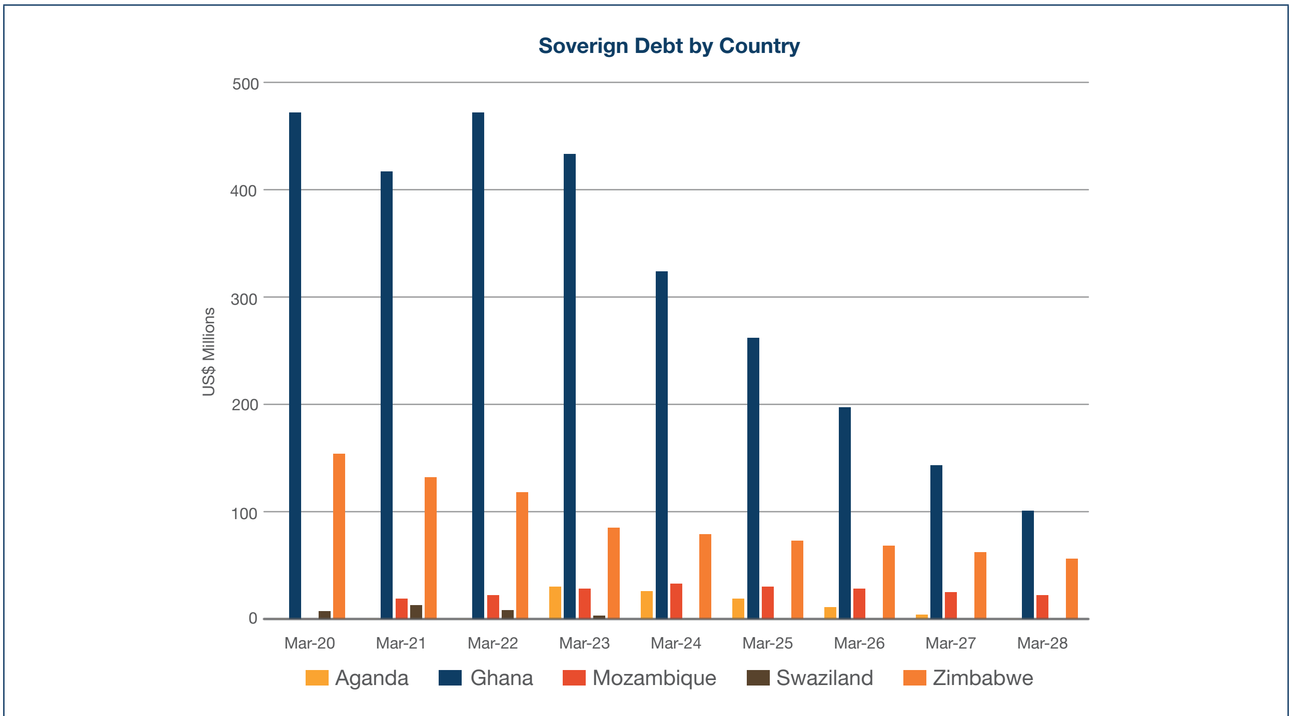


Figure 19: Sovereign Debt by Country

MANAGEMENT OF FINANCIAL CAPITAL

Capital management framework

The Board ensures that the quantity and quality of capital maintained is adequate and, at a minimum, will meet applicable regulatory capital requirements. The Corporation also monitors economic capital as an internal view of required capital as part of its risk appetite.

The capital philosophy is to use available capital optimally to fulfil the Corporation's mandate and increase its capital base to expand its business underwriting capacity.

The Own Risk and Solvency Assessment (ORSA) serves as the Corporation's capital management plan that considers the projected available and required capital over a five-year period. The plan is updated annually and describes any planned capital raising initiatives and how capital is deployed and managed within the organisation.

Improving the capital position

The Corporation can maintain or increase available capital by either building retained earnings, requesting further capital from the shareholder, or reducing the business exposure to decrease liabilities and capital requirements.

Table 7: Mechanisms and strategies to maintain or increase available capital

Mechanism	Strategies
Build retained earnings	• Improve profitability • Limit dividends
Increase share capital	• Additional shareholder capital in line with the ECIC Act, 78 of 1957 (as amended)
Downsize exposure	• Reinsure existing insurance exposures[1]

Retained earnings can be accumulated by increasing profitability through examining the elements that contribute to profit, such as pricing and operational expenditure or limiting dividend payments. Any need to increase shareholder capital will be in line with the ECIC Act. Reduced exposure, for example through reinsurance, reduces capital requirements and improves the solvency ratio.

Risk Appetite concerning capital management

The Corporation applies sound underwriting practices and responsible investment principles to remain financially sustainable on a stand-alone and ongoing basis. The risk philosophy and strategy are underpinned by:

- acceptable levels of risk exposure
- the right people and resources to fulfil its mandate and service its customers
- well-managed portfolio distribution and quality that precludes excessive concentration risk to the Corporation
- an investment strategy that limits portfolio volatility to within allocated capital and preserves capital for 'real return' in its investment portfolio, as measured on a rolling three-year basis

These principles drive risk capacity, risk appetite and tolerance.

Risk capacity is set by capital available to absorb potential losses from accepted risks and tested to ensure a post-loss event with sufficient capital to cover the remaining exposure equivalent to 110% Economic Capital (EC). The Corporation considers own funds tiering to allow the quality of available capital to absorb losses.

Risk appetite is set as the amount of risk the Corporation is willing to accept within its risk capacity, with a concomitant willingness to use capital to fund catastrophic losses to remain solvent within risk appetite thresholds. The business needs to rebuild solvency to mitigate loss and since its shareholder has no appetite to inject additional capital, it must always be able to recover organically.

Taking this into consideration, the Corporation needs to maintain own funds (available capital) above an absolute minimum to meet its obligations and continue operating after a catastrophic loss.

Within this context, the Corporation has appetite for a net loss that could reduce the economic capital cover ratio to 110%. Currently, the Corporation portfolio can support exposures up to 10 times equity, which is in line with international ECA practice.

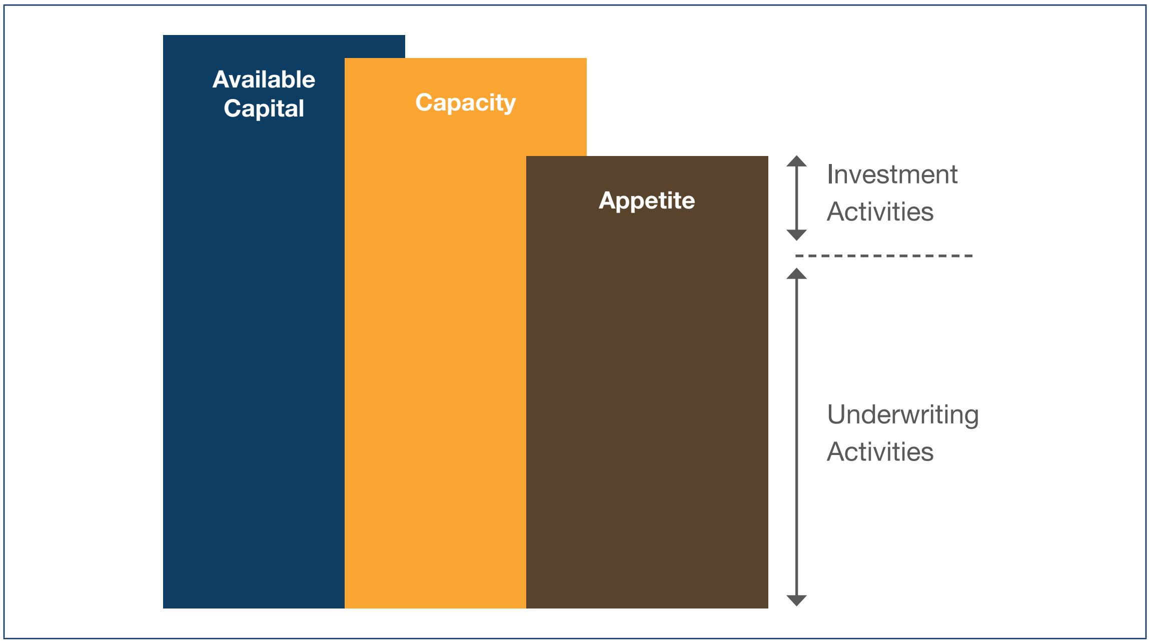


Figure 20: Illustration of risk capacity and appetite

The composition of the portfolio determines the size that can be supported by available capital. A key feature is the diversification of the portfolio across countries. This heat map shows how this aspect is monitored. The projected reduction in the portfolio exposure is due to anticipated pre-payment of large projects.

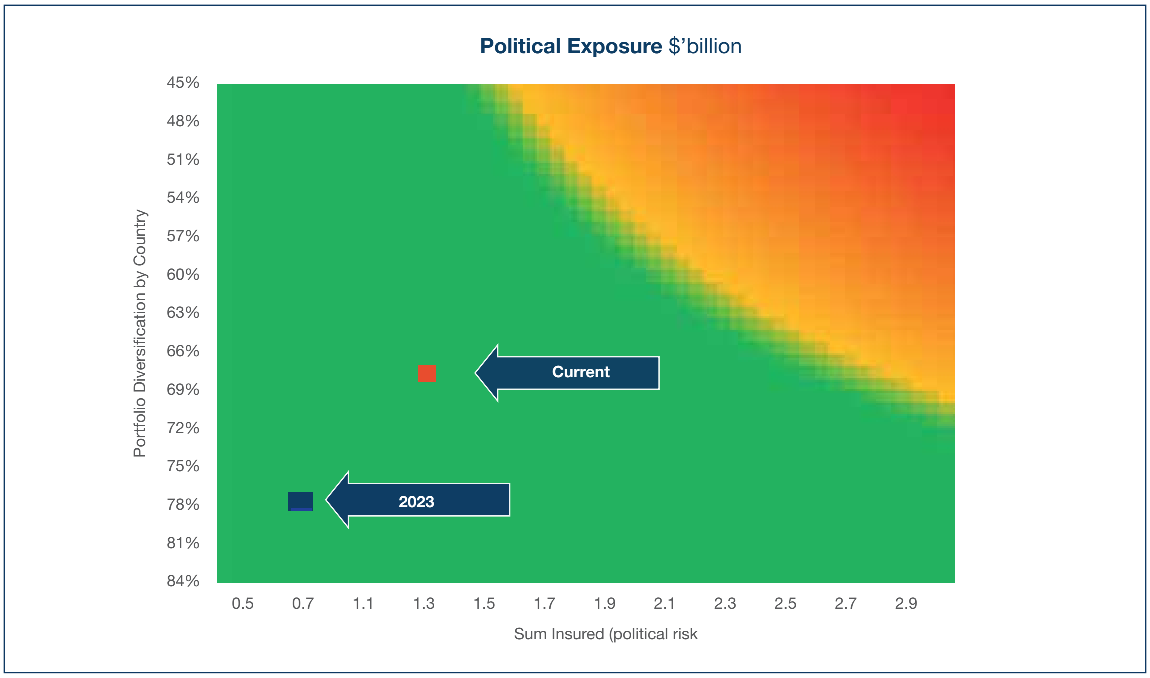


Figure 21: Political exposure

Asset Liability Matching (ALM) determines the Strategic Asset Allocation (SAA) of the investment portfolio across various asset classes. The ALM modelling considers the capital required to support the market risk associated with the identified optimal portfolios.

The amount of capital allocated for investment activities is limited to ensure that sufficient capital is available for underwriting activities. The relative allocation of capital between the two activities has a risk preference of 60% – 80% and 20%-40%, respectively, between underwriting and investment activities. This risk preference is applied as a risk budget allocation.

The chart below indicates the current consumption of capital against the allocated thresholds.

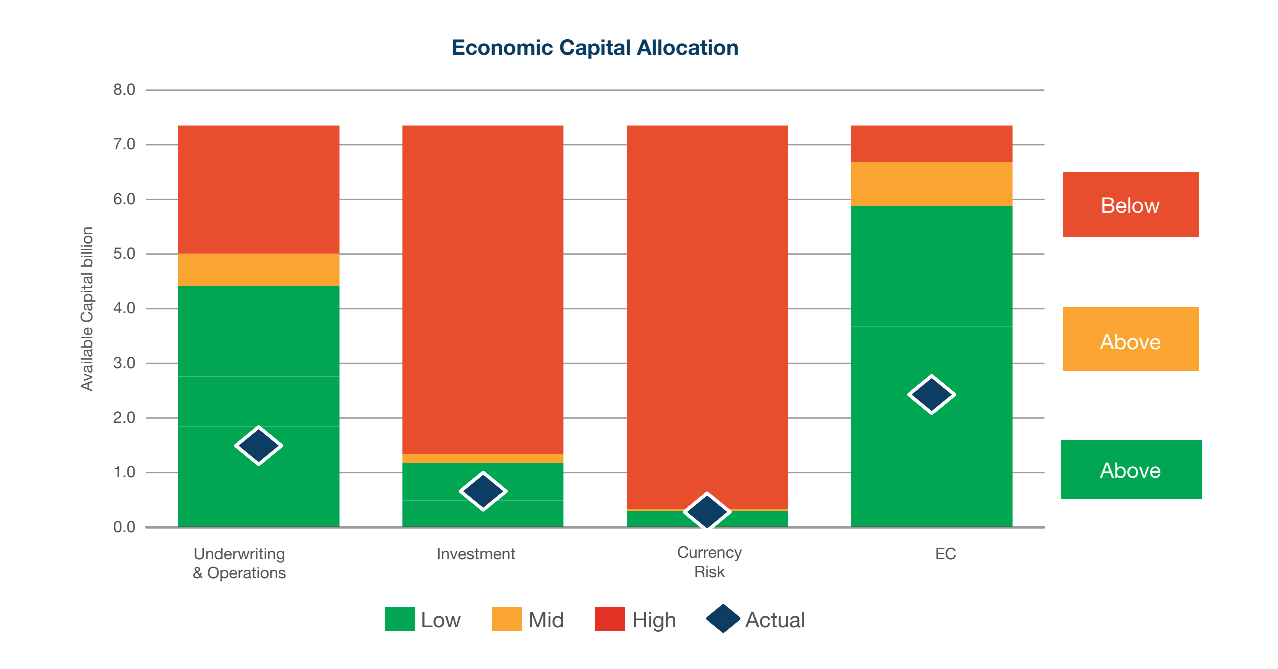


Figure 22: Economic capital allocation

Projected solvency

The chart below shows the projection of the regulatory Solvency Capital Requirement (SCR) and Economic Capital (EC) cover ratios over the 2023-2027 period. The red, amber, and green levels reflect the Board appetite thresholds.

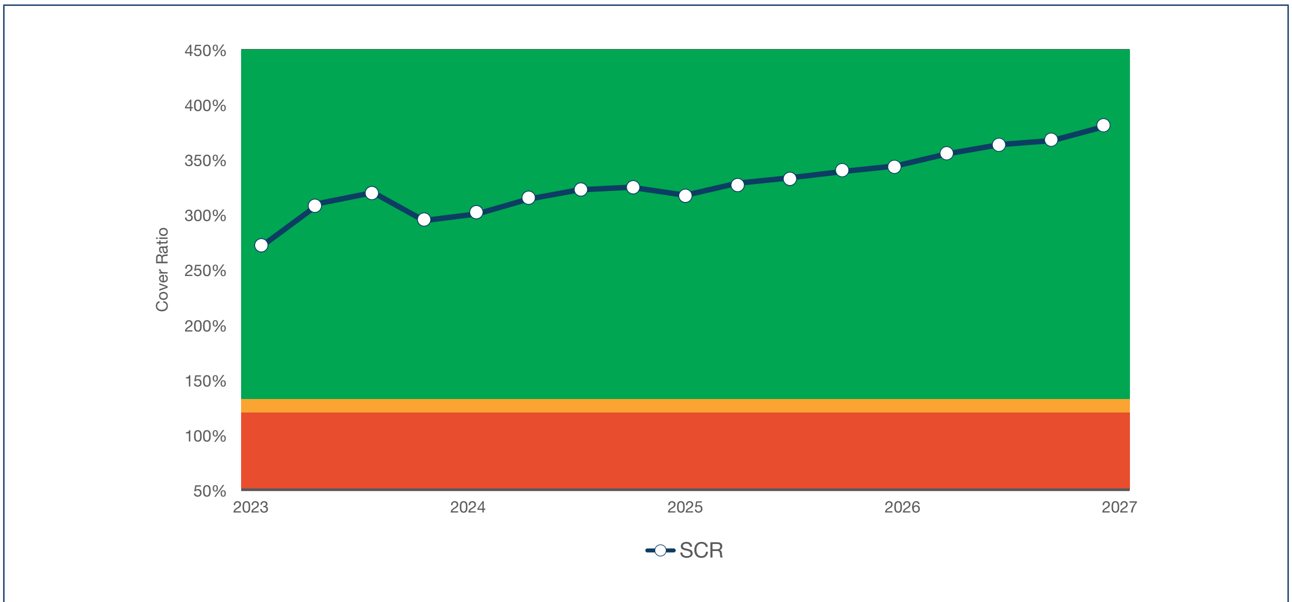


Figure 23: Projected Solvency Cover Ratio (SCR)

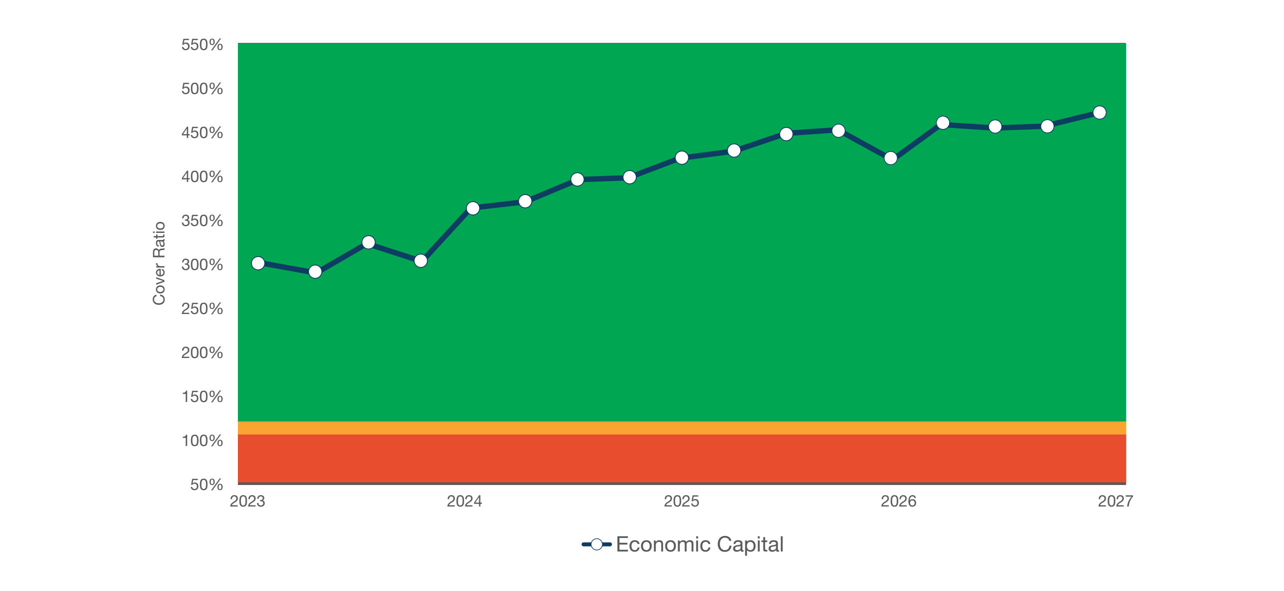


Figure 24: Projected Solvency Cover Ratio (EC)

OUTLOOK

While the Corporation is targeting transactions of $560 million plus $70 million under the expanded mandate, 6 beneficiaries are also targeted under the Export Passport Programme. As ECIC forms the last leg of the transaction, as the insurer, we cannot provide commentary on transactions for the year as it is dependent on the bankable projects from financial institutions.

The targeted $630 million / R10 billion approved transactions contribute to Output 6 of **the dtic** APP. The targeted high-impact assessment of the Export Passport Programme contributes to Output 40.

As an outcome of ECIC-approved transactions and the ECIC Enterprise and Supplier Development Programme, it is anticipated that the following contributions will be made to **the dtic** outcomes for 2023/24:

- As an outcome of drawdowns on insured loans, an expected contribution to Output 4 of R163 million manufactured exports to insured projects.
- The ECIC Enterprise and Supplier Development Programme is expected to contribute to Output 8 through R1 million financial support to SMMEs, and Women- and Youth-Empowered businesses.
- As an outcome of ECIC approved transactions, an expected contribution to Output 9 of R250 million in financial support to enterprises in labour absorbing sectors.
- As an outcome of ECIC approved transactions, an expected contribution to Output 12 of 5 000 jobs supported.
- As an outcome of ECIC approved transactions, an expected contribution to Output 13 of 2 163 jobs created.
- The following contributions will be specific targeted interventions by the ECIC:
  - Output 25 – Present/participate in at least four business forums hosted by **the dtic**.
  - Output 32 – Provide 30 ECIC success stories for **the dtic** case studies.
  - Output 33 – Conduct/participate in 10 community outreach programmes hosted by **the dtic** Group.
  - Output 37 – Participate and support at least three of the five conferences, summits and international forums hosted by **the dtic**.
  - Output 43 – Participate/Support in 2 Incentives Adjudication Committees of **the dtic**.

LIST OF TABLES AND FIGURES

Tables

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NOTES

NOTES

ECIC is a licensed non-life insurer
and authorised Financial Services Provider (FSP 30656).
Currently exempted in terms of FAIS Notice 78 of 2019.

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cb2 Highveld Extension 73
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ANNUAL FINANCIAL STATEMENTS 2023

ESTABLISHED IN 2001

ECIC

EXPORT CREDIT INSURANCE CORPORATION OF SOUTH AFRICA SOC LTD

YOUR EXPORT RISK PARTNER

Export Credit Insurance Corporation of South Africa SOC Ltd

(Registration number 2001/013128/30)

Annual financial statements

for the year ended 31 March 2023

These annual financial statements were prepared under the supervision of:

N Mkhathazo CA (SA)
Chief Financial Officer

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Export credit and investment insurance
Directors	D Dharmalingam (Independent non-executive director & Chairperson) S Mayekiso (Independent non-executive director) L Mothae (Independent non-executive director) S O'Mahony (Independent non-executive director) V Matsiliza (Independent non-executive director) D Subbiah (Independent non-executive director) L Mataboge (Non-executive director) E Makhubela (Non-executive director) M Nkuhlu (CEO - Executive director)
Business address	349 Witch Hazel Avenue Eco Park Origins Building C7 & C8 Centurion 0063
Bankers	First National Bank
Auditors	SizweNtsalubaGobodo Grant Thornton Inc. and AM PhakaMalele Inc. Chartered Accountants (S.A.) Registered Auditors
Company Secretary	X Mpanza
Company registration number	2001/013128/30

CONTENTS

Audit Committee Report

This is the Audit Committee's report for the financial year ended 31 March 2023. The Audit Committee ('the committee') is an independent statutory committee whose membership is appointed at the Annual General Meeting.

Terms of reference

The committee has adopted its formal terms of reference as approved by the Board. The committee has discharged these responsibilities and conducted its affairs in compliance with these terms of reference.

