EXPORT CREDIT INSURANCE CORPORATION OF SOUTH AFRICA SOC LTD

ECIC

EST. 2001

CELEBRATING 20 YEARS OF SUCCESS

# INTEGRATED REPORT 2022

# CONTENTS



# 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 |
| **Acting Company Secretary** | Sinenhlanhla Thwala |
| **Contact person for this report** | Warren Koen, Manager: Office of the Chief Executive Officer<br>+27 (0)12 471 3800, wkoen@ecic.co.za |
| **Reporting period** | Reporting period 1 April 2021 to 31 March 2022 |

# 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) |
| **CEO** | Chief Executive Officer |
| **CRR** | Concentration Risk Reserve |
| **DFI** | Development Financial Institution |
| **DIRCO** | Department of International Relations and Cooperation |
| **ECA** | Export Credit Agency |
| **ECIC** | Export Credit Insurance Corporation of South Africa SOC Ltd |
| **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

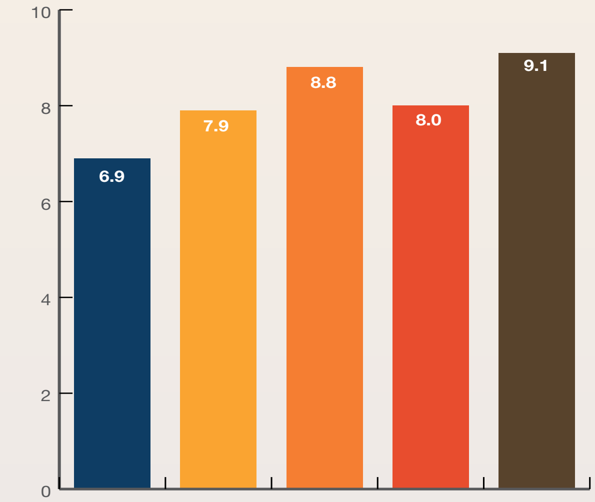
CEO AFRICA AWARDS 2021

CEO Today Magazine's CEO of the Year Africa Awards 2021

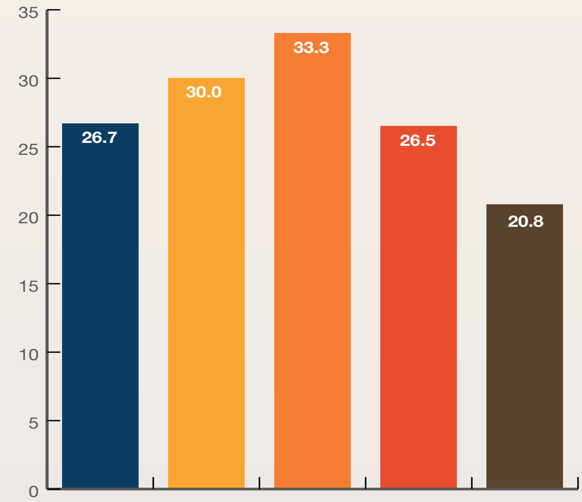
GTR 2022 Best Deals

Winner of two of 14 of The Global Trade Review's 2021

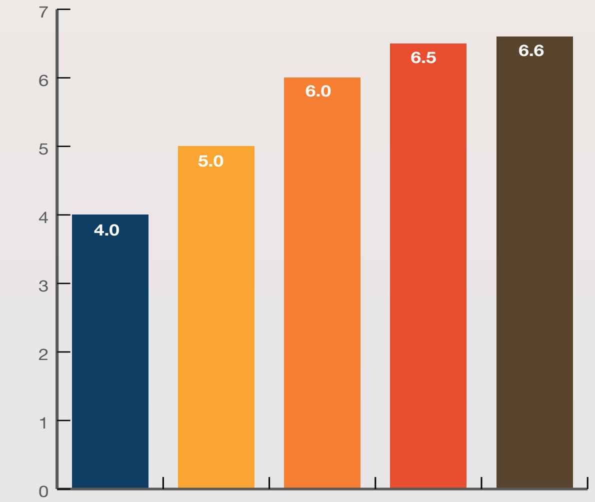
2018 2019 2020 2021 2022



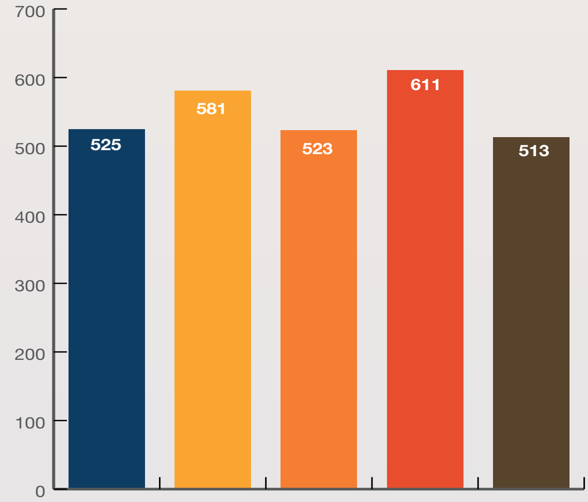

**Financial assets** (R'billion)



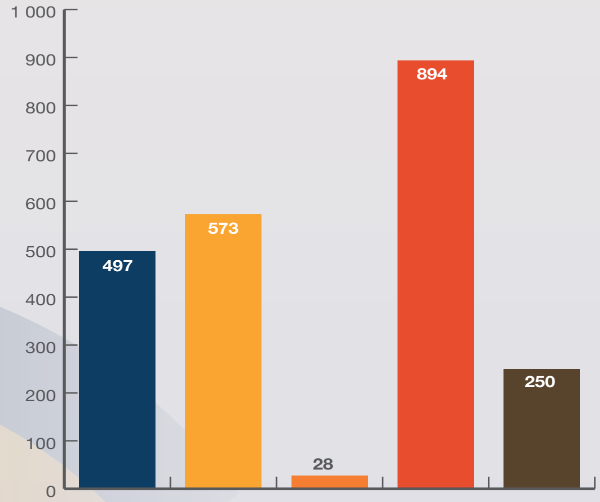

**Total insured value** (R'billion)



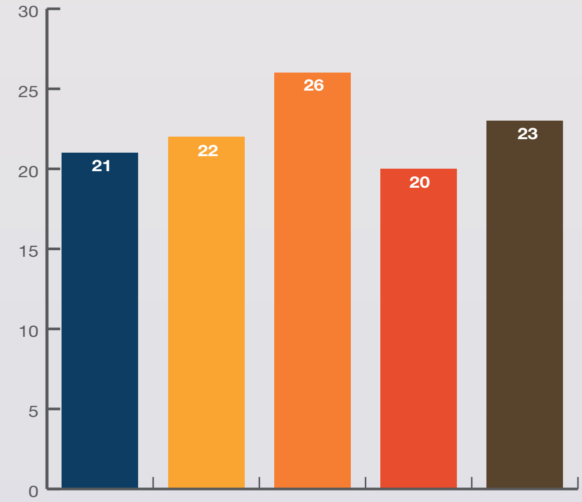

**Total equity** (R'billion)




**Net Insurance premium revenue** (R'million)




**Transactions approved** ($'million)



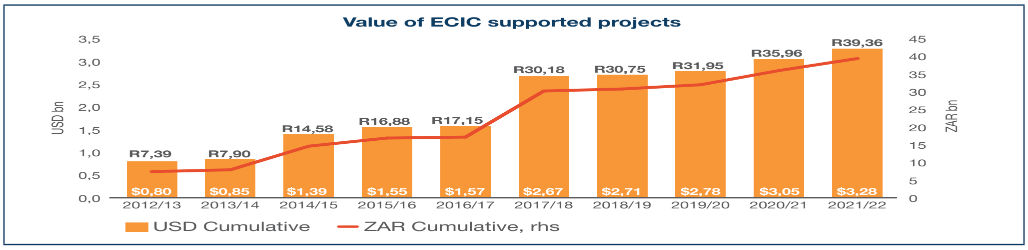

**Cost to income ratio** (Percent)

# ECONOMIC IMPACT ASSESSMENT 2012/13 – 2021/22

The graphs on this page reflect the cumulative impact of ECIC support over the past 10 financial years.