Roles and responsibilities

Governance of risk

The committee fulfils an oversight role on financial reporting risks, internal financial controls, compliance risks, fraud risk and information and communications technology ('ICT') risks as these relate to financial reporting.

Internal audit

The committee is responsible for the appointment, compensation, retention and oversight of the internal auditor, who is responsible for reviewing and providing assurance on the adequacy of the internal control environment.

This function is outsourced to SAB&T Chartered Accountants Incorporated t/a Nexia SAB&T. The committee approved the risk-based internal audit plan for the 2023 financial year. The engagement partner of the internal audit firm has unrestricted access to anyone in the organisation and reports the findings of the internal audit work to the committee on a regular basis. Internal audit reports functionally to the committee and operationally to the manager in the office of the Chief Executive Officer ('CEO'). The committee is satisfied with the effectiveness of this arrangement for internal audit.

During the year under review, the committee as and when the need arose met with the internal auditors without management being present. The committee considers internal audit to be functioning effectively and to have addressed material risks pertinent to the Export Credit Insurance Corporation of South Africa SOC Ltd ('the Corporation' or 'ECIC') in its audit.

External audit and non-audit services

The 2019 financial year was the first year of the tenure of the consortium of SizweNtsalubaGobodo Grant Thornton Inc and AM PhakaMalele Inc as the Corporation's external auditors. The committee is satisfied with the independence and objectivity of the external auditors, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought from and provided by Auditor-General of South Africa (AGSA) that internal governance processes within the firm support and demonstrate its claim to independence.

During the year under review, the committee as and when the need arose met with the external auditors without management being present. To assess the effectiveness of the external auditor, the committee considered the external auditors' fulfilment of the agreed audit plan and any variations from the plan, and the robustness and perceptiveness of the external auditors in their handling of key accounting treatments and disclosures. The committee and Executive Management, approved the engagement letter, audit plan and budgeted audit fees for the 2023 financial year.

Any non-audit services to be provided by the external auditors are governed by a formal written policy and all such services are to be pre-approved by the committee to ensure that such services do not impair the independence of the external audit firms.

The committee has recommended, for approval at the Annual General Meeting, the reappointment of SizweNtsalubaGobodo Grant Thornton Inc and AM PhakaMalele Inc as joint external auditors of the Corporation for the 2024 financial year.

The committee as and when the need arise meets with the external auditors to ensure there are no unresolved issues.

Financial statements and accounting practices

The committee has reviewed the accounting policies and the financial statements of the Corporation and is satisfied that they are appropriate and comply with the International Financial Reporting Standards, the requirements of the Companies Act and Public Finance Management Act (PFMA).

Audit Committee Report

Internal financial controls

A high-level review of the design, implementation and effectiveness of the Corporation's internal financial controls was performed as per the internal audit plan.

The review aimed to provide comfort on financial reporting controls, which are relied on in preparing the annual financial statements. Based on the information and explanations given by management and the internal auditor, and discussions with the independent external auditor on the results of their audit, the committee believes the system of internal controls for the period under review was adequate, efficient and effective.

Finance function

The committee is satisfied that the Chief Financial Officer has the appropriate expertise and experience to meet the responsibilities of the role. Furthermore, the committee has considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function.

Integrated reporting

The committee has reviewed the integrated report of the Corporation for the year ended 31 March 2023 and submits that management is presenting an appropriate view of the entity's position and performance.

The quality of the in-year management and monthly/ quarterly reports submitted in terms of legislation

The committee is of the opinion, based on the information and explanations provided by management as well as the results of audits performed by the internal and external auditors, that the financial information provided by management to users of such information is adequate, reliable and accurate.

Evaluation of financial statements

The committee has evaluated the annual financial statements of the ECIC for the year ended 31 March 2023. It has also reviewed:

- The external auditors' report;
- The external auditors' management report and management's responses thereto;
- Any changes in accounting policies and practices;
- The Corporation's compliance with applicable legal and regulatory provisions;
- Information on predetermined objectives included in the annual report;
- The quality and timeliness of the financial information availed to the committee for oversight purposes during the year; and
- Any significant adjustments resulting from the audit.

Significant matters that the committee has considered in relation to the audit of the annual financial statements, and how these were addressed by the committee

No significant matters were identified during the audit.

Summary of main activities undertaken by the committee during the financial year under review

The committee performed the following activities during the year:

- Reviewed the Corporation's integrated report and processes and recommended the same to the Board for approval;
- Approved the audit plan and budget for the external audit firms and the internal audit firm;
- Considered the Corporation's annual financial statements;
- Reviewed accounting policies and practices and consider any significant changes or departure from accounting policies and practices;
- Reviewed the basis on which the Corporation has been determined as a going concern;
- Considered the progress of the implementation of the IFRS 9 and IFRS 17 project plan;
- Oversight on tax compliance;
- Considered and recommended for Board's approval the quarterly performance reports to be submitted to the Department of Trade, Industry and Competition (**the dtic**); and
- Reviewed the finance function and the Chief Financial Officer's performance.

The arrangements in place for combined assurance and the committee's views on its effectiveness

The Committee reviewed the Combined Assurance Plan that stipulates three lines of defence in accordance with King IV and recommended it to Board for approval. Whilst King III introduced the Combined Assurance concept, King IV further enhanced it into a practice that co-ordinates the roles of all assurance providers into a cohesive whole for purposes of ensuring an effective control environment that strengthens decision making.

Audit Committee Report

It is the Committee's responsibility to ensure commensurate assurance levels are achieved to satisfy itself that risks are managed within approved risk appetite levels.

Conclusion

Based on the information provided by management, internal audit and external audit, the committee considers that these statements comply, in all material respects, with the International Financial Reporting Standards, the requirements of the Companies Act and the PFMA, and the basis of preparation as set out in the accounting policies in note 1.3 of the annual financial statements.

The committee concurs that adopting the going concern assumption in preparing the annual financial statements is appropriate.

At its meeting on 31 July 2023, the committee recommended the approval of the annual financial statements to the Board.

Lerato Mothae

L Mothae
Chairperson

Directors' Responsibility Statement and Approval of the Annual Financial Statements

The external auditors are responsible for auditing the financial statements whereas the Board of Directors ('Board') is responsible for the preparation, integrity and fair presentation of the financial statements. The Board acknowledges its duty to ensure balanced content and fair presentation that provides a comprehensive assessment of the Corporation's performance for the financial year ended 31 March 2023.

In terms of the Companies Act (2008), the directors are required to maintain adequate accounting records and to prepare annual financial statements that fairly present the Corporation's financial position at year-end and the results and cash flows for the year.

To enable the Board to discharge its responsibilities, management has developed and continues to implement standards and systems of internal controls to provide reasonable assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain the accountability of the Corporation's assets. The Board has ultimate responsibility for this system of internal controls and reviews the effectiveness of its operations, primarily through the Audit Committee.

The internal controls include risk-based systems of accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with sound business practices and the Corporation's written policies and procedures.

As part of internal controls, the Corporation's internal audit function conducts inspections, financial and specific audits. The external auditors are responsible for reporting on the Corporation's financial statements. The financial statements were audited by the independent auditors, the consortium of SizweNtsalubaGobodo Grant Thornton Inc and AM PhakaMalele Inc, who were given unrestricted access to all financial records and related data, including minutes of meetings of the Board and committees of the Board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate.

The Corporation's annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate responsible disclosures in line with the accounting policies. The appropriate accounting policies are consistently applied except as otherwise stated and supported by reasonable and prudent judgements and estimates.

The performance information fairly reflects the operations, actual output against planned targets for performance indicators as per the Corporation's strategic plan and annual performance plan for the financial year ended 31 March 2023. The performance information has been reported on in accordance with the requirements of the guidelines on annual reports as issued by National Treasury.

Based on the information received from management, as well as the internal and external auditors, nothing has come to the attention of the directors to indicate a material breakdown in the systems of internal controls during the year under review.

Disclosure in terms of section 55(2)(b) of the PFMA:

- Material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the year: refer to note 23.1 of the annual financial statements;
- Any criminal or disciplinary steps taken because of such losses or irregular expenditure or fruitless and wasteful expenditure: there were no instances where the Corporation sustained material losses; and
- Any losses recovered or written off: no material losses were recovered or written off other than in the ordinary course of business.

The directors are of a view that the Corporation has adequate resources to operate in the foreseeable future and have adopted the going concern basis in preparing the financial statements.

The financial statements of the Corporation for the year ended 31 March 2023 that appear on pages 16 to 86 were approved by the Board of Directors on 31 July 2023 and are signed on its behalf by:

D Dharmalingam
Chairperson

02 August 2023

N Maphula
Acting Chief Executive Officer

02 August 2023

Company Secretary's Certification

Declaration by the Company secretary in respect of Section 88(2)(e) of the Companies Act

I certify that, in respect of the reporting period, the Corporation has lodged with the Companies and Intellectual Property Commission (CIPC) all returns, and notices required in terms of the Companies Act, 71 of 2008 as amended.

Xoliswa Mpanza

X Mpanza

Company Secretary

02 August 2023

Directors' Report

Nature of business

The Corporation is a self-sustained, state-owned, national export credit agency that is supervised and regulated by the Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA). The Corporation's main business is to facilitate export trade and cross-border investments between the Republic of South Africa (RSA) and other countries by providing political and/or commercial risk insurance on behalf of the Government of South Africa for such transactions.

Share capital

There has been no change in the authorised or issued share capital during the financial year.

Corporate governance

The Board of Directors embraces the principles of King IV and endeavours to comply with these recommendations as far as possible. The Corporation's adherences to these principles are outlined in the Governance section of this report.

Board of Directors

The current directors are reflected on the General Information page.

Executive management

During the 2023 financial year, the following appointments were made:

- Mr M Nkuhlu was appointed effective from 01 December 2022 as the CEO; and
- Ms X Mpanza was appointed as the company secretary from 01 February 2023.

Financial results

The financial results of the Corporation are fully disclosed on pages 16 to 86.

Dividends

No dividend has been declared for the current and previous financial year in line with the Corporation's dividend policy.

Taxation status

The Corporation pays income tax in terms of the Income Tax Act of 1962, as amended. The Corporation is also subject to and complies with all other South African taxes, including employees' tax and Value Added Tax. As at year end, the Corporation was in good standing with respect to its tax responsibilities.

During the budget speech in February 2022, the Minister of Finance announced that the corporate income tax rate will be reduced from 28 percent to 27 percent, for companies with years of assessment ending on or after 31 March 2023. Both the current tax and deferred tax balances for the 2023 financial year have been calculated applying the reduced rate of 27 percent.

Changes in accounting policies

The accounting policies applied during the year ended 31 March 2023 are in all material respects consistent with those applied in the annual financial statements for the year ended 31 March 2022, as no material changes in accounting policies were effected in this financial year.

Impact of macro-economic environment in the operations

The Corporation has no insurance exposure in Russia and Ukraine. Nevertheless, the supply disruptions triggered by the Russia/Ukraine war have further placed downward pressure on global growth with negative impact on many of the Emerging Market countries that the Corporation is doing business in. The Russia/Ukraine war and COVID-19 has resulted in many countries experiencing high debt levels with some even defaulting on their obligations with the case in point being Ghana.

Significant events

As a consequence of the impact of macro-economic environment mentioned above; the Corporation raised the provision for incurred but not reported claims reserve (IBNR) of $91 million (R1.6 billion) for four projects ensuing the default on debt by the Government of Ghana (GoG). For two of the four projects, a claim of $15.1 million was received during the current financial year which is still under consideration. The defaults by the GoG have increased the sovereign credit risk in terms of our in-house country risk rating model from a level 4 to a level 5 thus resulting in a creation of the provision for unexpired risks (concentration risk reserve) amounting to $7.6 million (R129 million). Refer to note 14 for the detailed disclosure in this regard.

These two factors resulted in the Corporation reporting an underwriting loss of R1.4 billion for the year ended 31 March 2023.

The financial performance was further exacerbated by the foreign exchange losses reported of R612 million which are primarily driven by the depreciation of the South African Rand against the US Dollar from R14.4705 to R17.8139, therefore resulting into a net loss after tax of R1.5 billion, currency translation gain of R1.5 billion and total comprehensive loss of R40 million.

Due to the loss reported in the current financial year, the deferred tax asset for tax losses has since increased from R45 million reported in the previous financial year to R109 million in the current financial year. Despite tax losses recorded over the two consecutive years, the Corporation has a track record of generating taxable profits in the previous years and is expected to generate

Directors' Report

taxable profits from the 2024 financial year onwards. The deferred tax asset is expected to be utilised within the next financial year. This is demonstrated in the Corporation's strategic plan for 2023/2024 to 2027/28 financial years. Refer to note 8 for the detailed disclosure in this regard.

Despite raising these provisions, the Corporation continues to be solvent as indicated in the solvency assessment. The Corporation continues to monitor the developments regarding the engagements between Ghana and IMF on Ghana's request for a bailout package, this will inform the level of the claims provision and the prospects, timing and quantum of potential salvages. Given that these are sovereign loans, the salvage prospects are high as the Corporation is able to restructure the loans over longer tenures.

Events after the reporting period

Untimely passing away of ECIC's Chief Executive Officer : Mr Mandisi Nkhuhlu

Mr Nkuhlu was appointed as Chief Executive Officer of ECIC with effect from 1 December 2022 and he passed away on 23 July 2023. Prior to being appointed as the Chief Executive Officer, Mr Nkuhlu had occupied the position of Chief Operations Officer and had served ECIC for a combined period of 22 years.

Under his visionary guidance, ECIC flourished and became a significant player in the export trade financing and insurance landscape. Through strategic partnerships and innovative approaches, Mr Nkuhlu expanded ECIC's global presence, opening new doors of opportunities for South Africa on the world stage. His foresight and determination enabled ECIC to overcome challenges and embrace change, making ECIC a symbol of resilience and adaptability.

Mr Nkuhlu has played a prominent role in the international arena, co-chairing the Credit Insurance Committee, and representing the ECIC at the Organisation for Economic Co-operation and Development (OECD) semi-annual meetings in Paris. He represented the Corporation at the Berne Union, the international association of Export Credit Agencies, and served as the Vice President of the Berne Union from 2016 to 2019.

Most recently, he led South Africa's participation in the BRICS Export Credit Agencies platform, under South Africa's chairship.

Our sincere condolences to his family and may his soul rest in eternal peace.

Claim and notices of the lender's intention to accelerate debt repayment

After year end, the Corporation has received a claim and notices of the lender's intention to accelerate the debt for the two remaining projects mentioned under the significant events section. At reporting date, the provision for IBNR was raised for these projects.

Going concern

The Board of Directors believes that the Corporation will continue to be a going concern in the foreseeable future. For this reason, the directors have adopted a going concern basis in preparing the annual financial statements, refer to note 38 for a detailed assessment.

Audit Committee information

The names of the Audit Committee members and attendance records are reflected below:

	25-Apr-22	26-May-22	26-Jul-22	27-Oct-22	12-Dec-22	25-Jan-23
Members						
V Matsiliza	√	√	√	√	√	√
S O Mahony	√	√	√	√	√	√
S Mayekiso	√	√	√	√	√	√
L Mothae (Chair)	√	√	√	√	√	√
dtic Representative						
**Mr S Khan	√	x	x	√	@	@

√ in attendance

x did not attend

@ no longer employed by the dtic

Directors' Report

Litigation

The litigation action which was instituted against ECIC as disclosed in the 2022 annual financial statements, in respect of certain rejected insurance claims, has been formally withdrawn by the applicant in the matter. The disclosure has been provided in note 14 provision for claims reserves.

Related-party transactions

The related-party transactions are specified in the Notes to the annual financial statements in note 32.

Performance against pre-determined objectives

The Corporate strategic objectives and targets are developed and approved by the Board of Directors. The table below compares the planned and related actual performance for 2023 financial year on the high-level corporate strategic objectives, and indicate the degree to which the Corporation performed against its strategic objectives for the year under review.

Directors' Report

Performance against pre-determined objectives

Output	Performance Measure or Indicator	2022-23 Annual Target	Actual Achievement	Reason for Variance
INDUSTRIALIZATION AND GROWING THE ECONOMY				
CONTRIBUTE TO TRADE FACILITATION THAT RESULTS IN JOB CREATION				
Facilitation of exports and cross border investments	Value of approved transactions Number of approved transactions	USD550 million 4 deals approved	**Targets not achieved.** 3 transactions to the equivalent value of USD509 million has been approved: 1) Letseng Diamonds – R130 million 2) Yellow Equipment – $308 million 3) NMSI – $193 million	The COVID-19 recovery and fiscal challenges being experienced by some of the African countries, and the tough economic conditions which are exacerbated by the ever-worsening power shortages are having a bearing on the value chains that support economic activities, especially in driving exports.
	Value of approved transactions within expanded sectoral coverage	USD60 million	**Target not achieved.** Two transactions to the equivalent value of USD8,22 million has been approved: 1) Robertson and Caine – R130 million 2) RAM Shopfitting – R13,2 million	The uptake for short-term transactions has been very low as we are in the early stages of the rollout of the short-term line of business. Furthermore, it should be noted that trade credit insurance is the primary product that drives short term insurance business that is currently not offered by ECIC . However, the product is in the development phase and would be offered soon once approved by Board. It is expected that there would be a significant increase in the short-term exposure with the introduction of the trade credit insurance product.
	Export Passport Programme	5 companies benefiting	**Target not achieved.** Cooperation Agreement on Export Passport Programme has been finalised and awaiting signatures.	The process of getting all the parties comfortable with the execution version of the Cooperation Agreement on the Export Passport Programme took longer than anticipated. Whilst the contents of the agreement have been settled, some of the Entities are following their internal governance process to secure the execution of the agreement.
ACTIONS TO PROMOTE TRANSFORMATION				
ENHANCE TRANSFORMATION				
Maintain B-BBEE Score	B-BBEE Level	Level 1	B-BBEE verification will take place after 2022/23 external audit. Based on internal assessment, the indication is that the Corporation will retain the level 1 B-BBEE score.	N/A
BUILDING A CAPABLE STATE				
IMPROVE EMPLOYEE VALUE PROPOSITION				
Retention of staff	% staff retained	Retain 85% of staff	**Target achieved.** 94% staff retention achieved.	N/A
IMPROVE BUSINESS PROCESSES AND SYSTEMS				
Automation of business processes	% of business processes automated	70% of business processes automated	**Target achieved.** 72% (33 of 46) of business processes automated.	N/A
IMPROVE STAFF EFFICIENCY				
Staff efficiency	Employee cost to earned premium (3-year average)	Ratio not greater than 31%	**Target achieved.** Staff efficiency ratio of 16%.	N/A
EMBED RISK MANAGEMENT PRACTICES				
Embed risk management practices	No breaches on risk appetite limits over the 5-year period	No breaches on risk appetite limits (from 1 April 2022)	**Target achieved.** No breaches on risk appetite limits to-date.	N/A
	Risk maturity levels of the Corporation	Level 2 across 100% of metrics	**Target achieved.** Level 2 achieved across 100% of metrics.	N/A
ENHANCE FINANCIAL SUSTAINABILITY				
Increase in capital base	% increase in equity (excluding foreign exchange movements and related tax)*	5% increase in equity	**Target not achieved.** A decrease of 8% has been reported.	This is mainly due to the IBNR raised for various Ghana projects and CRR raised on the downgrade of the credit risk rating for Ghana pursuant to the default on debt.
Track the operating cost base of underwriting activities	Operating cost base of underwriting activities	Operating cost below R150 million	**Target achieved.** Operating cost of R130 million.	N/A
STAKEHOLDER AND CUSTOMER ENGAGEMENT				
Maintain a high CRIP score	Corporate Reputation Index Performance (CRIP) score	CRIP score of 70%	**Target achieved.** CRIP score of 77%.	N/A
Improve employee engagement and organisational culture	Culture Entropy score	Culture Entropy score below 30%	**Target achieved.** Culture Entropy score of 26%.	N/A
ENHANCE CORPORATE GOVERNANCE				
Effective governance and internal control measures	External Audit results	Clean audit with no repeat findings and no more than 3 new findings on the BAC Report (judgmental differences not taken into account)	**Target achieved.** Clean audit obtained	N/A

**The calculation of this target is based on the figures determined in terms of USD functional currency.*

Independent Auditors' Report

Independent auditor's report to the Parliament on Export Credit Insurance Corporation of South Africa SOC Ltd

Report on the audit of the financial statements

Opinion

1. We have audited the financial statements of Export Credit Insurance Corporation of South Africa SOC Ltd (the public entity) set out on pages 16 to 86, which comprise the statement of financial position as at 31 March 2023, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Export Credit Insurance Corporation of South Africa SOC Ltd as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

Basis of opinion

3. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

4. We are independent of the public entity in accordance with the Code of professional conduct for auditors of the Independent Regulatory Board for Auditors (IRBA) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards).

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the accounting authority for the financial statements

6. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the PFMA and the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor for the audit of the financial statements

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

9. A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Independent Auditors' Report

Report on the audit of the annual performance report*

Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

11. We selected the following objective presented in the annual performance report for the year ended 31 March 2023 for auditing. We selected the objective that measures the public entity's performance on its primary mandated functions and that is of significant national, community or public interest.

Objective	Pages in the annual performance report
Enhance financial sustainability	11

12. We evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

13. We performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives.
    - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that we can confirm the methods and processes to be used for measuring achievements.
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated.
    - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents.
    - the reported performance information is presented in the annual performance report in the prescribed manner.
    - there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

14. We performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

15. We did not identify any material findings on the usefulness and reliability of the reported performance information for this objective.

Other matters

16. We draw attention to the matter below:

Achievement of planned targets

17. Refer to the annual performance report on page 11 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

18. In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

19. We performed procedures to test compliance with selected requirements in key legislation in accordance with the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, we do not express an assurance opinion or conclusion.

20. Through an established AGSA process, we selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

21. We did not identify any material non-compliance with the selected legislative requirements.

As reported in the Directors' Report.

Independent Auditors' Report

Other information

22. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report and those selected objective presented in the performance report that have been specifically reported on in the auditor's report.
23. Our opinion on the financial statements and our findings on the reported performance information and the report on compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion on it.
24. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
25. If based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

Internal control deficiencies

26. We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. We did not identify any significant deficiencies in internal control.

Other reports

27. We draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation.
28. We were engaged to perform the following audit-related services:

    Audit and review of the Quantitative Reporting Template in compliance with the Insurance Act, 2017 (the Act) for the year ended 31 March 2023.

Auditor tenure

29. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that AM PhakaMalele Inc. and SizweNtsalubaGobodo Grant Thornton Inc. have been the auditors of Export Credit Insurance Corporation of South Africa SOC Ltd for 1 year and 5 years, respectively.

Jabu A Malele
Chartered Accountant (SA)
Registered Auditor
Director
02 August 2023

AM PhakaMalele Inc.

Nhlanhla M Sigasa
Chartered Accountant (SA)
Registered Auditor
Director
02 August 2023

SizweNtsalubaGobodo Grant Thornton Inc.

AM PhakaMalele Inc.

Head Office
9 Stirrup Lane,
Woodmead Office Park,
2128

SizweNtsalubaGobodo Grant Thornton Inc.

Head Office
20 Morris Street East,
Woodmead,
2191

Annexure to the auditor's report

The annexure includes the following:

- the auditor's responsibility for the audit
- the selected legislative requirements for compliance testing.

Independent Auditors' Report

Annexure - Auditor's responsibility for the audit Financial statements

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with selected subject matters.

Financial statements

In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the statements about the material uncertainty or, if such disclosures are inadequate, to modify our opinion on the statements. Our conclusions are based on the information available to us at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Annexure – Compliance with legislation – selected legislative requirements

Legislation	Sections or regulations
Public Finance Management Act, Act No 01 of 1999	Section 50 Section 51 Section 52 Section 55 Section 56 Section 57
Treasury Regulations	TR 29.1 TR 29.2
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	PRECCA 34(1)
Preferential Procurement Policy Framework Act 5 of 2000	PPPFA 2.1(a) PPPFA 2.1(b) PPPFA 2.1(f)
NT SCM Instruction Note 03 2021/22	IN 03 2021/22 Par. 4.3 IN 03 2021/22 Par 4.4
Insurance Act, 2017: Act No. 18 of 2017	Section 38 Section 39

Statement of Financial Position as at 31 March 2023

	Note(s)	2023 R'000	2022 R'000
Assets			
Intangible assets	6	-	285
Property and equipment	7	26 319	2 678
Deferred tax	8	110 679	50 755
Financial assets at fair value	9	7 633 095	4 578 311
Reinsurance contract assets		151 566	7 697
Provision for reinsurance unearned premiums	10.1	6 655	7 697
Provision for reinsurance claims reserves	10.2	144 911	-
Current tax receivable	29	100 154	2 066
Trade and other receivables	11	1 184 201	1 007 019
Cash and cash equivalents	12	2 355 461	4 487 620
Total assets		**11 561 475**	**10 136 431**
Equity and liabilities			
Equity			
Share capital and share premium	13	316 051	316 051
Foreign currency translation reserve		3 829 797	2 289 719
Fair value adjustment through other comprehensive income reserve		(71 307)	(27 545)
Retained earnings		2 532 481	4 068 489
Total equity		**6 607 022**	**6 646 714**
Liabilities			
Insurance contract liabilities		3 963 257	2 767 171
Provision for unearned premiums	14.1	1 583 987	1 539 070
Provision for unexpired risks	14.2	753 909	457 382
Provision for claims reserves	14.3	1 625 361	770 719
Reinsurance deferred acquisition cost		1 024	1 185
Employee benefit liability	15	29 119	27 459
Trade and other payables	16	314 151	129 056
Financial liabilities at fair value	9	108 457	-
Lease liability	17	22 373	140
Liability for interest make-up	18	516 072	564 706
Total liabilities		**4 954 453**	**3 489 717**
Total equity and liabilities		**11 561 475**	**10 136 431**

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2023 R'000	2022 R'000
Insurance premium revenue	20	150 357	196 290
Net change in unearned premiums		274 595	398 970
Gross change in unearned premiums	14.1	277 237	401 748
Change in reinsurance unearned premiums	10	(2 642)	(2 778)
Change in unexpired risks	14.2	(185 833)	(82 606)
Net insurance premium revenue		**239 119**	**512 654**
Assessment fees		-	435
Reinsurance commissions received		407	429
Net investment income	21	277 589	297 453
IMU grant receipts		150 000	208 078
Other income		109	60
Net income		**667 224**	**1 019 109**
Claims incurred		**(1 445 623)**	**(670 106)**
Insurance benefits and claims		(784 714)	83 644
Claims paid		(877 800)	-
Salvages income		93 086	83 644
Net change in claims reserve		(660 909)	(753 750)
Gross change in claims reserves	14.3	(809 615)	(753 750)
Change in reinsurance claims reserves	10.2	148 706	-
Commission paid to intermediaries		(230)	(195)
Operating expenses	23	(174 148)	(161 035)
Interest paid	24	(792)	(67)
(Loss)/Profit on exchange differences	25	(611 631)	65 431
Fair value movements on interest make up liability	18	(10 781)	39 489
SED & ESD contributions	26	(6 662)	(13 901)
(Loss)/profit before taxation		**(1 582 643)**	**278 725**
Taxation	27	46 635	55 617
(Loss)/profit for the year		**(1 536 008)**	**334 342**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Currency translation differences	22	1 540 078	(194 768)
Fair value adjustments of financial assets		(55 819)	3 458
Deferred tax on fair value of financial assets		12 057	(1 056)
Total items that may be reclassified to profit or loss		**1 496 316**	**(192 366)**
Other comprehensive income/(loss) for the year net of taxation		**1 496 316**	**(192 366)**
Total comprehensive (loss)/income for the year		**(39 692)**	**141 976**

Statement of Changes in Equity

	Share capital and share premium R'000	Foreign currency translation reserve R'000	Fair value adjustment through other comprehen-sive income reserve R'000	Total reserves (foreign currency & fair value adjustment) R'000	Retained earnings R'000	Total equity R'000
Balance at April 1, 2021	**316 051**	**2 484 487**	**(29 947)**	**2 454 540**	**3 734 147**	**6 504 738**
Profit for the year	-	-	-	-	334 342	334 342
Effects of translation to presentation currency	-	(194 768)	-	(194 768)	-	(194 768)
Fair value adjustment net of taxation	-	-	2 402	2 402	-	2 402
Total comprehensive income for the year	**-**	**(194 768)**	**2 402**	**(192 366)**	**334 342**	**141 976**
Balance at March 31, 2022	**316 051**	**2 289 719**	**(27 545)**	**2 262 174**	**4 068 489**	**6 646 714**
Loss for the year	-	-	-	-	(1 536 008)	(1 536 008)
Effects of translation to presentation currency	-	1 540 078	-	1 540 078	-	1 540 078
Fair value adjustment net of taxation	-	-	(43 762)	(43 762)	-	(43 762)
Total comprehensive loss for the year	**-**	**1 540 078**	**(43 762)**	**1 496 316**	**(1 536 008)**	**(39 692)**
Balance at March 31, 2023	**316 051**	**3 829 797**	**(71 307)**	**3 758 490**	**2 532 481**	**6 607 022**
Note(s)	13					

Statement of Cash Flows

	Note(s)	2023 R'000	2022 R'000
Cash flows from operating activities			
Cash (used in)/generated from underwriting activities	28	(677 516)	411 358
Interest received		435 438	142 233
IMU grant receipts		150 000	208 078
Dividends received		59 053	58 387
IMU claims paid		(179 656)	(130 487)
Interest paid		(792)	(67)
Taxation paid	29	(99 265)	(19 493)
Net cash (outflows)/inflows from operating activities		**(312 738)**	**670 009**
Cash flows from investing activities			
Acquisition of equipment	7	(1 730)	(1 072)
Sale of equipment	7	-	18
Net acquisition of financial assets		(1 801 250)	(44 302)
Net cash outflows from investing activities		**(1 802 980)**	**(45 356)**
Cash flows from financing activities			
Lease liability repayments		(1 771)	(3 256)
(Decrease)/increase in cash and cash equivalents		**(2 117 489)**	**621 397**
Cash and cash equivalents at the beginning of the year		4 487 620	4 084 701
Effect of translation on cash and cash equivalents		27 730	(223 093)
Unrealised foreign exchange (loss)/gain on cash and cash equivalents		(42 400)	4 615
Total cash and cash equivalents at end of the year	12	**2 355 461**	**4 487 620**

Accounting Policies

1. Presentation of Financial Statements

1.1 General Information

The ECIC is a state-owned entity incorporated in South Africa. The nature of risk underwritten by the Corporation in pursuant to its objectives as set out in the Export Credit and Foreign Investment Re-insurance Act of 1957, as amended are set out in note 3.

Prior to the incorporation of ECIC in July 2001, the Department of Economic Affairs (now the Department of Trade, Industry and Competition, **the dtic**) offered reinsurance cover through a privately owned insurance company.

The Corporation provides risk mitigation solutions for South African exporters who offer goods and services into the international market. The focus is on Africa and other emerging markets outside the continent that are considered too risky for conventional insurers. The Corporation's goal, as mandated by the South African government as the sole shareholder and aligned with South Africa's national imperatives, is to make South African exports attractive to international buyers. The aim is to stimulate economic growth through exports that contribute to foreign income, job creation and global competitiveness.

1.2 New standards, amendments and interpretations issued

(a) New applied standards, amendments and interpretations issued and effective for the current financial year.

(i) IAS 16, Property, plant, and equipment- Proceeds before Intended use.

The amendments prohibit an entity from deducting from cost of an item of property, plant and equipment any proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in the profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and have no impact to the Corporation as no items are produced on acquisition of assets; the assets acquired by the Corporation are office use purposes rather than production.

(ii) IAS 37, Provisions, Contingent Liabilities and Contingent Assets: 'Onerous Contracts- Cost of Fulfilling a Contract.

The amendments specify which costs should be included in an entity's assessment and whether a contract will be loss making. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments have no significant impact to the Corporation as there are no onerous contracts.

(iii) IFRS 9, Financial Instruments. Annual Improvements to IFRS Standards 2018–2020.

The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The amendments have no significant impact to the Corporation as the financial liabilities are usually derecognised on settlement of the liability.

(b) New standards, amendments and interpretations issued but not effective for the financial year and not early adopted which are relevant to the Corporation.

(i) IFRS 17 Insurance Contracts.

1. Background

IFRS 17 addresses the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features. The standard contains guidance on when to separate components in an insurance contract and account for them in terms of another standard. The components that have to be separated (subject to certain criteria) are embedded derivatives, distinct investment components and distinct goods and non-insurance services. All ECIC products are deemed to fall within the scope of IFRS 17, and the products do not have provision of services, participation features or investment components that needs to be split out from insurance risk.

Accounting Policies

The standard requires an entity to identify portfolios of insurance contracts and to group them into the following groups at initial recognition:

- Contracts that are onerous;
- Contracts that have no significant possibility of becoming onerous subsequently; and
- The remaining contracts in the portfolio.

Groups of insurance contracts should be measured at initial recognition at the total of the following:

- The fulfilment cash flows which comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks and a risk adjustment for non-financial risk; and
- The contractual service margin which represents the profit in the group of insurance contracts that will be recognised in future periods.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of:

- The liability for remaining coverage (fulfilment cash flows related to future service and the contractual service margin); and
- The liability for incurred claims (fulfilment cash flows related to past service).

The standard is effective for annual periods beginning on or after 1 January 2023 and has to be applied retrospectively. Early adoption is permitted. The Corporation will adopt IFRS 17 in the 2024 financial year.

The Corporation has assessed the expected impact of the initial application of IFRS 17 on the Statement of Financial Position as at 31 March 2022. Based on the calculations performed to date, the Corporation expects the total equity to increase on 01 April 2022 due to changes in the earnings profile for projects and the treatment of salvages. Refer to section 5 for further details.

2. Readiness for IFRS 17

2.1 Progress

The Corporation has progressed well with the activities required for the adoption of IFRS 17. A project team which includes both the Actuarial Team and the Finance Team was established. The implementation plan was developed and reported against on a quarterly basis to the Executive Management and the Board of Directors. The plan also took into account the reviews by the Head of Actuary (HAF) and External Auditors.

The Corporation's policy and methodology decisions, key judgements and significant estimations and assumptions relating to products were finalised in 2022 (including the reviews by HAF and the External Auditors), and transition values as at 31 March 2022 were calculated on this basis. Various training were held with the Finance and Actuarial teams, Executive Management and Board of Directors to equip the stakeholders with the understanding of the expected impact of IFRS 17 on financial results.

2.2 Further developments in 2024

The models and reports have been finalised and the reporting for the first quarter of June 2023 was done using the updated templates. The comparative results and disclosures, including the audit thereof are expected to the completed before the end of the 2024 financial year.

3. Accounting policies relating to insurance liabilities and profit recognition

3.1 Introduction

The nature of the impending changes in accounting policies relating to insurance liabilities and profit recognition is covered in the sections below.

3.2 Classification of insurance contracts

All of the corporation's products are deemed to fall within the scope of IFRS 17, given that it accepts significant insurance risk through providing cover against uncertain future events. The uncertainty is in relation to the probability of the insured events, the potential timing of such events and for some products the payment amount as well. It could potentially be argued that certain elements of the Performance Bond Insurance product are of the nature of a financial guarantee. The corporation has always accounted for this product as an insurance product in line with the applicable insurance accounting standard, and elects to continue to do so under IFRS 17. The corporation also does not have any contracts

Accounting Policies

that have as its primary purpose the provision of services for a fixed fee. ECIC products do not have any such components that need to be separated out and they do not have participation features or investment components.

3.3 Aggregation of insurance contracts

In broad terms ECIC sees it business in two main business lines and four sub-business lines:

- Guarantee business: Investment Insurance, Performance Bond Insurance,
- Trade Credit business: Investment Guarantee – Commercial loans, Export Credit

These lines of business are also split between medium to long term (tenor 2 years and longer) and short term cover (tenor less than 2 years). However, the risk profile and underlying project/investment specifics of each project or investment/transaction is unique. Each project or investment/transaction might include a number of insurance policies/contracts, for example various banks lending to one project where each bank has a separate ECIC insurance policy. The standard states that contracts may need to be combined and accounted for as a whole, in order to report their substance, if they have similar risks and are managed together and as a set achieve, or are designed to achieve, an overall commercial effect.

For all related contracts for a single project/investment/transaction the recognition and measurement requirements are applied at a project/investment/transaction level per sub-business line. The caveat to this is that such grouping of contracts is prohibited by the standard if the contracts are issued more than one year apart. Also, it is unlikely that a contract will be onerous while the other contracts within that aggregated portfolio is not. However, if it is the case the contract deemed onerous will be grouped separately. Should it be the case that one of the contracts within the identified portfolio reflects a different risk profile or is administered differently, that policy will also be grouped separately.

3.4 Measurement of insurance contracts

The Corporation measures insurance contracts by performing year-to-date estimates of the carrying amount of the insurance liabilities. The valuation method is referred to the General Measurement Model (GMM) or Building Blocks Approach (BBA) and ECIC will be applying it for all contracts. ECIC will not be applying the simplified Premium Allocation Approach (PAA) measurement method.

IFRS 17 is not expected to have a significant impact on the initial recognition date of insurance contracts issued and reinsurance contracts held. The contract boundaries for annual renewable policies will under IFRS 17 stretch over the full term of the policy rather than just one year.

The measurement of a group of insurance contracts (including the contractual service margin) with cash flows in more than one currency, will be denominated in a single currency based on the dominant currency in which expected cash flows are generated.

Recognition

The Corporation recognises insurance contracts issued or reinsurance contracts held from the beginning of the coverage period, or if earlier, the date when the first payment from the policyholder is due or actually received for insurance contracts issued. The earliest recognition date for the Corporation is on the effective date, unless contract is onerous from the start at initial recognition.

Contract boundaries

For all products, the period of obligation is the full term of the policy, because ECIC does not have the unilateral ability to reassess and reprice the contracts and hence present enforceable obligations for the full term of the policy. For all reinsurance contracts, the period of obligation is the full term of the policy, because the reinsurer does not have the unilateral ability to reassess and reprice the contracts and hence present enforceable obligations for the full term of the policy.

Cash flows outside of the boundary of the insurance contract relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

Initial measurement

On initial recognition, the Corporation will measure a group of insurance contracts as the total of the:

- fulfilment cash flows; and
- contractual service margin (CSM).

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Fulfilment cash flows

The fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows within the contract boundary. Fulfilment cash flows are determined separately for insurance contracts (including reinsurance contracts) issued and reinsurance contracts held. Fulfilment cash flows are allocated to groups of insurance contracts for measurement purposes. Fulfilment cash flows exclude expense cash flows not directly attributable to the fulfilment of the insurance contracts.

No cash flows vary based on the returns on any financial underlying items, hence no financial risk related to cash flows. Interest paid on claims are deemed to be part of fulfilling the insurance obligation and hence will be reflected as insurance service expenses and not accounted for under insurance finance expenses.

The fulfilment cash flows do not reflect ECIC's non-performance risk (i.e. ECIC credit risk). For reinsurance contracts the probability weighted estimates of the future cash flows include the potential credit losses and other disputes of reinsurer recoveries to reflect the non-performance risk of the reinsurer.

Future cash flows are estimated at a project/investment/transaction level per line of business and if a contract that is actually part of the project/investment/transaction and for some reason does not form part of the aggregation group the cash flows are allocated down to that contract.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. This risk adjustment represents the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. For reinsurance contracts held, the risk adjustment reflects that some of this uncertainty will be ceded to the reinsurer. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts.

Risk adjustment

Risk adjustment recognises the possible outcomes, particularly where unfavourable outcomes are possible. The risk adjustment is the difference between the risk-adjusted value and the expected value of a liability (i.e. the uncertainty that surround the net cashflow). The risk adjustment has a floor of zero and hence cannot be negative.

ECIC use a confidence quantile technique to determine the risk adjustment. The risk adjustment is calculated as the amount that must be added to the expected value of the insurance liabilities, such that the probability that the actual outcome will be less than the liability is equal to a targeted probability or confidence level. The risk adjustment is the difference between this result and the expected mean value.

Contractual service margin (CSM)

The CSM is the unearned estimated profit embedded in the insurance contracts. It represents the portion of the total expected future cash flows that is not yet recognised as revenue. The CSM is initially determined at the inception of the insurance contract and is released to the income statement over the coverage period as the insurance coverage is provided. The CSM ensures that the revenue recognition is spread appropriately over time, aligning with the provision of insurance coverage.

If a group of insurance contracts is not onerous at initial recognition, the CSM will be measured as the equal and opposite amount of the net inflow resulting from the total of the fulfilment cash flows. This results in no income or expenses arising on initial recognition.

If a group of insurance contracts is onerous at initial recognition, the group will immediately recognise this net outflow in profit or loss. Following this, a loss component will be created to represent these losses recognised in profit or loss. Subsequently an increase or reversal of losses on onerous groups of insurance contracts will be presented in profit or loss.

For reinsurance arrangements a loss recovery component is established when underlying onerous groups of insurance contracts are recognised, which will offset the insurance losses for the portion of the contracts being reinsured.

Discount rates

Under IFRS 17 the discount rate should reflect the time value of money and the characteristics of the insurance contract's cash flows. A zero-coupon yield curve, adjusted to reflect the illiquidity of the group of insurance contracts where applicable, will be applied to cash flows.

In certain circumstances, an illiquidity premium may be considered as part of the discount rate. In general, illiquidity premium is an adjustment to the discount rate that reflects the increased risk associated with less liquid investments (i.e.

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not easily tradable or convertible into cash at short notice). In the context of IFRS 17, the illiquidity premium may be relevant for insurance contracts with cash flows related to illiquid contract characteristics. To incorporate the fact that different insurance contracts have different illiquidity characteristics, the contracts are categorised into illiquidity buckets. Then an application ratio is applied to the illiquidity premium for each illiquidity bucket.

Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date will be the sum of:

- the liability for remaining coverage, comprising:
  - the fulfilment cash flows related to service to be provided under the contract in future periods; and
  - the remaining CSM of the group at that date.
- the liability for incurred claims, comprising the fulfilment cash flows for past incurred claims and expenses not paid, including claims that have been incurred but not reported.

The locked-in initial discount curve will be used to unwind of discounting for CSM.

The impact of changes in estimates of the fulfilment cash flows on the measurement of the CSM depends on whether the changes are related to current (or past) or future service:

- changes that relate to current or past service are recognised in profit or loss; and
- changes that relate to future service are recognised by adjusting the CSM within the liability for remaining coverage, including changes in the risk adjustment for non-financial risk that relate to future service. This excludes any changes which give rise to a loss on a group of insurance contracts, as well as any changes which adjust the loss recovery component on a group of reinsurance contracts.

The changes in fulfilment cash flows related to future service are based on the discount rates applied to the fulfilment cash flows at initial recognition. Changes in the estimates that relate to the effect of the time value of money and changes therein, do not adjust the CSM and are recognised in profit or loss.

An amount of the CSM is recognised in insurance revenue in profit or loss in each reporting period based on the insurance contract services provided under the group of contracts.

Coverage units

The CSM will be recognised as insurance revenue over the duration of the contracts based on the number of coverage units provided in each period. The coverage units are determined using the expired exposure relative to the total exposure of the contract. The exposure used is the political sum insured of each policy as that represents the maximum "benefits" payable to the insured. This exposure years profile captures the profile of the risk ECIC is exposed to, given the non-uniformity of the exposures. For example, it captures a typical loan profile, where the outstanding balance increases with draw downs and then reduce again with repayments. The commercial risk cover is always relative to political risk cover, hence the coverage unit profile is appropriate for both risks. The exposures is discounted to the valuation date to allow for the time value of money.

3.5 Explanation of recognised insurance amounts in profit or loss

IFRS 17 will significantly change how insurance contracts are presented and disclosed in the financial statements.

Insurance revenue

Insurance revenue represents the changes in the liability for remaining coverage over the period for a group of insurance contracts excluding changes in the liability that do not relate to services expected to be covered by the consideration received. The consideration received refers to the amount of premiums paid to the Corporation, adjusted for the discounting effect. The amount of insurance revenue recognised in the reporting period depicts the delivery of promised services at an amount that reflects the portion of premiums the Corporation expects to be entitled to in exchange for those services.

The total consideration for a group of contracts covers the following:

- expected claims and administration expenses incurred in the period (excluding amounts allocated to the loss component);
- amount of the CSM recognised in profit or loss;
- release of the risk adjustment for risk expired (excluding amounts allocated to the loss component); and
- premium experience adjustments relating to current service.

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Insurance service expenses

The main components of insurance profits recognised in insurance service expenses are:

- the actual incurred claims and claims handling expense cash flows;
- expected future losses on onerous groups of contracts;
- the changes in liability for incurred claims relating to past service; and
- the amortisation of insurance acquisition cash flows.

The expense cash flows refer only to expenses which are directly attributable to fulfilling the insurance contracts.

Non-attributable expenses will be recognised separately in profit or loss.

The combined impact of insurance revenue and insurance service expenses will be presented as the insurance service result in profit or loss.

Income or expenses from reinsurance contracts

The Corporation will present income or expenses from a group of reinsurance contracts held, other than insurance finance income or expenses, as a single amount.

Insurance finance income and expense

The Corporation recognises all insurance finance income or expenses for the reporting period in profit or loss. The Corporation has therefore elected not to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income.

The changes in the risk adjustment for non-financial risk have been disaggregated between the insurance service result and insurance finance income and expenses.

4. Transition

The IFRS 17 Standard is applicable to annual periods beginning on or after 1 January 2023. However, the requirement for comparative information means that the IFRS 17 transition statement of financial position will be required at 01 April 2022.

When determining the insurance liabilities at transition, the IFRS 17 Standard should be applied retrospectively as if it had always applied unless it is "impracticable" to do so based on the requirements in IAS 8: Accounting policies, Changes in Accounting Estimates and Errors. This retrospective approach is referred to as the full retrospective approach (FRA). Where it is impracticable to apply IFRS 17 retrospectively, various simplifications are permitted when adopting the modified retrospective approach (MRA) or fair value approach (FVA) provided that certain criteria have been met. The FVA has to be applied if there is no reasonable and supportable information to apply the MRA.

The transition approach will be determined at a group of insurance contracts level. It is impracticable to adopt the FRA for groups of contracts at the date of transition if:

- the approach cannot be applied retrospectively after a reasonable effort was made by businesses to demonstrate that it will not be possible to collect the required information or create information where the required data is unavailable; or
- hindsight is needed to determine the estimates at prior periods, i.e. the measurement of the fulfilment cash flows and CSM should apply management's estimates at that point in time, with only the information that would have been available at that point in time.