## Value of ECIC supported projects

- Over the last 10 financial years, ECIC has grown considerably supporting almost 54 export-led and investment-related projects across the African continent and other emerging economies. This accumulated to approximately $3.3 billion (R39 billion) worth of loans supported by ECIC in various sectors among them power, mining, rail, construction and telecommunications.
- Nominal value of loan and investment amounts supported by ECIC (2012-2022)*.

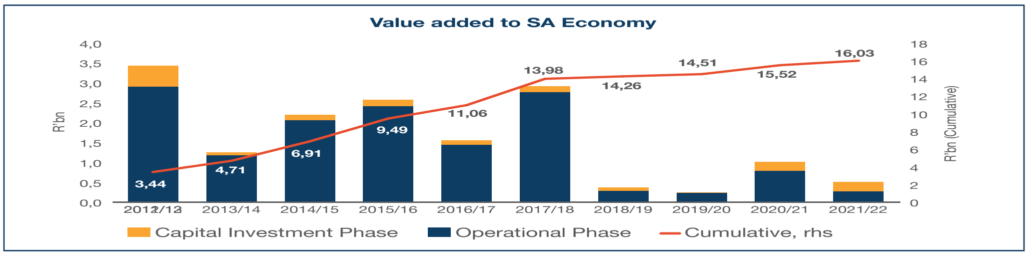



*The figures on the chart use the USD/ZAR exchange rate as at 31st March of the applicable financial year

**Figure 1: Value of ECIC supported projects**

## Value added to SA economy

- R16 billion is estimated to have been added to the South African GDP.

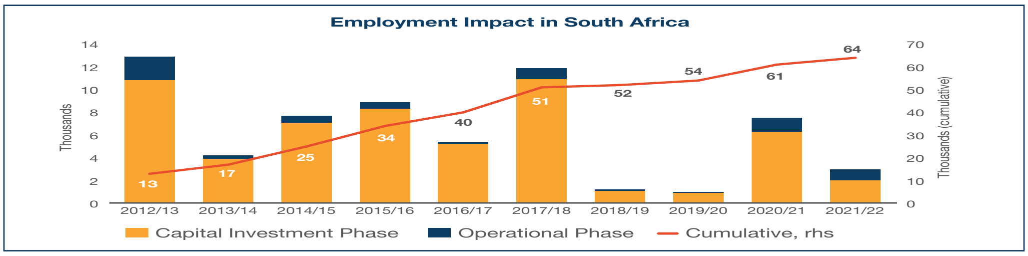



*Note: Results presented consider the Direct, Indirect and Induced impacts of ECIC's contribution*

**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 64 000 job opportunities in South Africa as a result of insured export transactions, over the past 10 years.

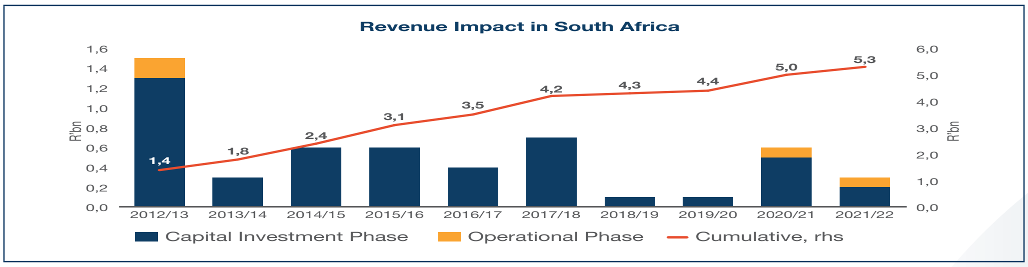



*Note: Results presented consider the Direct, Indirect and Induced impacts of ECIC's contribution*

**Figure 3: Employment Impact in South Africa**

## Revenue Impact in South Africa

- R 5.3 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***

I table the Annual Report for the ECIC for the financial year 2020/21.