5. Summary of impact of IFRS 17 on the Corporation

Below is a summary of expected material changes from IFRS 17 implementation:

- Provision for incurred claims will be recognised net of salvages. Currently, salvages are only recognised based on signed salvage restructuring agreement and the asset is only recognised for the salvages receivable within the next twelve months, for amounts receivable beyond that period a contingent asset is disclosed as a claim in favour of the Corporation but not recognised in the statement of financial position.

  The IBNRs which were raised in the 2022 and 2023 financial years (IFRS 4) were recognised on a gross basis and a salvage asset was not recognised for these provisions. Under IFRS 17, the Corporation will now recognise potential salvages relating to these provisions and salvages which are currently disclosed as contingent.

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- The earnings profile in the earlier years of the project tend to be higher under IFRS 17 than what it was under IFSR 4. This will result in an increase in equity when transitioning to IFRS 17.
- The carrying values of the insurance liabilities will be calculated net of premiums; this will result in a reduction of both total assets and total liabilities. This will introduce volatility in the total assets and total liabilities on receipt of premiums:
  - Under IFRS 4 future premiums are booked as premium receivable asset. When received, it simply moves from one asset to another (i.e., from premium receivable to cash).
  - Under IFRS 17 future premiums are part of the fulfilment cash flows which are used to calculate the insurance liability. When premiums are received, they moves out of liabilities to assets (i.e., insurance liability increase and cash increase).

(ii) IAS 1, Presentation of Financial Statements.

The following amendments were made:

- Classification of Liabilities as current or Non-current.

  Narrow scope amendments to the accounting standard to clarify how debts and other liabilities are classified based on the contractual arrangements in place at the reporting date.

  The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022, however, their effective date has been delayed to 1 January 2023.

- Disclosure of Accounting Policies.

  The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

  The amendments are effective for annual periods beginning on or after 1 January 2023.

  ECIC will apply the amendments from the effective date and the amendments are not expected to significantly impact the Corporation.

(iii) IAS 8, Accounting policies, Changes in Accounting Estimates and Errors. Amendment to the Definition of Accounting Estimates.

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The requirements for recognising the effect of change in accounting prospectively remain unchanged.

The amendments are effective for annual periods beginning on or after 1 January 2023, ECIC will apply the amendments from the effective date and the amendments are not expected to significantly impact the Corporation.

(iv) IAS 12, Deferred tax- Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

ECIC will apply the amendments from the effective date and the amendments are expected to have an impact on the deferred tax asset and liability for the leased assets. In the overall financial statements the amendment is not expected to significantly impact the Corporation.

(c) New standards, amendments and interpretations issued and effective for the current financial year but not implemented by the Corporation.

(i) IFRS 9, Financial instruments.

It is expected that IFRS 9 will change the classification of financial assets to either amortised cost, fair value through profit or loss or fair value through other comprehensive income. In addition, IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

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ECIC has elected to defer the implementation of IFRS 9 to 01 April 2023 when IFRS 17 is expected to be effective. Based on the assessment conducted IFRS 9 has no significant impact on the recognition, measurement and disclosure of financial assets and financial liabilities for the Corporation except for the impairment allowance. The table below presents the recognition and measurement in terms of IAS 39 and IFRS 9:

Item	IAS 39	IFRS 9	Impact
Financial assets			
Financial assets at fair value excluding unlisted equities	Fair value through profit or loss	Fair value through profit or loss	The impact is insignificant
Financial assets at fair value – unlisted equities	Available for sale with FV movements through other comprehensive income	Fair value through other comprehensive income	The impact is insignificant, except on sale of the investment: previous fair value movements cannot be recycled to profit or loss
Cash and cash equivalents	Amortised cost	Amortised cost	The impact is insignificant
Trade and other receivables	Amortised cost	Amortised cost	The impact is insignificant
Provision for doubtful debts	Incurred losses	Expected credit loss	The impact is insignificant as the significant portion of trade and other receivables is comprised of insurance debtors which are scoped out of IFRS 9.
Financial liabilities			
Liability for interest make up	Fair value through profit or loss	Fair value through profit or loss	The impact is insignificant
Trade and other payables	Amortised cost	Amortised cost	The impact is insignificant

IFRS 9 provides a temporary exemption that permits ECIC to apply IAS 39 rather than IFRS 9 when accounting for financial instruments for annual periods beginning before 01 April 2023.

The Corporation is eligible to apply the temporary exemption from IFRS 9 due to the following criteria:

- it has not previously applied any version of IFRS 9; and
- its activities are predominantly connected with insurance.

As at 31 March 2016, the carrying amount of the liabilities arising from contracts within the scope of this IFRS 4 were greater than 90% of the total carrying amount of all liabilities. Since 31 March 2016, there has been no change in the Corporation's activities.

The Corporation's financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are all measured at amortised cost.

Below are the financial assets which are measured at amortised cost and fair value. The fair value balances and adjustments are for financial assets that are:

- managed at fair value; or
- whose contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amounts.

	2023		2022	
Financial assets	**Fair value (R'000)**	**Fair value adjustment (R'000)**	**Fair value (R'000)**	**Fair value adjustment (R'000)**
Financial assets at fair value	7 633 095	(111 432)	4 578 311	(33 630)
Trade and other receivables (see note 19)	216 877	–	33 006	–
Cash and cash equivalent	2 355 461	–	4 487 620	–
Total	**10 205 433**	**(111 432)**	**9 098 937**	**(33 630)**

The significant accounting policies are set out below. These policies are consistently applied to all years presented unless otherwise stated.

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1.3 Basis of preparation

The annual financial statements of the Corporation are prepared on the going concern basis in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board; the interpretations to IFRS as issued by the IFRS Interpretations Committee (IFRIC); the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; and the requirements of the Public Finance Management Act No. 1 of 1999 of South Africa, as amended; and the Companies Act No. 78 of 2008 of South Africa, as amended. As at 31 March 2023, the Corporation was solvent with total assets exceeding total liabilities by R 6.6 billion.

The annual financial statements are prepared on the historical cost basis, adjusted by the revaluation of financial assets that are measured at fair value and translation of functional currency to the presentation currency as detailed in 1.6 below. While the Corporation is domiciled in South Africa, its functional currency is US Dollar with the Rand as its presentation currency, rounded to the nearest thousand. All assets and liabilities are presented in the increasing order of liquidity.

The financial statements of the Export Credit Insurance Corporation of South Africa SOC Ltd have been authorised for issue by the Board of directors on 31 July 2023.

1.4 Critical accounting judgements, estimates and assumptions

The preparation of the annual financial statements in conformity with IFRS requires management, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates. The most significant judgements, estimates and assumptions relate to:

- insurance contract assets and liabilities;
- fair value measurement of assets and liabilities;
- impairment of financial and non-financial assets;
- deferred tax;
- incremental borrowing rate for lease liability; and
- useful life and residual value of depreciable assets.

See note 2 for the details of the estimates, judgements and assumptions made.

1.5 Recognition and measurement of insurance contracts

Insurance contracts are those contracts under which the Corporation accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if the insured event adversely affects them. Such contracts may also transfer financial risk.

1.5.1 Gross written premiums

Gross written premiums comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are recognised in the period in which conditions to the policy are met. Premiums are disclosed gross of commission to intermediaries and exclude applicable taxes.

The earned portion of premiums written is recognised as revenue. Premiums are earned from the date of attachment of risk, over the period of the policy, based on the underlying risk underwritten.

1.5.2 Unearned premium provision

A provision for unearned premiums is created for that portion of premiums written in the current and past financial years which is attributable to subsequent years. The earned portion of premiums written is recognised as revenue, based on the exposure profile of risks underwritten. The provision is computed separately for each insurance contract.

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1.5.3 Unexpired risk provision

An unexpired risk provision is made for any deficiencies where the provision of unearned premiums is expected to be insufficient, on the current pricing basis, to meet expected claims and expenses of policies in force at the reporting date. The provision is computed separately for each insurance contract. In addition, a provision is made for the concentration risk within the insurance portfolio. This provision explicitly considers the concentration of both political and commercial risk and is determined through reference to a notionally well diversified benchmark portfolio.

1.5.4 Claims incurred

Claims incurred represents:

- Claims paid (net of applicable recoveries) during the year, including related expenses;
- Changes in provisions for claims reported but not settled at the financial year-end; and
- Changes in provisions for claims incurred prior to the financial year end but not yet reported.

A provision is made for the estimated cost of claims incurred but not settled at the financial year end less anticipated recoveries. Provision is also made for the expected cost, net of anticipated recoveries, of claims incurred at the financial year-end but not reported until after that date.

Claims outstanding are assessed on an individual contract basis, making allowance for the effect of internal and external events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Outstanding claims are not discounted.

While the directors consider that the gross provisions for claims are fairly stated on the basis of the information currently available to them, the actual liability will vary as a result of subsequent information and events which may result in significant adjustments to the amounts provided.

Claims and loss adjustment expenses are charged to the statement of comprehensive income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Corporation. Refer to note 2 for additional information.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material.

The methods used, and the estimates made, are reviewed annually by management and independent consultants.

1.5.5 Salvages

An asset for salvages receivable is recognised once recovery is probable. The asset is only recognised for the salvages receivable within the next twelve months, for amounts receivable beyond that period a contingent asset is disclosed as a claim in favour of the Corporation but not recognised in the statement of financial position. Otherwise, salvages are recognised only when received.

The probability of recovery is dependent on whether certain conditions are met per contract. These conditions differ based on the type of contract in place. The different contracts and their conditions are detailed below:

a) A sovereign contract is a contract in which the borrower is a government i.e. central government, central bank, municipalities, state owned entity or any government ministry.

Recovery is deemed probable when the following conditions are met:

- There is a signed salvage restructuring agreement; and
- At least two successive payments have been received by the Corporation in terms of the agreement.

b) A project finance contract is a contract where repayment of the covered loan is dependent on cash flows from the financed project structure.

Recovery is deemed probable when the following conditions have been met:

- There is a signed salvage restructuring agreement;
- The payment on the revised agreement is up to date;
- The operation generated positive cash flows for a continuous period of 12 months; and
- Performed at a minimum of 75 percent of the intended capacity.

Accounting Policies

c) A corporate finance contract is a contract where repayment of the covered loan amount is the responsibility of the sponsor of the transaction.

Recovery is deemed probable when the following conditions have been met:

- There is a signed salvage restructuring agreement;
- The payment on the revised agreement is up to date; and
- The loan covenants on the policy are met.

1.5.6 Liability adequacy test

The net liability recognised for insurance contracts is tested for adequacy by assessing the expected future cash flows over the remaining contractual term and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision for unexpired risk is made and the Corporation recognises the deficiency in the statement of comprehensive income in that year. Liability adequacy tests are performed at reporting date.

1.5.7 Solvency capital requirement

In terms of the Prudential Standard of Financial Soundness of Insurers, the Corporation is required to maintain sufficient capital to compensate for the different aspects of risk ranging from insurance risk to operational risk, as well as market risk and credit risk.

1.5.8 Insurance ceded to reinsurance counterparties

Ceded reinsurance arrangements do not relieve the Corporation from its obligations to policyholders.

Reinsurance assets relating to outstanding claims

The Corporation cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Corporation may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Corporation will receive from the reinsurer. The impairment loss is recorded in the statement of comprehensive income.

Reinsurance recoveries on claims paid

Reinsurance recoveries are recognised in the statement of comprehensive income as a reduction in claims paid when they are received in according to the terms of the relevant contract.

Commission / acquisition cost received from re-insurer

Commission received from the re-insurer on buying reinsurance is recognised in the statement of financial position and is amortised over the period of the re-insurance cover.

Reinsurance premiums

Gross outward reinsurance premiums are recognised in the statement of comprehensive income as a reduction in written premiums on the earlier of the date when premiums are payable or when the policy becomes effective.

The outward reinsurance premiums comprise the premiums on reinsurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are recognised in the period in which conditions to the policy are met.

Unearned reinsurance premiums (asset)

Unearned reinsurance premiums are those proportions of re-insurance premiums written in the current and past financial years which are attributable to subsequent years. The earned portion is recognised as a reduction in revenue, based on the exposure profile of risks underwritten. The asset is computed separately for each re-insurance contract.

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1.6 Foreign currency translation

Functional and presentation currency

The financial statements are presented in South African Rand, which is the presentation currency of the shareholder. The US Dollar is the functional currency for the Corporation, the functional currency being the currency of the primary economic environment in which the Corporation operates. The services offered by the Corporation are predominantly priced in US Dollars.

Reporting foreign currency transactions to functional currency

Foreign currency transactions are transactions that are denominated or require settlement in a foreign currency.

A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

- All foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of comprehensive income in the period in which they arise.

A monetary item is a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency including units of currency held. Non-monetary items are all other assets and liabilities where there is an absence of a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency.

Translation from functional to presentation currency

The annual financial statements are translated from the functional currency to the presentation currency using the average rate or spot rate at transaction date for statement of comprehensive income items and the closing rate for the statement of financial position items, comprising both monetary and non-monetary items.

Average rates are used for transactions where there are multiple transaction dates that are not easily identifiable and spot rates are used for transactions where the transaction date is easily identifiable.

The resulting exchange differences are recognised in other comprehensive income and accumulated separately in a foreign currency translation reserve, which is a separate component of equity. There are no tax implications on the foreign currency translation reserve as the Corporation is taxed on ZAR functional currency. The foreign currency translation reserve is reclassified from equity to profit and loss when the statement of financial position items is disposed.

Appropriateness of using average rates

Average rates are considered appropriate since there were no significant fluctuations for the greater part of the financial year.

1.7 Property, equipment and intangible assets

1.7.1 Property and equipment

At initial recognition equipment is measured at cost. The cost includes all expenditure that is directly attributable to the acquisition of an asset and to bringing it to a working condition for its intended use.

Subsequent to initial recognition equipment is measured at historical cost less accumulated depreciation and impairment losses. Subsequent expenditure relating to equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the statement of comprehensive income when incurred.

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Depreciation is calculated to write off the cost of the assets to residual values on a straight-line basis over their expected useful lives.

Equipment is depreciated over the following estimated useful lives:

Computer equipment	3 – 6 years
Furniture and fittings	5 – 9 years
Office equipment	5 – 9 years
Motor vehicles	9 years

Residual value:

Computer equipment	R 2 000

The equipment's residual values, estimated useful lives and depreciation methods are reviewed at each reporting date and adjusted if appropriate at each reporting date. The estimation of useful life and residual value for the assets is based on the experience of the Corporation with similar assets as well as the manner that reflects the benefits to be derived from those assets. The effects of any revision are recognised in the statement of comprehensive income when the changes arise.

The carrying amount of equipment is derecognised on disposal or where no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of equipment is included in the statement of comprehensive income when the item is derecognised. The gain or loss arising from the derecognition of an item of equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The proceeds received for indemnity payments on loss or damage of equipment are recognised in the statement of comprehensive income as other income when they are received.

1.7.2 Intangible assets

At initial recognition intangible assets are measured at cost.

Subsequent to initial recognition the intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated to write off the cost of the intangible assets to residual value on a straight-line basis over its expected useful lives.

Intangible assets are amortised over the following estimated useful lives:

Computer software and models	5 years

The intangible assets' residual values, estimated useful lives and amortisation methods are reviewed at each reporting date and adjusted if appropriate at each reporting date. The estimation of useful life and residual value for the assets is based on the experience of the Corporation with similar assets as well as the manner that reflects the benefits to be derived from those assets. The effects of any revision are recognised in the statement of comprehensive income when the changes arise.

The carrying amount of an intangible asset is derecognised on disposal or where no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of intangible is included in the statement of comprehensive income when the item is derecognised. The gain or loss arising from the derecognition of an item of intangible is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.7.3 Right of use assets

The right of use asset is measured at cost less accumulated depreciation and accumulated impairment losses. Cost is made up of the initial measurement of the lease liability, plus any initial direct costs incurred by the Corporation.

The Corporation depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the end of the lease term. The Corporation also assesses the right-of-use asset for impairment when such indicators exist.

Right of use assets are depreciated over the following periods:

Buildings:	5 years
Computer Equipment:	3 years

The carrying amount of leased assets is derecognised on termination of the lease agreement.

Accounting Policies

1.8 Lease liabilities and short-term leases

Identification of the lease

For any new contracts entered into, the Corporation considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration'.

To apply this definition the Corporation assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation;
- The Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Corporation has the right to direct the use of the identified asset throughout the period of use. The Corporation assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

a) Initial measurement of the right of use asset and lease liability

At lease commencement date, the Corporation recognises a right of use asset and a lease liability on the statement of financial position.

The lease liability is measured at the present value of the lease payments unpaid at that date, discounted using the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments.

b) Subsequent measurement of the right of use asset and lease liability

Subsequent to initial measurement, the liability will be reduced for payments made and increased for finance costs. The lease liability is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. The finance costs is recognized in the statement of comprehensive income.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or the statement of comprehensive income if the right-of-use asset is already reduced to zero.

Contracts which are exempt from IFRS 16 (those leases that have a lease term of 12 months or less and do not contain a purchase option and leases of assets that are considered to be of low value).

Leases of low value assets include small items and assets of a low value of less than R7 000.

For the short-term leases and leases of low value assets, lease payments on lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such a maintenance and insurance, are expensed as incurred.

1.9 Financial assets and liabilities

The Corporation recognises a financial asset or financial liability on its statement of financial position when, and only when it becomes a party to the contractual provisions of the instruments.

Financial assets

The Corporation classified its financial assets at fair value into the following categories: financial assets designated at fair value through profit and loss (FVTPL) and financial assets available for sale.

Financial assets designated at fair value through profit and loss

These assets are managed and their performance is evaluated on a fair value basis. Information about the financial assets is provided internally on a fair value basis. The Corporation's investment strategy is to invest in fixed or variable rate instruments such as bonds and equity, and to evaluate them with reference to their fair value. Assets included in this portfolio are designated on initial recognition.

Accounting Policies

Financial assets available for sale

These assets are investments made for strategic reasons.

Financial liabilities

The Corporation classified its financial liabilities into the following categories: Financial liabilities designated at fair value through profit or loss and financial liabilities at amortised cost.

Financial liabilities designated at fair value through profit or loss

The liability for interest make-up (IMU) is classified as financial liabilities at fair value through profit or loss.

Derivative instruments which form part of the investment portfolio for the Corporation are evaluated on a fair value basis.

The Corporation utilises derivatives to manage market risks arising from the investment portfolio. The efficient portfolio management is for the following objectives:

- Asset Allocation: To allocate funds effectively across different asset classes;
- Currency hedging :mitigate or eliminate the impact of multiple currency exposures;
- Interest rate hedging: To mitigate or eliminate the impact of different duration profiles; and
- Cost and operational efficiency: To access exposure to an instrument in a more cost and/or operationally efficient manner than a direct purchase.

Below are the types of derivative instruments which are utilised by the Corporation and the risk that is mitigated by each instrument:

Nature of derivative instrument		Risk mitigation
Futures	Interest rate futures	Protects the portfolio against interest rate movements.
Futures	Equity and index futures	Protects the portfolio against market movements.
Forwards	Forward exchange rate agreement	Protects the portfolio against currency exposure movements.
Credit derivatives	Total return swap	Protects the portfolio against Interest rate and credit spreads movements
Put Options	Bond options	Protects the portfolio underlining instrument against falling price.

Financial liabilities at amortised cost

These financial liabilities are made up of trade and other payable.

1.9.1 Initial measurement

Financial instruments are initially recognised at fair value, plus or minus, for financial instruments not at fair value through profit and loss, any directly attributable transaction costs.

Purchases and disposals of financial assets are recognised on trade date, the date on which the Corporation commits to purchase or sell the asset. Transaction costs for FVTPL are recognised in the statement of comprehensive income.

1.9.2 Subsequent measurement

Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss are subsequently carried at fair value.

The fair value of listed financial assets is calculated using stock exchange quoted bid prices at close of business on the reporting date.

Unrealised gains and losses arising from changes in fair value of financial assets during a reporting period are recognised in the statement of comprehensive income for that period.

Realised gains and losses is the difference between net sales proceeds and the original cost and are recorded on occurrence of the sale transaction.

Accounting Policies

Unlisted financial assets are shown at fair value, which is calculated by reference to expected future cash flows, discounted by applicable risk adjusted discount rates for similar instruments. If the fair value cannot be determined for unlisted investments, it is stated at cost less impairment. Debt securities are measured at fair value based on the market rate of an equivalent non-convertible bond.

Financial assets available for sale

Financial assets available for sale are subsequently carried at fair value.

Unrealised gains and losses arising from changes in fair value of financial assets during a reporting period are recognised in the other comprehensive income for that period.

Unlisted financial assets are shown at fair value, which is calculated by reference to expected future cash flows, discounted by applicable risk adjusted discount rates for similar instruments.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost using the effective interest method. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments (Short-term deposit) normally only qualify as cash equivalent if they have a short maturity of three months or less from the date of acquisition.

Trade and other payables

Trade and other payables are recognised when the Corporation has a present obligation arising from past events, the settlement of which is probable to result in an outflow of economic benefits.

Trade and other payables are stated at amortised cost using the effective interest method.

Liability for interest make-up

Liability for interest make-up (IMU) is measured at fair value which is determined on a discounted cash flow basis of all future IMU payments on existing agreements using a US Treasury Bills Yield Curve adjusted for credit default spread. The value is adjusted to avoid double counting for contracts for which IBNR claims reserves are already allowed for.

Derivative instruments

Derivative instruments are measured at fair value at each reporting date, any changes in fair value or gains/losses or losses on derecognition are recognised in the statement of comprehensive income in the period in which the change arises.

1.9.3 Gains and losses on subsequent measurement

Gains and losses arising from a change in fair value of financial instruments are included in the statement of comprehensive income in the period in which the change arises as part of net investment income. However, for instruments classified as available for sale, the gains and losses are recognised in other comprehensive income.

1.9.4 Interest and dividends

Dividends are recognised when the right to receive payment is established, meaning on the last day for registration in respect of listed securities and when declared in respect of unlisted securities. Dividend and interest accrued from financial assets designated at fair value through profit or loss are recognised in the statement of comprehensive income as part of investment income.

Interest on financial assets is accounted for using the effective interest method.

1.9.5 Derecognition

Financial assets are derecognised when the Corporation loses control over the contractual rights that comprise the asset and consequently transfers the substantive risks and benefits associated with the asset. This occurs when the rights are realised, expire or are surrendered.

A financial liability is derecognised when it is settled or waived.

Accounting Policies

1.9.6 Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Corporation has a legally enforceable right to set off the recognised amounts, and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.10 Trade and other receivables

Trade and other receivables consist of insurance receivables and non-insurance receivables (financial and non-financial):

(i) Insurance receivables are accounted for in terms of IFRS 4, less provision for impairment and are not discounted.

(ii) Non-insurance financial receivables are accounted for in terms of IAS 39 and are measured at amortised cost using the effective interest method, less provision for impairment; and

(iii) Non-insurance non-financial receivables are comprised of the VAT and prepaid expenses. The balance for prepaid expenses is reduced by the expense recognised in the statement of comprehensive income.

The Corporation considers notified disputes and collection experience to determine which receivables are impaired

1.11 Impairment

Financial assets

Financial assets other than those carried at fair value through profit and loss, are assessed for evidence of impairment at each reporting date. If any such evidence exists the carrying value is reduced to the estimated recoverable amount by means of a charge to the statement of comprehensive income. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. The impairment is recognised through an allowance account.

For other financial assets such as trade receivables, the Corporation considers notified disputes and collection experience to determine which receivables are impaired.

If, in a subsequent period, the amount of the impairment loss relating to a financial asset carried at amortised cost or a debt instrument carried as available-for-sale decreases due to an event occurring after the impairment was originally recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income. Impairments relating to financial assets in available-for-sale equity instruments are not reversed through the statement of comprehensive income.

Non-financial assets

The carrying amount of the Corporation's non-financial assets, other than deferred tax assets, is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The amount of the reversal is recognised through the statement of comprehensive income.

1.12 Provisions

A provision is recognised in the statement of financial position when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Accounting Policies

A provision is measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date.

1.13 Components of equity

Share capital and share premium

Shares are classified as equity when there is no obligation to transfer cash or other assets. All issued ordinary shares and share premium are classified as equity.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds.

Foreign currency translation reserve

The reserve comprises foreign currency translation differences arising from the translation of the financial statements from functional currency to presentation currency.

Fair value adjustments through other comprehensive income

The reserve comprises of fair value movements from revaluing financial assets available for sale net off the related deferred tax.

Retained earnings

Retained earnings includes all current and prior periods' retained profits

1.14 Taxation

Tax expenses

Taxation for the year on the statement of comprehensive income comprises of current tax, deferred tax and withholding tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity in which case the related taxation is also recognised in equity.

Taxable income used to calculate the tax expense is based on ZAR functional currency (See note 40).

Current tax assets and liabilities

Current tax is calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the reporting date, and any adjustment of tax payable for previous years. Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Interest received on excess tax payments made is recognised as other income in the statement of comprehensive income in the period when it is accrued from the South African Revenue Services as per the Statement of Account.

Deferred tax assets and liabilities

Deferred tax is recognised in full, using the balance sheet method, providing for temporary differences, except when the deferred tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates enacted or substantively enacted at the reporting date. Deferred tax is charged to the statement of comprehensive income except to the extent that it relates to a transaction that is recognised directly in equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised.

Accounting Policies

Value Added Tax

Transactions and assets are recognised net of the Value Added Tax amount where applicable. The net amount of Value Added Tax recoverable from, or payable to, South African Revenue Service is included as part of receivables or payable in the statement of financial position.

1.15 Employee benefits

Pension obligation

The Corporation uses a defined contribution pension plan. Under a defined contribution pension plan, the Corporation pays a fixed contribution into a separate entity. The Corporation has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

Leave pay

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability of this leave as a result of services rendered by employees up to the reporting date.

Performance bonus

Short-term incentives in the form of an annual cash bonus, is linked to achieving financial, strategic and operational objectives. Short-term incentives are discretionary and depend on business performance and individual contribution. The pool available for short-term incentives is determined by financial performance against previously set and agreed targets.

Employee entitlements to bonuses are recognised when they accrue to employees. A provision is made for the estimated liability of this bonus as a result of past performance by the employees up to the reporting date.

Salaries and other benefits

Salaries and other benefits e.g. connectivity cost, medical aid etc. are recognised as an expense in profit or loss during the reporting period in which the employee renders the related service.

1.16 Assessment fees

Assessment fees are recognised as income on approval of an application for cover by executive management. These are fees received for assessing applications for insurance cover.

1.17 IMU grant receipts

The Corporation took over **the dtic's** IMU obligations that arose from the IMU Scheme Support Agreements (see note 18).

The IMU Scheme is an incentive scheme that limit the interest rate charged to borrowers of export credit loans (borrowers). The Government (through the ECIC) compensates the Financial Institutions for the loss of income they would have received from the borrowers, had interest been levied at the usual rate.

The Corporation receives IMU grants from **the dtic** to assist in funding the IMU obligations towards the Financial Institutions (see the Statement of Cash Flows).

IMU Grant is recognised as income when received and all the conditions are met; otherwise recognised as a liability.

Accounting Policies

1.18 SED & ESD contributions

SED & ESD contributions encompasses projects that are external to the normal business activities of the Corporation and not directly for purposes of increasing profit. These projects have a strong developmental approach and utilise Corporation resources to benefit or uplift communities and are not primarily driven as marketing initiatives. The costs recognised as SED & ESD contributions are only those that form part of the mandatory allocated budget for SED & ESD programmes. Any other additional costs incurred on implementation of the SED & ESD programmes are recognised as operating expenses.

SED & ESD contributions are recognised as an expense when paid to the beneficiary.

1.19 Commission paid

Commission paid is charged by intermediaries on salvages actually received. Commission paid is recognised as an expense in the statement of comprehensive income on receipt of salvages during the period.

1.20 Other operating expenses

Other operating expenses are recognised in the statement of comprehensive income when they are actually incurred.

Operating expenses are aggregated on presentation in the statement of comprehensive income. Material operating expenditure line items are disclosed in the notes separately.

1.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is accounted for according to the nature of the expense. When confirmed, fruitless and wasteful expenditure is disclosed separately in the notes to the financial statements. The amount to be recorded in the note is equal to the value of the fruitless and wasteful expenditure incurred.

Measures are implemented to ensure that such expenditure does not re-occur and where possible the expenditure is recovered. Expenditure to be recovered is transferred to receivables for recovery. A receivable related to fruitless and wasteful expenditure is measured at the amount that is expected to be recovered and is de-recognised when the receivable is settled or subsequently written off as irrecoverable.

In instances where recovery is not possible, such fruitless and wasteful expenditure will be written-off and removed from the note on approval by the Accounting Authority.

Cases of a criminal nature are reported to the responsible authorities.

Any criminal or disciplinary steps taken as a consequence of fruitless and wasteful expenditure are also disclosed.

1.22 Irregular expenditure

Irregular expenditure is accounted for according to the nature of the expense. When confirmed, irregular expenditure must be disclosed separately in the notes to the financial statements. The amount of irregular expenditure incurred disclosed in the notes is equal to value of the transactions recognised in terms of IFRS in the statement of comprehensive income or statement of financial position.

Irregular expenditure is removed from the note when it is either (a) condoned by the relevant authority; (b) transferred to receivables for recovery. A receivable related to irregular expenditure is measured at the amount that is expected to be recovered and must be de-recognised when the receivable is settled or subsequently written off as irrecoverable.

In instances where recovery is not possible, such irregular expenditure will be written-off and removed from the note on approval by the Accounting Authority.

Cases of a criminal nature are reported to the responsible authorities. Any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure are also disclosed.

Accounting Policies

1.23 Contingent liabilities

Contingent liabilities are disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Corporation; or when there is a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources will be required to settle the obligation; or
- the amount of the obligation cannot be measured reliably.

1.24 Commitments

Commitments are disclosed when there is a contractual arrangement carrying over beyond the reporting date for material transactions and short-term leases.

1.25 Contingent assets

Contingent assets are disclosed when the Corporation has a possible asset, as a result of a past event, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation.

Contingent assets are only recognised as assets in the financial statements where the realisation of income is virtually certain. If the inflow of economic benefits is only probable, the contingent asset is disclosed as a claim in favour of the Corporation but not recognised in the statement of financial position.

1.26 Events after the reporting date

Recognised amounts in the financial statements are adjusted to reflect significant events arising after the reporting date, but before the financial statements are authorised for issue, provided there is evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are disclosed in the note to the financial statements.

1.27 Related parties

The following items are disclosed in the financial statements for each related party:

- the nature of the relationship;
- the amount of the transactions;
- the amount of outstanding balances, including terms and conditions and guarantees;
- provisions for doubtful debts related to the amount of outstanding balances; and
- expense recognised during the period in respect of bad or doubtful debts due from related parties.

For the directors, key management personnel and prescribed officers of the Corporation, compensation in total and for each of the following categories is disclosed:

- fees for services;
- basic salary;
- bonuses and performance related payments;
- sums paid directly to directors, key management personnel and prescribed officers of the Corporation by way of expense, salary or other allowance;
- contributions made to any pension fund, medical aid, insurance scheme, etc.;
- any commission, gain or profit sharing arrangements;
- any share options, including their strike price and period; and
- any other material benefits received (including financial assistance).

Notes to the Financial Statements

2. Critical accounting judgements, estimates and assumptions

Critical estimates and judgements in applying the accounting policies are described below:

(a) Insurance contract assets and liabilities

The Corporation's estimates for reported and unreported losses are continually reviewed and updated, and adjustments resulting from this review are reflected in the statement of comprehensive income. The process relies on the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events.

The underlying risks are highly variable due to unpredictable political and commercial factors and the heterogeneity of risks by country, size, term and sector.

In addition, although claim amounts are high, the number of contracts issued is low. Therefore standard statistical techniques, such as the chain ladder method, are inappropriate and estimates are made on a contract by contract basis.

The Corporation's process for determining significant reserving assumptions is outlined in note 10 and note 14.4.

– Unearned Premium Provision (UPP)

The UPP refers to the amount of premium booked that remains unearned at the reporting date. It is therefore intended to cover against future claims incurred and is dependent on the policy's earning pattern. To the extent that a contract's risk profile changes, the UPP might be insufficient to cover the future claims risk of the unexpired period. In this case, an additional reserve must be established in the form of the Unexpired Risk Provision (URP) to cover the shortfall in UPP.

The UPP calculation is calculated on a policy-by-policy level according to the risk profile of each policy.

While the risk of concentration manifests at a portfolio level, premium reserves would be the first port of call in mitigating such risk. If the premiums are insufficient to cover the total claims risk (i.e. including the risk stemming from concentration) the reserve shortfall should then be addressed through the URP.

The UPP for credit insurance is earned through the determination of earning curves for the credit insurance contracts such that these curves reflect the risk profile of the contracts in place at the reporting period.

The UPP for the investment guarantee policies is determined by applying the standard 365th's method, assuming the risk profile is uniform over the term of the contract.

Therefore, the extent to which the Concentration Risk Provision (CRP) can form part of the URP depends on the overall sufficiency of premiums. Furthermore, the Corporation cannot defer more premiums than it has actually written.

– Incurred But Not Reported (IBNR) claims provision

ECIC holds an IBNR for contracts where management, on the basis of information gathered during the monitoring process, believes that it is likely a claim has materialised even though it has not yet been reported.

Indicators that a claim will arise are often triggered by events such as:

- The occurrence or a high probability that a non-payment of a scheduled instalment under the insured contract (protracted default) would occur;
- The occurrence or a high probability that a political cause of loss (e.g. war, change in law sabotage, transfer restriction, inconvertibility) will occur; and
- The occurrence or a high probability that commercial causes of loss (e.g. insolvency or an act of insolvency) will occur. A rating scale is applied in assigning the probability of loss.

The loss given default (LGD) assumptions have been made for the different risk events covered by the Corporation. The IBNR is calculated by taking the sum at risk at the point in time multiplied by the likelihood factor and multiplied by the LGD.

Notes to the Financial Statements

(b) Salvages

Management considers the amount of salvages at reporting date. Each potential salvage is assessed individually and where the recognition criteria are met, an appropriate amount is recognised as receivable after careful consideration.

(c) Fair value measurement

– Liability for interest make-up

Interest make-up was an export incentive scheme. This allowed local banks and other financiers to offer buyers of South African export goods and services financing for projects at internationally competitive rates.

The fair value of the liability is determined on a discounted cash flow basis of all future IMU payments on existing agreements. The IMU payments extend out to 2029 and discounted to allow for time value of money using a US Treasury Bills Yield Curve adjusted to allow for credit default spread. To avoid double counting in anticipation of a default event, the IMU liability is adjusted to isolate the portion of IMU housed within the Incurred But Not Reported (IBNR) insurance reserve. This is done by recalculating the fair value of the IMU liability on the contracts which carry IBNR and applying the corresponding LGD and claim likelihood. This eliminates the exact portion of the IMU liability held within the insurance provisions. The projected IMU payments are determined by multiplying the IMU rate with the projected outstanding balance of the facility. The IMU rate is a function of the applicable liquidity premium, funding margin, earnings margin and the statutory costs.

The liability is not tax deductible as it is an existing liability which was taken over from **the dtic**. However, foreign exchange gains and losses arising from currency movement are taxable or deductible for taxation purposes.

– Financial assets with a fair value hierarchy of level 3

Financial assets available for sale

The fair value of the investment is determined on a discounted cash flow basis of expected future free cash flows to equity during the explicit forecast period and in perpetuity at a rate that reflects the risk inherent in the future cash flows.

The discount rate applied in determining the fair value is the cost of equity which is determined using the Capital Asset Pricing Model (CAPM).

The Corporation makes estimates and judgements when forecasting the expected future free cash flow and the discount rate.

When making estimates and judgments, management take into account the following:

- nature of the investee's business;
- historical and projected financial information;
- the global and regional economic outlook; and
- the global constraints and uncertainties casted by the impact of COVID-19 pandemic on international trade and overall economic activities in the short-to-medium term.

(d) Impairment of financial and non-financial assets

– Recoverability of trade and other receivables

The Corporation assesses its trade and other receivables for recoverability at the end of each reporting period. In determining whether a provision for doubtful debts should be recorded in the statement of comprehensive income, the Corporation makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The provision for doubtful debts is calculated on a project basis, based on indicators present at the reporting date. However, for future premiums the adjustment is made to unearned premium reserve.

– Impairment of non-financial assets

The process for determining the critical estimates, judgements and assumptions made has been disclosed in note 1.11.

Notes to the Financial Statements

(e) Deferred tax

The process for determining the critical estimates, judgements and assumptions made has been disclosed in note 1.14

(f) Useful life and residual values of depreciable assets

The process for determining the critical estimates, judgements and assumptions made has been disclosed in note 1.6.

(g) Lease liability

The incremental borrowing rate used to value lease contracts are derived from observed market prices for a proxy entity that has issued a debt security.

ECIC is a government owned entity with an implicit government guarantee, but if it were to borrow it would be at a spread above the risk free rate. The Development Bank of South Africa SOC Ltd is used as a proxy to determine the required spread, because it is a development finance institute wholly owned by the government of South Africa and it has issued a debt security with a modified duration close to the lease agreements of ECIC.

The weighted average duration of each lease contract is matched at the related term of the government risk free rates published by the reserve bank at commencement date of each contract. The spread, as at the commencement date of each contract, on a DBSA issued debt security is added to the risk free rate. The spread is determined using the DBSA issued debt security that matches the weighted average duration of the lease contract.

The assumptions made on determining the lease term have been disclosed in note 17.

3. Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below:

3.1 Nature of risk covered

The principal objective of the Corporation is to facilitate and encourage South African export trade by underwriting loans issued by financial institutions and financial assets outside the country, in order to enable foreign buyers to purchase goods and services from South Africa.

The Corporation thus enters into insurance contracts with and for the benefit of persons carrying out business in South Africa for purposes of outward trade and/or investments to other countries primarily for medium to long-term tenures.

Cover is provided on contracts for political risks, and where unavailable in the private sector, commercial risk. Two main types of policies available are:

- a contractor's policy, which protects the contractor against buyer default during the development phase, and
- a financier's policy, which protects the lender against buyer default during the loan repayment phase.

The majority of the Corporation's exposure is to financier policies.

In addition to the policies described above, the Corporation also provides investment guarantees to cover political risk on South African offshore financial assets. The insured amount equals the capital investment plus dividends to date.

Furthermore, political risk cover is provided to financiers who finance non-shareholders' loans to foreign entities.

Underwriting is complex and requires specialised staff. The same applies to claims assessors, where staff are not only required to process complex claims but are also involved in recovering losses from collateral securities and litigation.

The nature of claims and the longer tail nature of business make the calculation of provisions a critical element in the Corporation's financial reporting process.

The return to shareholders under this business arises from the total premiums charged to policyholders less the amounts paid to cover claims (net of recoveries) and the expenses incurred by the Corporation. There is scope for the Corporation to earn investment income owing to the time delay between the receipt of premiums and the payment of claims.

The event giving rise to a claim typically occurs with the insolvency, liquidation and protracted default of a buyer or a political event in a foreign country that gives rise to default payment. Claims are notified to the Corporation in terms of specific policy conditions.

Notes to the Financial Statements

Risk factors include:

- Country;
- Industry;
- Private company, government or parastatal;
- Length of repayment term;
- Source of financing the repayment;
- Guarantees provided; and
- Whether initial repayments have already been met.

4. Insurance risk management

The risk under any one insurance contract is the possibility that a policyholder suffers a loss due to the occurrence of an insured event to trigger a claim. By the very nature of an insurance contract, the amount and likelihood of the claim is uncertain.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Corporation faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insured events are uncertain and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Corporation has developed its insurance underwriting strategy to diversify the spread of insurance risk accepted to reduce the variability of the expected outcomes.

The Corporation manages its insurance risk through underwriting processes, approval procedures for transactions, pricing guidelines and monitoring of emerging issues including claims development. An explicit provision is held for the concentration of political and commercial risk in the ECIC portfolio.

Underwriting risk is the risk that actual claims experience varies from expected claims due to fluctuations in timing, frequency and severity of claims. This risk is managed primarily through sensible pricing, product design and risk selection. The Corporation therefore monitors and reacts to changes in the general economic and business environment in which it operates. An additional liability is recognised for contracts which are onerous and are recorded in the URP.

When there are indicators that claims might arise, an IBNR is raised for the expected claim amount. The legal unit would assess a claim once it has been lodged, and the Board approves the claim for settlement. The amount settled on a claim is limited to exposure of unpaid amounts as per the repayment schedule.

Risk relating to salvages is managed by engaging the client and entering into a restructuring agreement after the claim has been settled; other viable legal options are followed. The legal unit follows up on the signed agreements to ensure compliance.

Notes to the Financial Statements

4.1 Concentrations of insurance risk

The total country sum insured of the insurance portfolios is as follows:

	2023		2022	
	R'000	Country rating	R000	Country rating
Ghana	7 994 941	5	7 414 960	4
Iran	-	-	5 080 130	5
Mozambique	1 225 816	5	1 307 638	5
Zimbabwe	4 448 708	7	3 568 063	7
Malawi	425 623	5	337 046	5
Lesotho	288 192	5	974 977	5
Angola	532 699	5	-	-
Uganda	-	-	373 069	6
Zambia	46 193	5	60 561	5
Ethiopia	1 444 585	6	959 828	6
Tanzania	68 813	5	82 675	5
Swaziland	52 119	5	121 611	5
Democratic Republic of Congo	252 677	5	247 028	6
Nigeria	11 881	6	-	-
Republic of Congo Brazaville	59 465	6	48 304	6
South Africa*	117 000	4	117 000	4
Cote d' Ivoire	45 582	5	37 027	5
Botswana	17 506	3	29 260	3
	17 031 800		**20 759 177**	

* *South Africa country exposure results from ECIC providing insurance cover for a working capital facility which represents the first transaction under the ECIC extended mandate to cover short term debt.*

The Corporation uses an internal country rating method to assess country risks. The country rating method is benchmarked with that of other Export Credit Agencies, and where there is inadequate information, consultations are made with Department of International Relations and Cooperation (DIRCO) to ascertain the view on the political environment in countries where the Corporation carries, or plans to take risk.

Below are the country rating definitions:

1: **Highest credit quality.** "1" rating denotes the lowest expectation of credit risk. Its assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

2: **Very high credit quality.** "2" rating denotes a very low expectation of credit risk. It indicates very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

3: **High credit quality.** "3" rating denotes a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

4: **Good credit quality.** "4" rating indicates that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.

5: **Speculative.** "5" rating indicates that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met.

6: **Highly speculative.** "6" rating indicates that significant credit risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.

7: **High default risk.** "7" rating indicates that default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments.

Notes to the Financial Statements

The total sum insured of the insurance portfolio per sector and product type is as follows:

	2023 R'000	2022 R000
Sum insured per sector		
Accommodation & Catering	-	960 725
Cement Plant / (Manufacture of Cement)	216 439	175 817
Construction	4 228 535	2 615 439
Construction of Civil engineering structure	2 842 679	2 735 758
Gas Distribution (Pipeline Transport)	-	270 000
Mining	288 192	974 977
Power (Electricity)	7 396 517	6 408 041
Transportation (Water transport)	117 000	117 000
Transport & Storage (Air Transport & Services)	207 155	211 500
Transportation (Land Transport)	44 250	61 600
Telecommunication	1 653 769	6 201 188
Water collection, treatment & supply	37 264	27 132
	17 031 800	**20 759 177**
Sum insured by product type		
Credit insurance – short to long term	12 681 015	11 749 316
Credit insurance – short term	128 882	117 000
Investment guarantee	4 221 903	8 892 861
	17 031 800	**20 759 177**

4.2 Claims development

The Corporation takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The claims liability comprises a provision for claims notified but not yet paid, and a provision for claims incurred but not reported.

In terms of IFRS 4, an insurer need only disclose claims run-off information where uncertainty exists about the amount and timing of claims payments not resolved within one year. The Corporation has raised a provision for claims in the current year and made a payment relating to a provision raised in the previous year.

For more information pertaining to the sensitivity analysis and change in assumptions on the insurance liabilities refer to note 14.4.

The Corporation does not disclose the claims development information for claims for which uncertainty about the amount and timing of claims payments is typically resolved within one year. All of the Corporation's claims are typically paid within one year of notification.

Notes to the Financial Statements

5. Financial risk management

Financial risk management

The Corporation is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term, its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts.

The Corporation's risk management objective is to ensure that risk is managed prudently. The Corporation has established a risk management strategy. Appropriate risk limits have been set and approved by the Board of directors.

The Risk Committee is responsible for providing oversight over the effectiveness of the Corporation's risk management system.

Transactions in financial instruments result in the Corporation assuming financial risks. These include market risk, liquidity risk and credit risk. Each of these financial risks is described below, together with ways in which the Corporation manages these risks.

The categories and classes of assets and liabilities are disclosed in note 19.

5.1 Market risk

Market risk can be described as the risk of a change in the fair value of a financial instrument brought about by changes in interest rates, equity prices and foreign exchange rates. The objective of market risk management is to manage market risk exposures within acceptable parameters.

The Corporation would be exposed to market risk in instances where the proceeds from its financial assets are not sufficient to fund insurance obligations.

The Board has established the Finance, Investment and Insurance Committee to provide oversight over the Corporation's investment management activities. The investment policy statement sets out the investment strategy and investment guidelines that must be followed to ensure that the Corporate Strategy is achieved within its risk appetite.

The fair values of financial assets and liabilities with the carrying amounts in the statement of financial position are as follows:

	2023 R'000		2022 R'000	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value	7 633 095	7 633 095	4 578 311	4 578 311
Listed equities	1 411 669	1 411 669	918 780	918 780
Collective investment scheme	463 734	463 734	183 540	183 540
Money market	441 701	441 701	151 633	151 633
Unlisted equities	652 207	652 207	575 140	575 140
Bonds	4 663 784	4 663 784	2 749 218	2 749 218
Trade and other receivables	1 178 700	1 178 700	1 000 755	1 000 755
Cash and cash equivalents	2 355 461	2 355 461	4 487 620	4 487 620
Trade and other payables	(312 087)	(312 087)	(128 440)	(128 440)
Lease liability	(22 373)	(22 373)	(140)	(140)
Derivative instruments	(108 457)	(108 457)	-	-
Liability for interest make up	(516 072)	(516 072)	(564 706)	(564 706)
	10 208 267	**10 208 267**	**9 373 400**	**9 373 400**

Notes to the Financial Statements

5.1.1 Currency risk

Currency risk is the risk arising from fair value and /or changes in future cash flows of financial instruments fluctuating from their expected values as a result of changes in exchange rates. This arises from a mismatch between the currencies of assets and liabilities of the Corporation.