During the period under review, the mandate of the Corporation expanded to cover capital and consumer goods with a strong focus on sectors covered by the various sector Master Plans.

As the recovery from the COVID-19 pandemic gains pace, I expect the ECIC to grow the value and diversity of export transactions supported, enabling South African companies to expand their market access beyond the SADC region and strengthen their participation in regional value chains.

I note that the ECIC, **the dtic,** IDC and NEF are working on the Export Passport Programme Cooperation Agreement. Through this Programme, ECIC will integrate its work with other **the dtic** entities and enhance the economic impact of its work through the execution of the joint key performance indicators, namely industrialisation; transformation; and promoting a capable and agile state. To ensure jobs-rich industrialisation, the Corporation must work in an integrated manner to implement the various industry Master Plans and promote local industrial capacity.

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

A special thanks to the previous CEO, Mr Kutoane Kutoane, for his service and dedication to the Corporation over a number of years.

**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 2022 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 sole 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 2021/22 financial period.

The Board approved the report on 29 July 2022 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 (Refer to pages 60-64)

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

Strategic Themes for the year;

Our external environment with an emphasis on outlook, products and pricing and research;

Legislative and regulatory developments, such as our compliance universe;

Emerging risks; and

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 78)

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 46-53)

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 68-71)

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 102)

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.

## ECIC legislation

We are engaging with **the dtic** on the amendment of the ECIC enabling legislation in order 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.

The ECIC mandate has been expanded to enhance its capacity to offer insurance facilities in support of intra-Africa trade, following the recent launch of the AfCFTA. On 31 May 2021, the Minister of Trade, Industry and Competition signed an updated agreement with the Corporation to enhance the support of South African businesses in key priority sectors, as African countries prepare for increased trade and industrialisation following the signing of the AfCFTA. The 2021/22 ECIC Strategic Plan approved in March 2021 was amended to take this into account and included cover for non-capital goods with a strong focus on the sectors that fall under the various master plans concluded by **the dtic** from time to time.

## Progress on ECIC expanded mandate

Two transactions were approved under the expanded mandate during the financial year:

1. ECIC/IDC Facility of $55 million
2. Robertson and Caine Working Capital Facility of R130 million

The Performance section on page 90 provides more detail on these transactions.

The 2022/23 ECIC research agenda has been aligned to **the dtic** industrial policy priority sectors.

The research reports will provide a comprehensive analysis of the issues at hand to guide policy and business recommendations in order to support government efforts to revive the national economy and support the objectives of the AfCFTA. The following topics have been selected for 2022/23:

1. Electro-technical sector
    a. South Africa has a well-established electrical manufacturing sector, relatively advanced skillset and is a strategic entry into Africa for multinationals.
    b. With a contribution to GDP of 12.5% and high growth potential, this is a key sector for stimulating South Africa's export growth and for its contribution to high value-added production.
    c. Some of the products serve as inputs in the energy sector which has a huge growth potential in Africa. Regional governments are looking to accelerate access to electricity and rising income levels will stimulate demand for consumer electronics.
2. Forestry sector
    a. The forestry sector links with several other **dtic** masterplans and acts as a catalyst for growth in several adjacent sectors such as building and construction, mining, and agro-processing. The sector has a high potential for job creation, increased exports and make an important contribution to the national balance of payments.
    b. With exports of R38 billion, the sector contributes 25% of South Africa's agricultural GDP, 4.5% of the manufacturing industry's output and employs 149 000 people.
    c. With exports tripling and providing a positive trade balance of up to R10 billion in less than a decade, there is a clear demand for forestry products driven by the growing consumer population in Africa, rising demand from residential buildings and construction, urbanisation and environmental concerns
3. Plastic sector
    a. South Africa has a well-developed and highly sophisticated chemicals sector, which produces basic inputs for many industries including the plastic industry.

b. Local availability of basic inputs has enabled the development of the plastic industry with a contribution to manufacturing and overall GDP of 14.5% and 1.9%, respectively.

c. Given its low barriers to entry and its labour intensity, the plastic sector is important for growth of small businesses and for creation of jobs.