The Corporation is exposed to currency risk for transactions that are denominated in a currency other than the Corporation's functional currency of US Dollar which is due to the Corporation's revenues being denominated in US Dollar. To minimise the impact of currency risk, the Corporation matches the currency of liabilities with the currency of assets.

The Corporation is exposed to fluctuations in the balances or transactions that are denominated in Rand. This is due to the Corporation's functional currency being the US Dollar, though its operations are domiciled in South Africa.

The Corporation's exposure to Rand foreign currency risk at the reporting date was as follows:

	2023 R'000	2022 R'000
Cash and cash equivalents	236 466	180 677
Financial assets at fair value and derivative instruments	2 589 009	2 587 404
Trade and other receivables	5 940	4 800
Insurance contract liabilities	(17 684)	(5 463)
Lease liability	(22 373)	(140)
Trade and other payables	(40 537)	(46 582)
	2 750 821	**2 720 696**
The exchange rates used is sourced from South African Reserve Bank and the following were applied:		
US Dollar to SA Rand exchange rates:		
Closing rate	17,8139	14,4705
Average rate	16,9849	14,8540

A 10 percent depreciation or appreciation in the Rand against the US Dollar at the reporting date would have increased or decreased equity and profit or loss by amounts reflected below. The analysis assumes all other variables stay the same.

	Profit/(loss) after tax		Equity	
	10% depreciation R'000	10% appreciation R'000	10% depreciation R'000	10% appreciation R'000
2023	**(231 533)**	**288 321**	**367 432**	**(367 432)**
2022	(247 856)	305 528	390 713	(390 713)

5.1.2 Interest rate risk

Interest rate risk is the risk arising from fair value and/or future cash flows of a financial instruments fluctuating from their expected values as a result of changes in market interest rates.

The Corporation has exposure to fixed-rate financial assets whose value is impacted by changes in interest rates. The Corporation's insurance liabilities and reinsurance assets are also impacted by changes in the interest rates because it provides insurance cover for loan agreements whose values are also impacted by changes in interest rates. The Finance, Investment and Insurance Committee continuously monitor this risk and advises the Board where a change in investment strategy is warranted. The Corporation's fixed interest rate portfolio is managed by external fund managers who are continuously monitored.

Notes to the Financial Statements

The sensitivity analysis for interest rates illustrates how changes in the interest rates will impact on the fair values of assets and liabilities. The US interest rates have been used for this sensitivity as Corporation's assets and liabilities are predominantly in US dollars.

A change of 100 basis points in the interest rate at the reporting date would have increased or decreased equity and profit or loss after tax by amounts reflected below, the analysis assumes that all other variables remained the same.

	Profit/(loss) after tax		Equity	
	100 BP increase R'000	100 BP decrease R'000	100 BP increase R'000	100 BP decrease R'000
2023	**(122 205)**	**121 783**	**(122 205)**	**121 783**
2022	(52 536)	51 037	(52 536)	51 037

5.1.3 Market (or equity) price risk

Market price risk is the risk that actual fair values of equities may fluctuate from expected values as a result of changes in market prices. The Corporation's exposure to equities is capped and defined in the investment policy. The Corporation's exposure to equities is set at a maximum level of investment assets. The Finance, Investment and Insurance Committee actively monitors the equity investment portfolio to ensure that there is no breach of the set parameters. The Committee contracts the services of fund managers to manage the equity investment portfolio.

Financial liabilities are not impacted by changes in the market or equity price.

The table below reflects the Corporation exposures to equity risk.

	2023 R'000	2022 R'000
Industrials	108 045	23 973
Financials	802 093	726 628
Health	163 745	4 884
Technology	252 709	-
Consumer Staples	39 948	53 758
Materials	109 003	353 749
Collective Investment Scheme	463 734	183 540
Energy	45 922	16 267
Real estate	118 693	90 152
Utilities	222	269
Consumer Discretionary	281 381	189 905
Communication services	142 116	34 335
	2 527 611	**1 677 460**

The total equity exposure is made up of listed equities, unlisted equities and collective investment scheme listed in note 9.

A 5 percent increase or decrease in equity values at the reporting date would increase or decrease equity and profit or loss after tax by amounts as reflected below.

	Profit/(loss) after tax		Equity	
	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000
2023	**72 922**	**(72 922)**	**98 488**	**(98 488)**
2022	34 675	(34 675)	57 220	(57 220)

Notes to the Financial Statements

5.2 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation is exposed to daily cash requirements to meet operational expenses as well as claims as they fall due.

The Corporation has established an operational cash task team which meets on a weekly basis to review weekly and rolling monthly cash forecasts. The task team is mandated to ensure that funds which are intended to meet operational expenses are made available when required.

The Corporation's investment strategy is set to be cognisant of the term of financial liabilities and assets. Operational cash task team monitors adherence to liquidity requirements.

The liquidity profile of all financial assets and liabilities is reflected below:

2023	Within 1 year R'000	1 to 5 years R'000	Greater than 5 years R'000	Total R'000
Financial assets				
Financial assets at fair value	2 904 491	2 573 784	2 154 820	7 633 095
Trade and other receivables	522 093	553 473	103 134	1 178 700
Cash and cash equivalents	2 355 461	-	-	2 355 461
Reinsurance contract assets	147 099	3 953	514	151 566
	5 929 144	**3 131 210**	**2 258 468**	**11 318 822**
Financial liabilities				
Trade and other payables	311 239	848	-	312 087
Derivative instruments	108 457	-	-	108 457
Insurance contract liabilities	1 985 445	776 398	1 201 414	3 963 257
Lease liability	5 009	22 614	-	27 623
Liability for interest make up	152 312	378 360	140 838	671 510
Deferred acquisition cost	337	608	79	1 024
	2 562 799	**1 178 828**	**1 342 331**	**5 083 958**

2022	Within 1 year R'000	1 to 5 years R'000	Greater than 5 years R'000	Total R'000
Financial assets				
Financial assets at fair value	1 857 915	1 161 219	1 559 177	4 578 311
Trade and other receivables	298 948	545 242	156 565	1 000 755
Cash and cash equivalents	4 487 620	-	-	4 487 620
Reinsurance contract assets	2 317	4 470	910	7 697
	6 646 800	**1 710 931**	**1 716 652**	**10 074 383**
Financial liabilities				
Trade and other payables	127 555	787	98	128 440
Insurance contract liabilities	1 089 205	711 120	966 846	2 767 171
Lease liability	145	-	-	145
Liability for interest make up	136 679	426 344	110 399	673 422
Deferred acquisition cost	357	688	140	1 185
	1 353 941	**1 138 939**	**1 077 483**	**3 570 363**

Notes to the Financial Statements

5.3 Credit risk

Credit risk is the risk of financial loss resulting from a counterparty or customer's failure to meet its contractual obligations. The Corporation is exposed on the following levels:

- Amounts due from insurance policyholders and other trade debtors;
- Salvages receivable;
- Re-insurance contract assets; and
- Financial assets and cash and cash equivalents.

The Corporation limits the levels of credit risk that it accepts by placing limits on its exposure to a single counterparty or group of counterparties.

Exposures to third parties are monitored as part of the credit control process which takes into account among other things sector limits, counterparty limits and country limits. Reputable financial institutions are used for investing and cash handling purposes. The Corporation only contracts with re-insurers with the minimum rating of A- or above. All money market instruments and cash and cash equivalents are placed with institutions that have long term credit ratings.

Financial assets placed with fund managers are governed by investment mandates which provide for counterparty limits, counterparty type, concentration limits and investment grade. The carrying amount of assets included on the statement of financial position represents the maximum credit exposure.

Accounts receivable

The Corporation's insurance debtors are limited to parties with a valid insurance policy. These are followed up on a regular basis. Another component of accounts receivable relates to assessment fees which are only charged to policies which have been assessed to avoid high volumes of bad debts. Impairment allowance is raised only after an assessment of each individual balance.

Financial assets and cash and cash equivalents

Where possible, the Corporation has defined minimum acceptable counterparty credit ratings on financial assets being managed by fund managers. The Finance, Investment and Insurance Committee also fulfils an oversight role in ensuring adherence to defined credit ratings.

5.3.1 Credit rating

The following table provides information on the credit quality of the Corporation's financial and insurance assets.

2023	AAA- A+ R'000	A- BBB+ R'000	BBB and lower R'000	Not Rated R'000	Total R'000
Financial assets at fair value and derivative instruments	4 033 803	616 556	918 229	1 956 050	7 524 638
Trade and other receivables	-	-	-	1 178 700	1 178 700
Cash and cash equivalents	2 355 461	-	-	-	2 355 461
Reinsurance contract assets	144 911	-	-	-	144 911
	6 534 175	**616 556**	**918 229**	**3 134 750**	**11 203 710**

2022	AAA- A+ R'000	A- BBB+ R'000	BBB and lower R'000	Not Rated R'000	Total R'000
Financial assets at fair value	2 664 324	731 784	-	1 182 203	4 578 311
Trade and other receivables	-	-	-	1 000 755	1 000 755
Cash and cash equivalents	4 481 620	6 000	-	-	4 487 620
	7 145 944	**737 784**	**-**	**2 182 958**	**10 066 686**

A National rating was applied to all South African investments, while a National equivalent of the International ratings were applied to all foreign investments.

Notes to the Financial Statements

5.3.2 Financial and insurance assets that are neither past due nor impaired

The analysis for financial instruments that are neither past due nor impaired and/or individually impaired at the reporting date was as follows:

2023	Neither past due nor impaired R'000	Past due but not impaired R'000	Individually impaired R'000	Provision for doubtful debt R'000	Net carrying amount R'000
Trade and other receivables	1 183 093	1 108	376	(376)	1 184 201

2022	Neither past due nor impaired R'000	Past due but not impaired R'000	Individually impaired R'000	Provision for doubtful debt R'000	Net carrying amount R'000
Trade and other receivables	1 003 747	3 272	376	(376)	1 007 019

5.3.3 Age analysis of trade and other receivables and premium debtors that are past due but not impaired

2023	<30 days R'000	31- 90 R'000	91-120 R'000	Greater than 120 R'000	Total R'000
Trade and other receivables	1 086	7	4	11	1 108

2022	<30 days R'000	31- 90 R'000	91-120 R'000	Greater than 120 R'000	Total R'000
Trade and other receivables	3 270	-	-	2	3 272

5.3.4 Reconciliation of the provision for doubtful debt

2023	Opening balance R'000	Additions R'000	Recovered/ reversed R'000	Write-off R'000	Closing balance R'000
Provision for doubtful debt	(376)	-	-	-	(376)

2022	Opening balance R'000	Additions R'000	Recovered/ reversed R'000	Write-off R'000	Closing balance R'000
Provision for doubtful debt	(217)	(310)	135	16	(376)

5.4 Regulatory solvency management

The Corporation recognises share premium, retained earnings and other reserves as capital. For internal management purposes, the Corporation refers to the statutory solvency requirements as prescribed by the Prudential Authority (PA). Refer to solvency ratio in note 35.

The Corporation submits quarterly and annual returns to the PA in terms of the Insurance Act, 2017 (the Act). The Corporation is required to maintain, at all times, sufficient eligible own funds as defined in the Act. The returns submitted by the Corporation to the regulator showed that the Corporation met the minimum capital requirements throughout the year.

Notes to the Financial Statements

6. Intangible assets

	2023 Cost R'000	2023 Accumulated amortisation R'000	2023 Carrying value R'000	2022 Cost R'000	2022 Accumulated amortisation R'000	2022 Carrying value R'000
Computer software and models	-	-	-	5 479	(5 194)	285

Reconciliation of intangible assets – 2023

	Opening balance R'000	Derecognised R'000	Translation effect R'000	Closing balance R'000
Computer software and models	285	(252)	(33)	-

Reconciliation of intangible assets – 2022

	Opening balance R'000	Amortisation R'000	Translation effect R'000	Closing balance R'000
Computer software and models	1 117	(691)	(141)	285

Pledged as security

None of the intangible assets are pledged as security for liabilities.

The computer software was derecognised in the current financial year as the Corporation does not have control over the resources as these are hosted on cloud.

7. Property and equipment

	2023 Cost R'000	2023 Accumulated depreciation R'000	2023 Carrying value R'000	2022 Cost R'000	2022 Accumulated depreciation R'000	2022 Carrying value R'000
Owned assets						
Furniture and fittings	11 027	(10 829)	198	8 957	(8 631)	326
Motor vehicles	235	(235)	-	191	(191)	-
Office equipment	2 992	(2 567)	425	2 325	(1 956)	369
Computer equipment	7 652	(4 840)	2 812	4 879	(3 023)	1 856
	21 906	**(18 471)**	**3 435**	**16 352**	**(13 801)**	**2 551**
Leased assets						
Building	24 727	(1 843)	22 884	-	-	-
Computer equipment	-	-	-	454	(327)	127
	24 727	**(1 843)**	**22 884**	**454**	**(327)**	**127**
Total	**46 633**	**(20 314)**	**26 319**	**16 806**	**(14 128)**	**2 678**

Notes to the Financial Statements

Reconciliation of property and equipment – 2023

	Opening balance R'000	Additions R'000	Write-off R'000	Disposals R'000	Depreciation R'000	Translation effect R'000	Closing balance R'000
Owned assets							
Furniture and fittings	326	-	-	-	(121)	(7)	198
Office equipment	369	121	-	-	(95)	30	425
Computer equipment	1 856	1 620	-	-	(932)	268	2 812
	2 551	**1 741**	**-**	**-**	**(1 148)**	**291**	**3 435**
Leased assets							
Building	-	24 003	-	-	(1 789)	670	22 884
Computer equipment	127	-	-	-	(130)	3	-
	127	**24 003**	**-**	**-**	**(1 919)**	**673**	**22 884**
	2 678	**25 744**	**-**	**-**	**(3 067)**	**964**	**26 319**

Reconciliation of property and equipment – 2022

	Opening balance R'000	Additions R'000	Write-off R'000	Disposals R'000	Depreciation R'000	Translation effect R'000	Closing balance R'000
Owned assets							
Furniture and fittings	770	-	-	-	(311)	(133)	326
Office equipment	869	-	(190)	-	(134)	(176)	369
Computer equipment	1 586	1 072	(27)	(26)	(606)	(143)	1 856
	3 225	**1 072**	**(217)**	**(26)**	**(1 051)**	**(452)**	**2 551**
Leased assets							
Building	2 734	-	-	-	(2 805)	71	-
Computer equipment	303	-	-	-	(172)	(4)	127
	3 037	**-**	**-**	**-**	**(2 977)**	**67**	**127**
	6 262	**1 072**	**(217)**	**(26)**	**(4 028)**	**(385)**	**2 678**

The lease contract for the printers (computer equipment) came to an end during the current financial year, the leased assets have since been derecognised on expiry of these lease contracts.

Property and equipment encumbered as security

None of the property and equipment is pledged as security for liabilities.

Notes to the Financial Statements

8. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

	2023 R'000	2022 R'000
Deferred tax asset/(liability)	110 679	50 755
Reconciliation of deferred tax asset/(liability)		
Deferred tax through the statement of comprehensive income		
Provisions	8 080	7 763
Fair value loss/(gain) on financial assets	11 248	(736)
Unrealised foreign exchange gain on equities	(36 627)	(7 924)
Payments received in advance	82	82
Prepayments	(335)	(497)
Property and equipment and intangible assets	(6 183)	(189)
Unused tax losses	109 130	44 667
Lease liability	5 639	-
	91 034	**43 166**
Deferred tax through other comprehensive income		
Fair value on financial assets through other comprehensive income	19 645	7 589
	110 679	**50 755**

Reconciliation of deferred tax asset/(liability) – 2023

	Opening balance R'000	Recognised in profit or loss R'000	Recognised in other comprehensive income R'000	Rate change adjustment recognised in profit or loss R'000	Rate change adjustment recognised in other comprehensive income R'000	Closing balance R'000
Assets						
Property and equipment and intangible assets	(189)	(5 994)	-	-	-	(6 183)
Financial assets at fair value through profit or loss	(736)	11 984	-	-	-	11 248
Financial assets available for sale	(335)	(28 704)	12 057	-	-	(16 982)
Prepayments	(497)	162	-	-	-	(335)
Unused tax losses	44 667	64 463	-	-	-	109 130
Liabilities						
Provisions	7 763	317	-	-	-	8 080
Payments received in advance	82	-	-	-	-	82
Lease liability	-	5 639	-	-	-	5 639
	50 755	**47 867**	**12 057**	**-**	**-**	**110 679**

Notes to the Financial Statements

Reconciliation of deferred tax asset/(liability) – 2022

	Opening balance R'000	Recognised in profit or loss R'000	Recognised in other comprehensive income R'000	Rate change adjustment recognised in profit or loss R'000	Rate change adjustment recognised in other comprehensive income R'000	Closing balance R'000
Assets						
Property and equipment	263	(459)	-	7	-	(189)
Financial assets at fair value through profit or loss	(7 892)	7 129	-	27	-	(736)
Financial assets available for sale	(2 815)	3 243	(775)	293	(281)	(335)
Prepayments	(437)	(79)	-	19	-	(497)
Unused tax losses	-	46 321	-	(1 654)	-	44 667
Liabilities						
Provisions	6 891	1 159	-	(287)	-	7 763
Payments received in advance	152	(67)	-	(3)	-	82
	(3 838)	**57 247**	**(775)**	**(1 598)**	**(281)**	**50 755**

Recognition of deferred tax asset

A deferred tax asset of R64 million (2022: R45 million) has been recognised for the tax losses reported in the current financial year of R239 million (2022: R165 million) as a result of the IBNR raised. In the previous years, the Corporation generated taxable profits and is expected to generate taxable profits from the 2024 financial year onwards. The deferred tax asset is expected to be utilised within the 2025 financial year. This is demonstrated in the Corporation's strategic plan for 2023/24 to 2027/28 financial years.

Use and sales rate

The deferred tax rate applied to the fair value adjustments of investments is determined by the expected manner of recovery which is through sale at the capital gain inclusion rate of 80% of the applicable tax rate of 27%. For other assets, the expected manner of recovery is through indefinite use and the normal tax rate of 27% is applied.

Notes to the Financial Statements

9. Financial assets and liabilities at fair value

	2023 R'000	2022 R'000
Through profit or loss:		
Financial assets		
Bonds	4 663 784	2 749 218
Listed equities	1 411 669	918 780
Money market	441 701	151 633
Collective investment scheme	463 734	183 540
	6 980 888	**4 003 171**
Available for sale		
Unlisted equities*	652 207	575 140
Total financial assets	**7 633 095**	**4 578 311**

**Investment in the Afreximbank.*

ECIC does not have the power to participate nor have control over the financial and operating policy decisions of its investees.

Financial liabilities		
Derivative instruments	**(108 457)**	-

Below is the breakdown for derivative instruments:

	2023 R'000	2022 R'000
Bond options	4	-
Equity and index futures	-	-
Forward exchange rate agreement	(108 461)	-
Interest rate futures	-	-
Total return swap	-	-
	(108 457)	**-**

Notes to the Financial Statements

Maturity profile of financial assets and liabilities

2023	Within 1 year R'000	1 to 5 years R'000	Greater than 5 years R'000	Total R'000
Financial assets				
Bonds	587 387	2 573 784	1 502 613	4 663 784
Listed equities	1 411 669	-	-	1 411 669
Money market	441 701	-	-	441 701
Collective investment scheme	463 734	-	-	463 734
Unlisted equities	-	-	652 207	652 207
	2 904 491	**2 573 784**	**2 154 820**	**7 633 095**
Financial liabilities				
Derivative instruments	(108 457)	-	-	(108 457)
	2 796 034	**2 573 784**	**2 154 820**	**7 524 638**

2022	Within 1 year R'000	1 to 5 years R'000	Greater than 5 years R'000	Total R'000
Financial assets				
Bonds	603 962	1 161 219	984 037	2 749 218
Listed equities	918 780	-	-	918 780
Money market	151 633	-	-	151 633
Collective investment scheme	183 540	-	-	183 540
Unlisted equities	-	-	575 140	575 140
	1 857 915	**1 161 219**	**1 559 177**	**4 578 311**

Fair-value hierarchy of financial assets and liabilities at fair value through profit or loss

	2023 R'000	2022 R'000
Level 1		
Listed equities	1 411 669	918 780
Bonds	4 657 638	2 716 432
Money market	258 584	-
Collective investment scheme	276 308	-
Derivative instruments	4	-
	6 604 203	**3 635 212**
Level 2		
Bonds	6 146	32 786
Money market	183 117	151 633
Collective investment scheme	187 426	183 540
Derivative instruments	(108 461)	-
	268 228	**367 959**
	6 872 431	**4 003 171**

Notes to the Financial Statements

Included in the level 1 category are financial assets that are measured in whole by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arms-length basis. The prices for these instruments are sourced from:

- South African listed equities, bonds, property – Johannesburg Stock Exchange;
- Global listed equities and bonds – Bloomberg and MSCI indices;
- Money market – Bloomberg;
- Collective investment scheme – Bloomberg and the Exchanges; and
- Derivative instruments – SAFEX;

Included in the level 2 category are financial assets measured using valuation techniques based on assumptions supported by prices from an observable current market transaction. However, these prices are not determined in an active market. Inputs used in the valuation techniques include quoted market prices, interest rates, observable yield curves and credit spreads. Below are the valuation techniques and inputs used for level 2 instruments:

- Bonds and Money market – discounted cashflow and spreads;
- Collective investment scheme – net assets value; and
- Derivative instruments – valued using mean quote for traded equivalent contract.

Reconciliation of financial assets and liabilities at fair-value through profit or loss

2023	Opening balance R'000	Interest and dividends net of management fees and other costs R'000	Total loss in statement of comprehensive income R'000	Net purchases R'000	Foreign exchange gain and currency translation R'000	Closing balance R'000
Financial assets and liabilities	**4 003 171**	**464 629**	**(215 462)**	**1 282 941**	**1 337 152**	**6 872 431**

2022	Opening balance R'000	Interest and dividends net of management fees and other costs R'000	Total gain in statement of comprehensive income R'000	Net sales R'000	Foreign exchange gain and currency translation R'000	Closing balance R'000
Financial assets	3 717 007	169 944	95 513	(44 428)	65 135	4 003 171

Fair-value hierarchy of financial assets available for sale

	2023 R'000	2022 R'000
Level 3		
Unlisted equities	652 207	575 140

Included in level 3 are financial assets whose fair value is determined using valuation techniques based on assumptions neither supported by prices from observable current market transactions in the same instrument nor based on available market data.

The instruments classified in this level were valued by discounting future cash flows from the instruments.

The following is the qualitative information about the significant unobservable inputs and their relationship to fair value, used in level 3 fair value measurements:

Notes to the Financial Statements

2023	Total value R'000	Change %
Reported value	652 207	
Mid point discount rate of 19,11% – higher by 1%	614 285	(5,81)
Mid point discount rate of 19,11% – lower by 1%	695 491	6,64
Terminal Growth rate of 3,93% – higher by 0,5%	665 671	2,06
Terminal Growth rate of 3,93% – lower by 0,5%	639 601	(1,93)
Minority discount of 15,5% – higher by 1%	642 754	(1,45)
Minority discount of 15,5% – lower by 1%	661 659	1,45
Marketability discount of 15,5% – higher by 1%	642 754	(1,45)
Marketability discount of 15,5% – lower by 1%	661 659	1,45

2022	Total value R'000	Change %
Reported value	575 140	
Mid point discount rate of 11,57% – higher by 1%	496 414	(13,69)
Mid point discount rate of 11,57% – lower by 1%	676 613	17,64
Terminal Growth rate of 3,52% – higher by 0,5%	612 856	6,56
Terminal Growth rate of 3,52% – lower by 0,5%	541 838	(5,79)
Minority discount of 15,5% – higher by 1%	566 805	(1,45)
Minority discount of 15,5% – lower by 1%	583 475	1,45
Marketability discount of 15,5% – higher by 1%	566 805	(1,45)
Marketability discount of 15,5% – lower by 1%	583 475	1,45

Valuation process

The Income approach was used as a primary valuation approach to determine the fair value of the instrument. To test the reasonability of the value derived using the income approach; market approach using the listed price of the comparable shares and net asset value were used.

Reconciliation of financial assets available for sale

2023	Opening balance R'000	Dividend income R'000	Total loss in statement of other comprehensive income R'000	Dividends received R'000	Foreign exchange gain and currency translation R'000	Closing balance R'000
Financial assets	575 140	24 522	(55 819)	(24 522)	132 886	652 207

2022	Opening balance R'000	Dividend income R'000	Total profit in statement of other comprehensive income R'000	Dividends receivable R'000	Foreign exchange loss and currency translation R'000	Closing balance R'000
Financial assets	586 158	19 150	3 458	(19 150)	(14 476)	575 140

10. Reinsurance contract assets

The Corporation entered into a reinsurance agreement, the reinsurance contract assets relate to the provision for unearned premiums for the reinsurance and provision for claims reserve. The liability for the provision for claims reserve was raised for the project that is reinsured ensuing the default on debt; this then resulted into the Corporation also raising an asset for the provision for claim reserve.

Notes to the Financial Statements

10.1 Provision for reinsurance unearned premiums

	2023 R'000	2022 R'000
Balance at beginning of year	7 697	10 700
Amount transferred to the statement of comprehensive income	(2 642)	(2 778)
Foreign currency translation gain/(loss)	1 600	(225)
Balance at end of year	**6 655**	**7 697**

Maturity profile

	Within 1 year R'000	1 to 5 years R'000	Greater than 5 years R'000	Total R'000
2023	2 189	3 953	513	6 655
2022	2 317	4 470	910	7 697

10.2 Provision for reinsurance claims reserves

	2023 R'000	2022 R'000
Balance at beginning of year	-	-
Outstanding claims reserve	-	-
Incurred but not reported claims reserve	-	-
Amount transferred from the statement of comprehensive income	148 706	-
New claims incurred	148 706	-
Outstanding claims reserve	-	-
Incurred but not reported claims reserve	148 706	-
Foreign currency translation (loss) /gain	(3 796)	-
Outstanding claims reserve	-	-
Incurred but not reported claims reserve	(3 796)	-
Balance at end of the year	144 911	-
Outstanding claims reserve	-	-
Incurred but not reported claims reserve	144 911	-

Maturity profile

	Within 1 year R'000	1 to 5 years R'000	Greater than 5 years R'000	Total R'000
2023	144 911			144 911
2022	-			-

The movement reflected in note 28 is comprised of new claims incurred and the unearned premium amount transferred to the statement of comprehensive income.

Notes to the Financial Statements

Assumptions, change in assumptions and sensitivity

The methods and assumptions that have the greatest effect on the measurement of reinsurance contracts provisions are:

The reinsurance unearned premium provision reflects the risk profile of the contract and is a function of the amount at risk and the probability of default. The probability of default is dependent on the country risk rating, project risk rating and the unexpired period.

Claim provisions are not discounted for the time value of money. The cost of claims incurred but not yet reported is individually assessed for each contract. The probability of default is estimated by experienced underwriters using systematic processes taking into account updated information on specific country and project risk.

Change in assumptions

The assumptions and methodologies used in the calculation of the reinsurance technical provision are reviewed at the reporting date and the impact of any resulting changes in estimates is reflected in the statement of comprehensive income as they occur.

Sensitivity analysis

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Corporation's estimates. The table presented below demonstrates the sensitivity of reinsurance contract asset estimates to particular movements in assumptions used in the estimation process.

2023	Total value R'000	Change %
Reported value	151 566	
Depreciation of USD/ZAR exchange rate by 10%	166 723	10,0
Appreciation of USD/ZAR exchange rate by 10%	136 409	(10,0)
Increase in implied Probability of Default by adjusting the country rating	151 566	-
IBNR “Upwards” stress discount rate by 100bps	138 624	(8,5)
IBNR "Downwards” stress discount rate by 100bps	140 958	(7,0)

2022	Total value R'000	Change %
Reported value	7 697	
Depreciation of USD/ZAR exchange rate by 10%	8 466	10,0
Appreciation of USD/ZAR exchange rate by 10%	6 927	(10,0)
Increase in implied Probability of Default by adjusting the country rating	7 703	0,1

Notes to the Financial Statements

11. Trade and other receivables

	2023 R'000	2022 R'000
Insurance receivables		
Premium receivables	863 773	876 099
Salvages receivables	80 234	68 585
Trade receivables due from related parties	17 815	23 066
	961 822	**967 750**
Non-Insurance receivables		
Unsettled investments trades and accrued income	216 604	32 926
Other receivables (mainly prepayments, sundry debtors, staff and travel cost recoveries receivables)	5 775	6 343
	222 379	**39 269**
	1 184 201	**1 007 019**

The outstanding balance for insurance receivables is not considered to be at risk due to COVID-19 or Russian/Ukraine conflict as a result no provision for doubtful debts was raised. In an event of a claim, all outstanding premiums will be deducted from the claim amount.

The movement in the trade and other receivables presented in note 28 excludes the derecognition of the premium receivable (refer to note 14 for the detailed disclosure), unsettled investment trades, foreign exchange movements and translation effect on the trade and other receivables balance. The total of these exclusions is R423 million (2022: R419 million).

12. Cash and cash equivalents

	2023 R'000	2022 R'000
Cash at bank and on hand	407 644	166 075
Short term deposits	1 947 817	4 321 545
	2 355 461	**4 487 620**

The aggregate interest rate on cash at bank and on hand at the reporting date was 2.076% (2022: 0.185%). Included in the short term deposits is foreign currency surplus funds of R1.9 billion (2022: R4.2 billion) invested in fixed deposits with the financial institutions.

Notes to the Financial Statements

13. Share capital and share premium

	2023 R'000	2022 R'000
Authorised		
10 000 000 ordinary shares of R1 each	10 000	10 000
Issued		
100 ordinary shares at R1 each	-	-
Share premium (100 ordinary shares issued at a premium of R3 160 504 each)	316 051	316 051
	316 051	**316 051**

The unissued shares are under the control of the directors until the forthcoming Annual General Meeting.

14. Insurance contract liabilities

14.1 Provision for unearned premiums

	2023 R'000	2022 R'000
Balance at beginning of year	1 539 070	2 428 106
Amount transferred to the statement of comprehensive income	(277 237)	(401 748)
Premium cancellation	(10 239)	(423 384)
Foreign exchange gain	(448)	(283)
Foreign currency translation loss/(gain)	332 841	(63 621)
Balance at end of year	**1 583 987**	**1 539 070**

Maturity profile	Within 1 year R'000	1 to 5 years R'000	Greater than 5 years R'000	Total R'000
2023	360 084	776 398	447 505	1 583 987
2022	318 487	711 120	509 463	1 539 070

14.2 Provision for unexpired risks

	2023 R'000	2022 R'000
Balance at beginning of year	457 382	380 650
Amount transferred from the statement of comprehensive income	185 833	82 606
Foreign exchange gain	(1 633)	(432)
Foreign currency translation loss/(gain)	112 327	(5 442)
Balance at end of year	**753 909**	**457 382**

Due to the nature of the gross provision for unexpired risks, no maturity profile is presented.

Notes to the Financial Statements

14.3 Provision for claims reserves

	2023 R'000	2022 R'000
Balance at beginning of year	770 719	-
Outstanding claims reserve	2 185	-
Incurred but not reported claims reserve	768 534	-
Amount transferred from the statement of comprehensive income	809 615	753 750
New claims incurred	1 656 980	753 750
Outstanding claims reserve	-	2 185
Incurred but not reported claims reserve	1 656 980	751 565
Payments of claims previously provided for	(847 365)	-
Outstanding claims reserve	(2 185)	-
Incurred but not reported claims reserve	(845 180)	-
Foreign exchange (gain)/loss	(390)	141
Outstanding claims reserve	(390)	141
Foreign currency translation loss	45 417	16 828
Outstanding claims reserve	390	(141)
Incurred but not reported claims reserve	45 027	16 969
Balance at end of the year	1 625 361	770 719
Outstanding claims reserve	-	2 185
Incurred but not reported claims reserve	1 625 361	768 534

Maturity profile	Within 1 year R'000	1 to 5 years R'000	Greater than 5 years R'000	Total R'000
2023	1 625 361	-	-	1 625 361
2022	770 719	-	-	770 719

Notes to the Financial Statements

The Corporation has no insurance exposure in Russia and Ukraine. Nevertheless, the supply disruptions triggered by the Russia/Ukraine war have further placed downward pressure on global growth with negative impact on many of the emerging countries that the Corporation is doing business in. The Russia/Ukraine war and COVID-19 has resulted in many countries experiencing high debt levels with some even defaulting on their obligations with the case in point being Ghana.

As a consequence of the impact of macro-economic environment mentioned above; the Corporation raised the provision for incurred but not reported claims reserve (IBNR) of $91 million (R1.6 billion) for four projects ensuing the default on debt by the Government of Ghana (GoG). For two of the four projects, a claim of $15.1 million was received during the current financial year which is still under consideration. The defaults by the GoG have increased the sovereign credit risk in terms of our in-house country risk rating model from a level 4 to a level 5 thus resulting in a creation of the provision for unexpired risks (concentration risk reserve) amounting to $7.6 million (R129 million).

After year end, the Corporation has received a claim and notices of the lender's intention to accelerate the debt for the two remaining projects. This is reflected in note 36 Events after reporting period.

The Corporation received two related claims under the relevant ECIC insurance policies in the previous financial years. It is ECIC’s view that the policyholder does not have valid claims and as a result the claims were rejected. The litigation that we had since 2021 has since been withdrawn.

It should be noted that the nature of these insurance policies is such that in the event of a valid claim, the ECIC will typically have a salvage recovery that approximate the claimed amount in local currency, save for currency risk and the time value of money.

14.4 Assumptions, change in assumptions and sensitivity

The methods and assumptions that have the greatest effect on the measurement of insurance contracts provisions are:

- Claim provisions are not discounted for the time value of money;
- The cost of claims incurred but not yet reported is individually assessed for each contract. The probability of default is estimated by experienced underwriters using systematic processes taking into account updated information on specific country and project risk;
- The unearned premium provision reflects the risk profile of contracts and is a function of the amount at risk and the probability of default. The probability of default is dependent on the country risk rating, project risk rating and the unexpired period;
- A concentration risk provision is held; this is calculated by comparing the distribution of exposures by country and industry in the Corporation’s portfolio with that of a well diversified portfolio; and
- The unexpired risk provision allows for inadequacy in the unearned premium provision, which might occur where the risk factors considered in the pricing basis change from that used in pricing the contract initially. It is thus appropriate to allow for a change in the unexpired risk provision as soon as the unearned premium provision is insufficient to cover the future claims risk of the unexpired period. This would occur if the pricing process is updated or if political or commercial risk on a contract is changed.

Change in assumptions

The assumptions and methodologies used in the calculation of the technical provisions are reviewed at the reporting date and the impact of any resulting changes in estimates is reflected in the statement of comprehensive income as they occur.

Sensitivity analysis

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Corporation’s estimates. The Corporation believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based on certain variables and assumptions which could differ when claims arise.

The table presented below demonstrates the sensitivity of insurance contract liabilities estimates to particular movements in assumptions used in the estimation process:

Notes to the Financial Statements

2023	Total value R'000	Change %
Reported value	3 963 257	
CRR LGD at 90%	3 901 762	(1,55)
Depreciation of USD/ZAR exchange rate by 10%	4 356 298	9,92
Appreciation of USD/ZAR exchange rate by 10%	3 570 215	(9,92)
IBNR "Upwards" stress discount rate by 100bps	3 841 791	(3,06)
IBNR "Downwards" stress discount rate by 100bps	3 863 506	(2,52)
Increase in implied Probability of Default by adjusting the country rating	3 983 424	0,51

2022	Total value R'000	Change %
Reported value	2 767 171	
CRR LGD at 90%	2 719 814	(1,70)
Depreciation of USD/ZAR exchange rate by 10%	3 042 429	9,90
Appreciation of USD/ZAR exchange rate by 10%	2 491 914	(9,90)
IBNR "Upwards" stress	2 767 331	0,01
IBNR "Downwards" stress	2 767 828	0,02
Increase in implied Probability of Default by adjusting the country rating	2 767 425	0,01

15. Employee benefit liability

Reconciliation of employee benefit liability

2023	Opening balance R'000	Additions R'000	Utilisation/ reversal R'000	Paid R'000	Closing balance R'000
Bonus provision	22 618	23 614	(1 752)	(20 865)	23 615
Leave provision	4 841	7 725	(4 895)	(2 167)	5 504
	27 459	**31 339**	**(6 647)**	**(23 032)**	**29 119**

2022	Opening balance R'000	Additions R'000	Utilisation/ reversal R'000	Paid R'000	Closing balance R'000
Bonus provision	20 262	22 618	(656)	(19 606)	22 618
Leave provision	4 554	7 307	(5 357)	(1 663)	4 841
	24 816	**29 925**	**(6 013)**	**(21 269)**	**27 459**

Notes to the Financial Statements

16. Trade and other payables

	2023 R'000	2022 R'000
Sundry creditors and accruals	13 746	14 549
Unsettled investment trades and accrued expenses	297 250	112 810
Reinsurance premium payables	1 090	1 082
VAT	2 065	615
	314 151	**129 056**

Included in the trade and other payables balance is unsettled investment trades and foreign exchange movements and other non-cash adjustments of R298 million (2022: R113 million) which have been adjusted for in note 28.

17. Lease liability

Lease liability

During the year, the Corporation had leases for office building and printers which are reflected on the balance sheet as a right of use asset and a lease liability. The Corporation classifies its right-of-use assets in a consistent manner to its property and equipment, see note 7.

The Corporation is prohibited from sub-leasing, selling, or pledging the underlying leased assets as security.

For leases over office buildings, the Corporation must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. The lease agreement does allow for cancellation or renewal; however, the Corporation has no intention of exercising these options.

For other leases, the Corporation must ensure that the lease items are used in accordance with the lease contracts. The Corporation shall have the right to terminate the lease on or after expiry of a lease-term by providing one calendar month notice. The lease agreement shall not be extended without mutual agreement by the Corporation and the lessor. In the event that the lease is terminated by the Corporation prior to the expiry of the lease term, then the Corporation shall be obliged to pay a settlement amount in respect of the unexpired lease-term.

The lease contract for the printers expired during the financial year. The right of use asset and the related lease liability was derecognised on expiry of the lease contract. The Corporation entered into the five years office building lease contract commencing from November 2022 to November 2027. Prior to procuring this lease for the office building, the Corporation had entered into a short-term lease agreement which expired in November 2022 and has been accounted for as an operating lease (see note 23). It is not probable that the option to renew the leases will be exercised and as such these were not taken into account when the lease terms were determined.

The average effective incremental borrowing rate is 9.07%.

There was a modification on the lease payments for the office building; however, this has no impact on the original lease term.

Notes to the Financial Statements

The lease liabilities are secured by the related underlying assets. Future minimum lease liability repayments at 31 March 2023 were as follows:

	2023 R'000	2022 R'000
Within one year	5 009	145
Later than one but not more than five years	22 614	-
	27 623	145
Less: future finance charges	(5 250)	(5)
Present value of minimum lease payments	**22 373**	**140**
Reconciliation of lease liability		
Opening balance	140	3 396
Additions	24 003	-
Finance charges	792	67
Lease liability payments	(2 562)	(3 323)
Closing balance	**22 373**	**140**

18. Liability for interest make-up

	2023 R'000	2022 R'000
At fair value through profit (loss)		
Liability for interest make up	516 072	564 706

The dtic offered the interest make-up dispensation in order to allow local banks and other financiers to offer buyers of South African export goods and services financing for projects at internationally competitive rates. The IMU dispensation was administered by the Corporation on behalf of the **dtic** until 01 October 2016 when it took over as the principal. The approvals were obtained from the FSB, **the dtic** and the Minister of Finance.

The fair value of the liability is determined on a discounted cash flow basis of all future IMU payments on existing agreements.

The IMU payments stretch out to October 2029; hence, discounting the cash flows to allow for time value of money is appropriate. The cash flows are denominated in US Dollars, hence a US Treasury Bills Yield Curve is used and allows for credit default spread.

The projected drawdown and repayment schedules used in calculating the future IMU payments, is as per the relevant loan agreement.

Notes to the Financial Statements

	2023 R'000	2022 R'000
Opening balance	564 706	749 801
Fair value movements on interest make up liability	10 781	(39 489)
Payments	(179 656)	(130 487)
Foreign exchange loss/(gain) and currency translation	120 241	(15 119)
Closing balance	**516 072**	**564 706**

The contractual amount to be paid is R 671 510 000 (2022: R 673 422 000) which is R 155 438 000 (2022: R 108 716 000) higher than the carrying amount.

Sensitivity analysis

The table presented below demonstrates the sensitivity of liability estimates to particular movements in assumptions used in the estimation process:

2023	Total value R'000	Change %
Reported value	516 072	
Increase discount rates by 10%	512 150	(0,8)
Decrease discount rates by 10%	520 053	0,8
Depreciation of USD/ZAR Exchange rate by 10%	567 679	10,0
Appreciation of USD/ZAR Exchange rate by 10%	464 465	(10,0)

2022	Total value R'000	Change %
Reported value	564 706	
Increase discount rates by 10%	561 536	(0,6)
Decrease discount rates by 10%	565 025	0,1
Depreciation of USD/ZAR Exchange rate by 10%	621 176	10,0
Appreciation of USD/ZAR Exchange rate by 10%	508 235	(10,0)

Notes to the Financial Statements

Other financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts.

Fair value hierarchy of financial liabilities at fair value through profit or loss

This liability has been classified as a level 3 as the fair value is determined using valuation techniques based on assumptions neither supported by prices from observable current market transactions in the same instrument nor based on available market data. The instruments classified in this level were valued by discounting future cash flows.

Reconciliation of financial liabilities at fair value through profit or loss measured at level 3

2023	Opening balance R'000	Fair value movements R'000	Settlements R'000	Foreign exchange loss and currency translation R'000	Closing balance R'000
Liability for interest make-up	564 706	10 781	(179 656)	120 241	516 072

2022	Opening balance R'000	Fair value movements R'000	Settlements R'000	Foreign exchange gain and currency translation R'000	Closing balance R'000
Liability for interest make-up	749 801	(39 489)	(130 487)	(15 119)	564 706

Reconciliation of the liability for interest make up

	2023 R'000	2022 R'000
Liability taken over	2 032 445	2 032 445
Total claims paid	(1 846 102)	(1 666 446)
Fair value movements on interest make up liability	141 394	130 613
Foreign exchange movements	188 335	68 094
Closing balance	**516 072**	**564 706**

Notes to the Financial Statements

19. Categories of assets and liabilities

Categories of assets and liabilities – 2023	Note(s)	Financial assets and liabilities at fair value through profit or loss R'000	Financial assets available for sale R'000	Financial assets and liabilities at amortised cost R'000	Other non-financial assets and liabilities R'000	Total R'000	Current assets and liabilities R'000	Non-current assets and liabilities R'000
Assets								
Property and equipment	7	-	-	-	26 319	26 319	-	26 319
Financial assets at fair value	9	6 980 888	652 207	-	-	7 633 095	2 904 491	4 728 604
Reinsurance contract assets	10	-	-	-	151 566	151 566	147 099	4 467
Current tax receivable	29	-	-	-	100 154	100 154	100 154	-
Deferred tax	8	-	-	-	110 679	110 679	-	110 679
Trade and other receivables	11	-	-	216 877	967 324	1 184 201	527 594	656 607
Cash and cash equivalents	12	-	-	2 355 461	-	2 355 461	2 355 461	-
		6 980 888	**652 207**	**2 572 338**	**1 356 042**	**11 561 475**	**6 034 799**	**5 526 676**
Liabilities								
Provision for unearned premiums	14.1	-	-	-	1 583 987	1 583 987	360 084	1 223 903
Provision for unexpired risks	14.2	-	-	-	753 909	753 909	-	753 909
Provision for claims reserves	14.3	-	-	-	1 625 361	1 625 361	1 625 361	-
Liability for interest make up	18	516 072	-	-	-	516 072	136 067	380 005
Derivatives	9	108 457	-	-	-	108 457	108 457	-
Reinsurance deferred acquisition cost		-	-	-	1 024	1 024	337	687
Employee benefit liability	15	-	-	-	29 119	29 119	29 119	-
Lease liability	17	-	-	-	22 373	22 373	3 124	19 249
Trade and other payables	16	-	-	310 998	3 155	314 153	313 305	848
		624 529	**-**	**310 998**	**4 018 928**	**4 954 455**	**2 575 854**	**2 378 601**

Notes to the Financial Statements

Categories of assets and liabilities – 2022	Note(s)	Financial assets and liabilities at fair value through profit or loss R'000	Financial assets available for sale R'000	Financial assets and liabilities at amortised cost R'000	Other non-financial assets and liabilities R'000	Total R'000	Current assets and liabilities R'000	Non-current assets and liabilities R'000
Assets								
Property and equipment	7	-	-	-	2 678	2 678	-	2 678
Intangible assets	6	-	-	-	285	285	-	285
Financial assets at fair value	9	4 003 171	575 140	-	-	4 578 311	1 857 915	2 720 396
Reinsurance contract assets	10	-	-	-	7 697	7 697	2 317	5 380
Current tax receivable	29	-	-	-	2 066	2 066	2 066	-
Deferred tax	8	-	-	-	50 755	50 755	-	50 755
Trade and other receivables	11	-	-	33 006	974 013	1 007 019	305 212	701 807
Cash and cash equivalents	12	-	-	4 487 620	-	4 487 620	4 487 620	-
		4 003 171	**575 140**	**4 520 626**	**1 037 494**	**10 136 431**	**6 655 130**	**3 481 301**
Liabilities								
Provision for unearned premiums	14.1	-	-	-	1 539 070	1 539 070	318 487	1 220 583
Provision for unexpired risks	14.2	-	-	-	457 382	457 382	-	457 382
Provision for claims reserves	14.3	-	-	-	770 719	770 719	770 719	-
Liability for interest make up	18	564 706	-	-	-	564 706	134 009	430 697
Reinsurance deferred acquisition cost		-	-	-	1 185	1 185	357	828
Employee benefit liability	15	-	-	-	27 459	27 459	27 459	-
Lease liability	17	-	-	-	140	140	140	-
Trade and other payables	16	-	-	127 359	1 697	129 056	128 170	886
		564 706	**-**	**127 359**	**2 797 652**	**3 489 717**	**1 379 341**	**2 110 376**

Notes to the Financial Statements

20. Insurance premium revenue

	2023 R'000	2022 R'000
Credit insurance – medium to long term	49 033	70 995
Credit insurance – short term	4 445	936
Investment guarantee	96 879	124 359
	150 357	**196 290**

21. Net investment income

	2023 R'000	2022 R'000
Dividend income		
Dividend income Local	29 854	40 481
Dividend income Foreign	27 107	19 150
Total dividend income	**56 961**	**59 631**
Other investment income		
Interest received on cash and cash equivalents	2 577	325
Change in fair value of financial assets	(55 613)	(37 088)
Realised (loss)/gain on disposal of financial assets	(159 849)	132 600
Interest income	433 513	141 985
Total interest income	**220 628**	**237 822**
Total investment income	**277 589**	**297 453**

The realised losses on disposal of financial assets and negative fair value movements are attributable to the prevailing market conditions.