### Economic and political outlook

Our portfolio relies on the ability of South African exporters and buyers to repay debt to banks or financial institutions. COVID-19 triggered the deepest global recession in decades, which disrupted markets and caused significant financial losses globally, the extent of which will only become quantifiable over time. While the ultimate outcome is still uncertain, the pandemic will result in contractions across the vast majority of emerging markets and developing economies and may do significant damage to productivity and output.

Engagements with the Prudential Authority, Afreximbank, local banks and exporters will be intensified to address any adverse impacts of sovereign credit rating downgrades and COVID-19 restrictions as these could adversely affect ECIC business. Further interventions are being devised within the context of AfCFTA.

Refer to the External Environment section on page 34 for more detail on the economic and political outlook of the Corporation.

### COVID-19

Although the future remains unpredictable, most of the vulnerable projects under the ECIC insurance portfolio have been restructured and we do not anticipate any further deterioration in the ECIC's insurance portfolio due to COVID-19 for the foreseeable future. Most of the projects have adjusted and put measures in place to deal with the COVID-19 pandemic and related restrictions. During the period under review the number of projects requiring payment deferrals and restructuring plans, were limited to four projects with no new cases reported to date.

By ensuring that these projects continue, the related SA content and associated jobs will still be realised.

### Stakeholder Surveys

During the 2022/23 financial year, the Corporation will be conducting 2 critical stakeholder surveys:

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

The CRIP Score provides information on the ECIC Brand, Reputation and Stakeholder Satisfaction while the recommendations received are used to direct the annual ECIC Stakeholder Engagement Plans as detailed in the Stakeholder section on pages 68 – 78. This survey is conducted every three years and reflects the outcome of the medium-term stakeholder engagements. The main objective of this survey is to establish ECIC's corporate reputation level, including brand equity and brand value as well as to gain insights on how to improve or leverage ECIC's corporate reputation in order to meet the business strategic objectives.

The Culture Entropy Score provides information on any degradation in the organisation culture of the Corporation while the recommendations received will be used to direct the bi-annual ECIC Culture Plan for 2023/24-2024/25. This is the first survey conducted by the Corporation and will be repeated every two years to reflect the outcome of the bi-annual ECIC Culture Plan.

## 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 Strategic Plan approved by the Board in January each year and considers the performance and stakeholder engagements of the first quarter of that Strategic Plan period.

# MESSAGE FROM THE CHAIRMAN

***Mr Dheven Dharmalingam***

I am delighted to present our 2022 Integrated Report, which not only sets out our results but also provides critical content about our strategy, governance and risk management processes. Our core purpose is to partner with *'South African exporters into the rest of Africa'* whilst delivering on our social compact to support manufacturing and job creation. We continue to invest in our people and product development to ensure that we deliver innovative development solutions, which drive the Corporation's vision to be a world-class export credit agency in facilitating South African export trade and investment globally.

The year under review continued to be challenging due to further out-breaks of COVID-19, certain major economies remaining in lock down, supply chain disruptions and global economic growth uncertainty. This drastically reduced new project approvals on the African Continent and placed some of the projects covered by our policies into further distress. Notwithstanding the poor economic conditions and the provisioning for a significant claim, ECIC delivered positive financial results. The ECIC has invested in several strategic initiatives that will bode well for the future policy portfolio growth and economic development impact. Our employees were resilient and adapted to the hybrid working challenges whilst ensuring a safe and healthy working environment.

War in Europe has derailed the post covid recovery and has exacerbated the global economic upheaval, highlighting the interdependencies that exist in the global connected world. This has and will continue to have a major negative impact on the rollout of new infrastructure investment programs on the African Continent. The risk of high energy prices and security of supplies remains high for both investors and consumers.

Government recovery strategies and investment plans in relation to the AfCFTA demonstrates its firm commitment to investing in exports and infrastructure as a means of driving economic recovery whilst promoting local industry and the industrialisation of the African continent. The ongoing global efforts for sustainability will hopefully start making a difference in our efforts to eradicate poverty and inequality.

## Governance and Ethical Culture

The planned Culture Entropy Survey in 2022/23 will further build and guide our strategic intent of having an energised , ethical, performance-based

Corporation that lives and is true to its stated values. The current year Employee Engagement Score of 77% and staff retention rate of 97% reflects positively on our objective of improving our employee value proposition which in turn ensures the sustainability of the Corporation.

Further, the Board has placed greater emphasis on succession planning within the Corporation, which is aligned with the Prudential Authority's of focus on this area in 2022. The strength and depth of the ECIC management teams was evident in recent engagement and submission to the Prudential Authority.

During the financial year, the CEO, COO and I met with some of our major South African domiciled Banking partners to source feedback on ECIC's value proposition and delivery to the industry. The overall feedback was very positive on the entity's performance and complimentary on the management team. The key request was for the ECIC to consider providing insurance cover in Euro currency, as this would improve the competitiveness of South Africa funded exports. The Corporate Reputation Index Performance (CRIP) Survey will be conducted in 2022/23 and this will lead to enhancements of our stakeholder engagements over the medium-term.

We are passionate about eradicating youth unemployment and teaching young people financial literacy skills to help them achieve their career goals. Our corporate social investment projects aim to enable the life aspirations and sustainable earning potential of disadvantaged young people in South Africa through employment programmes, job placement and access to income-generating opportunities. ECIC is committed to maintaining the highest standards of excellence in socio-economic development based on sustainable growth and transparency. Being an entity that supports South African exporters of goods and services is not only about creating value for our clients, but also for the countries where they live and where we operate from a socio-economic perspective. ECIC's corporate social responsibility, specifically the Enterprise and Supplier Development programme is aimed at creating meaningful and lasting benefits for the communities in which we operate – empowering and assisting them to build better lives for themselves and their families and as such we invest in projects that improve their social and financial circumstances.

## Social Mandate and Sustainability

The Corporation remains committed to contributing to broad-based value creation, specifically in job creation and will continue to contribute to the collaborative efforts with government, business, labour.

To this end, we are excited by the Minister's approval in expanding the mandate of the ECIC, effective May 2021, to include the "underwriting of non-capital goods exports" in order to further support South African exports trade. This approval led to initiation of the ECIC/IDC Trade Facility and the Robertson and Caine Working Capital Facility summarised below. As detailed on page 92 in the value adding highlights for 2021/22 section, the Corporation approved these two transactions under this expanded mandate.

### ECIC AND IDC TRADE FACILITY

This arrangement between ECIC and the IDC establishes an umbrella intra-Africa trade facility that enables effective collaboration in financing South African Exporters and the Buyers/Borrowers of South African products in pursuit of intra-African trade as envisaged under AfCFTA. This Facility is seen as a pilot programme by the two entities to coordinate efforts and programmes in driving higher levels of intra-Africa trade. Its successful uptake will pave the way for similar programmes with other registered entities. Lessons learnt will be incorporated over the rollout period.

### ROBERTSON AND CAINE WORKING CAPITAL FACILITY

The transaction entails the financing of a working capital facility for the manufacturing, supply and exporting of Catamarans. The ECIC cover of R130 million is expected to support SA content of R1,5 billion, translating to a significant catalytic effect.

As detailed on pages 91 – 95 in the value adding highlights for 2021/22 section, the Corporation approved two transactions under this expanded mandate.

The macroeconomic impact of the ECIC support scheme is measured through a socio-economic impact assessment (EIA) model. The assessment is conducted for both the construction and the operational phases of each export project. As reflected in our Economic Impact Assessment on page 5 (Figure 3: Employment Impact in South Africa), the Corporation has contributed to the generation and sustainability of an estimated 64 000 jobs over the past 10 years.