Included in the dividend income is net accrued income of R2.1 million (2022: R1.2 million) which relating to the previous financial year settled in the current year. Included in the interest income is net accrued income of R652K (2022: R86K) which is expected to be settled in the next financial year.

The interest and dividend income in the Statement of cashflows is adjusted for the items above

22. Currency translation differences

The currency translation difference arises because the presentation currency (ZAR) is different to the functional currency (USD). This difference represents the changes in the foreign exchange rates between the historic or average rate and the closing rate on net assets.

For monetary net assets, currency translation difference arises as result of foreign exchange rate movements.

	2023 R'000	2022 R'000
Opening accumulated foreign exchange rate movements on assets and liabilities	(194 406)	(1 237 844)
Foreign exchange gain on monetary assets and liabilities (excluding cash and cash equivalents)	1 715 473	846 088
Gross unearned premium reserve	(614)	175
Property, equipment and intangible assets	933	(525)
Payments in advance	150	(12)
Movements on Insurance contract liabilities and reinsurance contract assets	46 272	(25 743)
Foreign exchange (loss)/gain on cash and cash equivalents	(27 730)	223 093
	1 540 078	**(194 768)**

Notes to the Financial Statements

23. Net operating expenses

Operating (loss) profit for the year is stated after charging (crediting) the following, amongst others:

	2023 R'000	2022 R'000
External auditors' remuneration		
Audit fees for the current year	3 012	2 115
Internal auditors' remuneration	721	634
Remuneration to non-employees		
Consulting services	3 605	5 114
Actuarial services	847	191
Legal services	348	587
	4 800	**5 892**
Directors' emoluments		
Remuneration paid to executive director	2 672	5 583
Remuneration paid/payable to non-executive directors	2 303	1 658
	4 975	**7 241**
Employee costs		
Salaries	86 201	77 373
Prior year over provision for bonus	(1 752)	(656)
Provision for bonus for current year	22 021	21 080
Total employee costs	**106 470**	**97 797**
Short-term leases/Operating leases		
Building	3 461	2 077
Equipment	141	76
	3 602	2 153
Depreciation, amortisation, write off and disposal of assets		
Equipment	1 278	1 223
Intangible assets	-	691
Building	1 789	2 805
Loss on sale of equipment	-	8
Equipment written off	-	217
	3 067	**4 944**
General administrative expenses	31 932	27 393
Total operating expenses (excluding portfolio fees)	**158 579**	**148 169**
Investment portfolio management fee	15 569	12 866
Total operating expenses	**174 148**	**161 035**

Notes to the Financial Statements

23.1 Disclosure as required by section 55 of PFMA

Fruitless and wasteful expenditure

	2023 R'000	2022 R'000
Opening balance	-	-
Additions – relating to previous years	679	-
Additions – relating to current	624	-
Closing balance	**1 303**	**-**

There is a confirmed fruitless and wasteful expenditure paid in the previous and current reporting periods amounting to R1 303 328.95 (R 678 672.48 for the previous financial years and R624 656.47 for 2023 financial year) which relates to an error in the rate paid to directors. This matter has been referred to the Loss Control Function.

Irregular expenditure

	2023 R'000	2022 R'000
Opening balance	-	10
Condoned	-	(10)
Closing balance	**-**	**-**

The irregular expenditure recorded in the opening balance of the 2022 financial year was as a result of awarding a bid to a supplier whose tax affairs were not compliant. Adequate internal control remedies as outlined in the determination exercise were implemented.

Disciplinary steps were taken as a consequence of the irregular expenditure, however no criminal steps were taken as this did not involve criminal activities.

This irregular expenditure was condoned by National Treasury during the previous financial year.

24. Interest expense

	2023 R'000	2022 R'000
Leases liability	792	67

25. (Loss)/Profit on foreign exchange differences

The foreign exchange differences arise as a result of revaluing Rand monetary net assets from historic rates to closing rate.

	2023 R'000	2022 R'000
Cash and cash equivalents	(42 399)	4 615
Net assets (excluding insurance contract liabilities and cash and cash equivalents)	(1 630)	(5 738)
Financial assets at fair value and derivative instruments	(570 073)	65 980
Insurance contract liabilities	2 471	574
	(611 631)	**65 431**

Notes to the Financial Statements

26. SED & ESD contributions

	2023 R'000	2022 R'000
Education	2 486	2 580
Enterprise development	1 336	2 726
Supplier development	2 840	8 595
	6 662	**13 901**

27. Taxation

	2023 R'000	2022 R'000
Major components of the tax expense/(income)		
Current		
Withholding tax – current period	**1 232**	**31**
Deferred		
Changes in tax rates	-	1 599
Deferred tax – current year	(47 867)	(57 247)
	(47 867)	**(55 648)**
	(46 635)	**(55 617)**
Reconciliation of the tax expense		
Reconciliation between average effective tax rate and applicable tax rate.		
Current year's charge as a percentage of profit before taxation	3,02%	(19,97)%
Disallowable fair value movements on interest make up liability	6,76%	13,11%
Translation effect	108,20%	(46,03)%
Exempt IMU grant income*	(94,10)%	69,10%
Exempt income – other**	(18,05)%	12,13%
Disallowable expenses – other***	9,45%	(3,65)%
Change of tax rate	- %	(1,89)%
Other****	11,72%	5,20%
	27,00%	**28,00%**

The income tax rate of 28% in 2022 was reduced to 27% in 2023.

The translation effect is due to the tax expense which is based on Rand functional currency financials instead of US Dollar functional currency.

**Exempt IMU grant income – the IMU grant income is tax exempt from the 2022 financial year in terms of Schedule 11 of the Income Tax Act.*

***Exempt income-other – this is mainly dividends.*

****Disallowable expenses – other – comprises of disallowed operating expenses that were not incurred in the production of income.*

*****Other – comprises mainly of unrealised foreign gains that relates to equity investments and related parties' receivables.*

Notes to the Financial Statements

28. Cash (used in)/generated from operations

	2023 R'000	2022 R'000
(Loss)/Profit before taxation	(1 582 645)	278 725
Adjustments for:		
Depreciation and amortisation	3 067	4 719
Equipment written off	-	217
IMU grant received	(150 000)	(208 078)
Interest paid	792	67
Loss/(profit) on foreign exchange differences	611 631	(65 431)
Dividends income	(56 961)	(59 631)
Reinsurance commission income	(407)	(429)
Interest income	(436 148)	(142 320)
Loss on sale of equipment	-	8
Movements in provision for reinsurance unearned premiums	2 642	2 778
Fair value loss on financial assets	55 613	37 088
Realised loss/(gain) on disposal of financial assets	159 849	(132 600)
Movements in provision for unearned premiums	(277 237)	(401 748)
Movements in provision for unexpired risks	185 833	82 606
Movements in provision for outstanding claims	809 615	753 750
Movements in provision for reinsurance outstanding claims	(148 706)	-
Intangible assets derecognised	252	-
Movements in employee benefit liability	1 660	2 642
Fair value movements on interest make up liability	10 781	(39 489)
Movements in trade and other receivables	245 590	371 972
Movements in trade and other payables	(112 737)	(73 488)
	(677 516)	**411 358**

29. Tax paid

	2023 R'000	2022 R'000
Balance at beginning of the year	2 066	(17 396)
Current tax for the year recognised in profit or loss	(1 232)	(31)
Accrued interest	55	-
Balance at end of the year	(100 154)	(2 066)
	(99 265)	**(19 493)**

Notes to the Financial Statements

30. Retirement benefits

Defined contribution plan

The Corporation contributes to the Sanlam Umbrella Fund, which is a defined contribution plan registered in terms of the Pension Funds Act, 1956. Membership is compulsory for all full time employees. As with all defined contribution funds, the liabilities equal the assets at all times and therefore no actuarial valuation is required.

	2023 R'000	2022 R'000
The total contribution for the year	8 303	7 483

31. Commitments

Operating leases

	2023 R'000	2022 R'000
Minimum lease payments due		
– within one year	122	3 516

The lease payments are exclusive of VAT.

There are no material commitments entered into during the current financial year.

32. Related parties

Relationships

Related party balances

Identity of related parties

The Corporation has a related party relationship with its shareholder, fellow government entities and its directors and executive officers. The sole shareholder is the government of South Africa through the Department of Trade, Industry and Competition (**the dtic**).

Transactions with key management personnel

Details of directors' emoluments are disclosed in note 33. Key management personnel for purposes of related party information are defined as directors.

Government guarantee

In terms of Export Credit and Foreign Investments Insurance Act 1957, as amended, the Government of South Africa acts as a guarantor for the liabilities of the Corporation. Since inception, the Corporation has not called on this Government Guarantee.

Notes to the Financial Statements

Other related party transactions

The following transactions were entered into with the government of South Africa through its various departments and entities on commercial terms and conditions:

	2023 R'000	2022 R'000
Statement of comprehensive income effects:		
Premium		
Industrial Development Corporation of South Africa SOC Ltd (IDC)	3 753	3 339
Development Bank of Southern Africa SOC Limited (DBSA)	39 585	41 052
IMU grant receipts		
Department of Trade, Industry and Competition (**the dtic**)	150 000	208 078
Other income (Interest)		
South African Revenue Services (SARS)	55	-
Other income (Reversal of provision for doubtful debts)		
Development Bank of Southern Africa SOC Limited	-	135
Mandatory grants received in terms of the Skills Development Levies Act		
Insurance Sector Education and Training Authority (INSETA)	226	150
Other operating expense		
Office of the Compensation Commissioner (OOTCC)	61	47
Financial Sector Conduct Authority (FSCA)	516	495
Industrial Development Corporation of South Africa SOC Ltd	1 000	-
Prudential Authority (PA)	42	-
Statement of financial position effects:		
Assets		
Financial assets		
Bonds – Parastatals	25 613	26 885
Bonds – National government	1 297 443	1 187 281
Taxation (Income Tax)		
South African Revenue Services	100 154	2 066
Trade and other receivables (excluding provision for doubtful debts)		
Development Bank of Southern Africa SOC Limited	17 815	23 066
Total assets	**1 441 025**	**1 239 298**
Liabilities		
Trade and other payables		
Office of the Compensation Commissioner	61	47
South African Revenue Services (Value added tax)	2 065	615
Total liabilities	**2 126**	**662**

Notes to the Financial Statements

33. Directors' and executives' emoluments

Non-executive remuneration

2023	Fees	Reimbursive Expense	Total
D Dharmalingam	377	4	381
S Mayekiso	416	2	418
S O'Mahony	368	13	381
V Matsiliza	416	3	419
L Mothae	337	1	338
D Subbiah	356	9	365
L Mataboge*	-	-	-
E Makhubela*	-	1	1
	2 270	**33**	**2 303**

**The director is a government representative (National Treasury / dtic) and is not paid meeting attendance fees.*

2022	Fees	Reimbursive Expense	Total
D Dharmalingam	285	-	285
S Mayekiso	302	4	306
S O'Mahony	240	3	243
V Matsiliza	275	32	307
L Mothae	239	-	239
D Subbiah	255	18	273
L Mataboge*	-	-	-
E Makhubela*	-	4	4
	1 596	**61**	**1 657**

**The director is a government representative (National Treasury / dtic) and is not paid meeting attendance fees.*

The increase in non-executive remuneration in the 2023 financial year when compared to the 2022 financial year is mainly due to the backpay for the 2019 to the 2022 financial years on adjustment of the rates.

Notes to the Financial Statements

Executive remuneration

2023	Basic salary R'000	Bonus paid R'000	Provident fund R'000	Cellphone allowance R'000	Other benefits* R'000	Acting allowance R'000	Total R'000
K Kutoane – Former Chief Executive Officer and Executive Director**	1 046	1 594	-	16	16	-	2 672
C Kgoale – Former Company Secretary***	262	-	32	6	14	-	314
M Nkuhlu – Chief Executive Officer****	2 666	1 023	258	36	309	191	4 483
N Mkhathazo – Chief Financial Officer	2 223	828	346	30	52	-	3 479
S Esterhuisen – Chief Actuarial & Investments	2 518	947	322	25	16	-	3 828
N Maphula – General Counsel (Acting COO)*****	1 981	824	313	30	221	187	3 556
J Omollo – Chief Risk Officer	2 135	824	338	30	24	-	3 351
S Thwala – Assistant Company Secretary (Acting Company Secretary)******	-	-	-	-	-	61	61
X Mpanza – Company Secretary*******	202	-	20	-	9	-	231
D Naicker – Head: Legal (Acting General Counsel)*******	-	-	-	-	-	135	135
	13 033	**6 040**	**1 629**	**173**	**661**	**574**	**22 110**

2022	Basic salary R'000	Bonus paid R'000	Provident fund R'000	Cellphone allowance R'000	Other benefits* R'000	Total R'000
K Kutoane – Chief Executive Officer (Executive Director)	3 925	1 538	-	44	76	5 583
C Kgoale – Company Secretary	1 263	389	127	21	64	1 864
M Nkuhlu – Chief Operations Officer	2 503	999	246	30	226	4 004
N Mkhathazo – Chief Financial Officer	2 014	799	319	30	51	3 213
S Esterhuisen – Chief Actuarial & Investments	2 397	917	307	24	17	3 662
N Maphula – General Counsel	1 716	723	271	30	236	2 976
J Omollo – Chief Risk Officer	1 894	723	300	30	17	2 964
	15 712	**6 088**	**1 570**	**209**	**687**	**24 266**

**Other benefits comprise of travel allowance, medical benefits, connectivity allowance, daily travel allowance and social security contributions.*

***The contract term for Mr K Kutuone as CEO came to an end in June 2022*

****Mr C Kgoale resigned as company secretary in June 2022*

****Mr M Nkuhlu (COO) was appointed to act as CEO and was confirmed as CEO by the Minister of dtic in December 2022.

******Mr M Maphula (General Counsel) was appointed to act as COO in July 2022*

*******Ms S Thwala (Assistant company secretary) was appointed to act as company secretary in July 2022*

********Ms X Mpanza (Company secretary) was appointed in February 2023.*

*********Ms D Naicker (Head: Legal) was appointed to act as General Counsel in July 2022.*

Notes to the Financial Statements

34. Contingent asset and liability

The Corporation has a probable salvage relating to the claims settled in the previous years. A portion of the probable salvage did not meet the recognition criteria as at the reporting date. The total amount which may be recognised in future is R 325 million. Included in this amount is the salvage of R 11 million that did not meet the recognition criteria as at 31 March 2023 as a result of the challenges encountered on the operations.

35. Capital management

	2023 R'000	2022 R'000
Total equity	6 607 022	6 646 714
Adjustment to regulatory basis	635 311	344 037
Available capital	7 242 333	6 990 751
Required Capital (Regulatory)	2 709 784	2 328 541
Required Capital (Economic)	2 488 472	2 856 089
Regulatory capital cover ratio	267%	300%
Economic capital cover ratio	291%	245%

Capital management policy

The Board ensures that the quantity and quality of capital maintained is adequate and, at a minimum, will meet applicable regulatory capital requirements. The Corporation also monitors economic required capital as an internal view of required capital as part of its risk appetite. The capital philosophy is to use available capital optimally to fulfil the Corporation's mandate and increase its capital base to extend its business underwriting capacity. Sufficient capital should be available to absorb potential losses from accepted risks and tested to ensure post a loss event sufficient capital remain to cover the remaining exposure equivalent to 110% of economic required capital. The Own Risk and Solvency Assessment (ORSA) serves as the Corporation's capital management plan that considers the projected available and required capital over a five year period. The plan is updated annually and describes any planned capital raising initiatives and how capital is deployed and managed within the organisation.

Cover ratios

The cover ratios measure the degree to which the available capital covers the required capital. The Corporation retains a strong solvency position, with the solvency capital requirement (SCR) cover ratio above 100% as required by the PA.

36. Events after the reporting period

Untimely passing away of ECIC's Chief Executive Officer : Mr Mandisi Nkhuhlu

Mr Nkuhlu was appointed as Chief Executive Officer of ECIC with effect from 1 December 2022 and he passed away on 23 July 2023. Prior to being appointed as the Chief Executive Officer, Mr Nkuhlu had occupied the position of Chief Operations Officer and had served ECIC for a combined period of 22 years.

Under his visionary guidance, ECIC flourished and became a significant player in the export trade financing and insurance landscape. Through strategic partnerships and innovative approaches, Mr Nkuhlu expanded ECIC's global presence, opening new doors of opportunities for South Africa on the world stage. His foresight and determination enabled ECIC to overcome challenges and embrace change, making ECIC a symbol of resilience and adaptability.

Mr Nkuhlu has played a prominent role in the international arena, co-chairing the Credit Insurance Committee, and representing the ECIC at the Organisation for Economic Co-operation and Development (OECD) semi-annual meetings in Paris. He represented the Corporation at the Berne Union, the international association of Export Credit Agencies, and served as the Vice President of the Berne Union from 2016 to 2019.

Most recently, he led South Africa's participation in the BRICS Export Credit Agencies platform, under South Africa's chairship.

Our sincere condolences to his family and may his soul rest in eternal peace.

Notes to the Financial Statements

Claim and notices of the lender's intention to accelerate debt repayment

After year end, the Corporation has received a claim and notices of the lender's intention to accelerate the debt for the two remaining projects mentioned in the directors' report (the significant events section).

At reporting date, the provision for IBNR was raised for these projects. Refer to note 14 for the detailed disclosure.

37. Dividend payable

No dividends were paid or declared in the current financial year and prior year.

38. Going concern

We draw attention to the fact that at March 31, 2023, the Corporation had accumulated profit of R 2.5 billion and that the Corporation's total assets exceed its liabilities by R 6.6 billion. The total comprehensive loss of R40 million and cash utilised in operating activities of R313 million is due to claims paid and claims provision.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The claim reserve disclosed under note 14 does not have an impact on the going concern status of the Corporation as the solvency cover ratio after taking into account all the projected transactions for the next financial year is projected to be 302%, which is above the regulatory cover of 100% as required by the PA.

39. Underwriting results

	Note(s)	2023 R'000	2022 R'000
Insurance premium revenue	20	150 357	196 290
Net change in unearned premiums	14.1	274 595	398 970
Gross change in unearned premiums	14.1	277 237	401 748
Change in reinsurance unearned premiums	10	(2 642)	(2 778)
Change in unexpired risks	14.2	(185 833)	(82 606)
Net insurance premium revenue		**239 119**	**512 654**
Claims incurred		**(1 445 623)**	**(670 106)**
Insurance benefits and claims		(784 714)	83 644
Claims paid		(877 800)	-
Salvages income		93 086	83 644
Net change in claims reserve		(660 909)	(753 750)
Gross change in claims reserves	14.3	(809 615)	(753 750)
Change in reinsurance claims reserves	10.2	148 706	-
Assessment fees		-	435
Reinsurance commission received		407	429
Commission paid to intermediaries		(232)	(195)
Operating expenses		(152 585)	(141 252)
Underwriting results		**(1 358 914)**	**(298 035)**

Notes to the Financial Statements

40. Supplementary information: Financial results based on South African Rand functional currency

The financial statements are prepared based on the US Dollar functional currency. Below is the statement of financial position and statement of comprehensive income on the Rand functional currency basis for information purposes:

Statement of financial position	Note(s)	2023 R'000	2022 R'000
Assets			
Intangible assets	6	-	253
Property and equipment	7	25 207	2 530
Deferred tax	8	110 679	50 755
Financial assets at fair value	9	7 633 095	4 578 311
Reinsurance contract assets	10	151 566	7 697
Current tax receivable	29	100 154	2 066
Trade and other receivables	11	1 184 185	1 007 152
Cash and cash equivalents	12	2 355 461	4 487 620
Total assets		**11 560 347**	**10 136 384**
Equity and liabilities			
Equity			
Share capital and share premium	13	316 051	316 051
Fair value adjustment through other comprehensive income reserve		(71 307)	(27 545)
Retained earnings		6 361 782	6 358 179
Total equity		**6 606 526**	**6 646 685**
Liabilities			
Insurance contract liabilities		3 962 625	2 767 153
Provision for unearned premiums	14.1	1 583 355	1 539 052
Provision for unexpired risks	14.2	753 909	457 382
Provision for claims reserves	14.3	1 625 361	770 719
Reinsurance deferred acquisition cost		1 024	1 185
Employee benefit liability	15	29 119	27 459
Trade and other payables	16	314 151	129 056
Financial liabilities	9	108 457	-
Lease liability	17	22 373	140
Liability for interest make up	18	516 072	564 706
Total liabilities		**4 953 821**	**3 489 699**
Total Equity and Liabilities		**11 560 347**	**10 136 384**

Notes to the Financial Statements

Statement of comprehensive income	Note(s)	2023 R'000	2022 R'000
Insurance premium revenue	20	150 357	196 290
Net change in unearned premiums		278 112	397 965
Gross change in unearned premiums	14.1	280 810	400 760
Change in reinsurance unearned premiums	10	(2 698)	(2 795)
Change in unexpired risks	14.2	(184 569)	(82 706)
Net insurance premium revenue		**243 900**	**511 549**
Claims incurred		**(1 424 913)**	**(689 776)**
Insurance benefits and claims		(784 714)	83 644
Claims paid		(877 800)	-
Salvages income		93 086	83 644
Net change in claims reserve		(640 199)	(773 420)
Gross change in claims reserves	14.3	(785 110)	(773 420)
Change in reinsurance claims reserves	10.2	144 911	-
Assessment fees		-	435
Reinsurance commission received		415	431
Net investment income	21	277 589	297 453
Other income		109	60
IMU grant receipts		150 000	208 078
Net income		**672 013**	**1 018 006**
Expenses			
Commission paid to intermediaries		(232)	(195)
Operating expenses	23	(174 148)	(161 035)
Interest paid	24	(792)	(67)
Profit/(Loss) on exchange differences	25	902 479	(108 202)
Fair value movements on interest make up liability	18	(10 781)	39 489
SED & ESD contributions	26	(6 662)	(13 901)
(Loss)/profit before taxation		**(43 036)**	**84 319**
Taxation	27	46 635	55 617
(Loss)/profit for the year		**3 599**	**139 936**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Fair value adjustments of financial assets		(55 819)	3 458
Deferred tax on fair value of financial assets		12 057	(1 056)
Total items that may be reclassified to profit or loss		**(43 762)**	**2 402**
Other comprehensive income for the year net of taxation		**(43 762)**	**2 402**
Total comprehensive (loss)/ income for the year		**(40 163)**	**142 338**

Notes

Notes

ECIC is a licensed non-life insurer
and authorised Financial Services Provider (FSP 30656).
Currently exempted in terms of FAIS Notice 78 of 2019.

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