The Corporation has fully onboarded the Own Risk and Solvency Assessment ("ORSA"), a prudential requirement that embeds a culture of risk and solvency management, which regulates the governance and decision-making processes in the organisation. This provides the requisite comfort to the Board and all stakeholders that risks/policies underwritten by the Corporation are within our agreed risk appetite and our available capital resources.

## Appreciation

On behalf of the Board, a heartfelt thank you is extended to our former CEO, Mr Kutoane Kutoane for his valuable contribution to the ECIC over the past nine years. He played a significant role in embracing and embedding the best of class governance and risk management processes that have been recognised by the industry and will serve the organisation well into the future. Further, we thank our former Company Secretary, Charles Kgoale, for his valuable and professional contribution to the Board and the management team. We wish them all the best in their new chosen paths. Also, we are privileged and confident in placing the custodianship of ECIC to our COO Mr Mandisi Nkuhlu, who has agreed to be the Acting CEO in the interim.

In addition, we extend our gratitude and acknowledgement to the executive team and our staff for their dedication and commitment in delivering on the Corporation's mandate in a socially responsible and sustainable manner, notwithstanding the difficult challenges that have been implicit during this period.

We would also like to thank all our key Stakeholders for their sage advice and our clients for their continued belief and support of the Corporation in growing South Africa's exports and investments globally.

I would also like to thank the Minister of Trade, Industry and Competition and the ECIC Board for their valuable contribution, energy and commitment during the year under review.

## A future view

We need to accelerate in the development of the SMME portfolio, diversify risks to be more resilient and make headway in furthering the implementation of the AfCFTA.

Looking ahead, the African Continent will be held back by a lack of foreign direct investment and a global economy fully occupied in an energy war. The ECIC, with its Stakeholders would need to be innovative in developing smart funding strategies to support the funding vacuum that is sure to persist in the foreseeable future. Failure to do so will hurt the infrastructure rollout on the Continent with dire impact on job creation and the resulting inequality trap.

The expanded mandate of the Corporation represents a significant departure from the historical view on manufacturing that is tied to "capital goods" and will unlock ECIC support for a global and broader set of products and sectors within the new definition of "goods and services". ECIC is committed and well placed in collaboration with its Stakeholders to grow the export of the South African "goods and services" and take advantage of the opportunities in the global market created by COVID-19 and the War in Europe.

**Dheven Dharmalingam**

*Chairman*

29 July 2022

# OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

***Mandisi Nkuhlu***

2 July 2021 marked the 20th anniversary of the Corporation. A moving staff session with heart-warming reminiscences by those who have built the foundations of success for the Corporation truly displayed the pride that comes with being associated with the ECIC brand. As a modern and innovative state-owned Corporation with a history spanning 20 years, we have already overcome plenty of hurdles, achieved innovative milestones and always performed brilliantly. The AfCFTA, expanded mandate and strategic roadmap has helped us define the right strategy in the pursuit of further growth in shaping markets, building networks and creating an impact. We are very optimistic about the future.

The year 2022 started on a positive note with regard to lower COVID-19 infection and mortality rates. Approximately 65% of the global population had received at least one vaccination dose. Most developed economies had reached herd immunity, with more than 70% of their population being vaccinated. In Africa, only Mauritius and Seychelles had met the 70% target, whilst the majority of countries have not reached 10% of vaccinated-populace. Thus, the world economy entered 2022 with the prospect of a strong economic recovery.

Progress is observed since the implementation of the AfCFTA, specifically in terms of the number of countries which have ratified the Agreement and negotiations on rules of origin as well as tariffs which should apply on various products. Further developments have been made with the launch of the Pan African Payment and Settlement System (PAPSS). This is expected to play a critical role in promoting intra-African trade, as African countries would no longer need to use third party currencies during trade transactions among themselves. It is anticipated that the platform will save Africa more than $5 billion annually in payment transaction costs. The system is expected to facilitate payments, strengthen the African financial system, formalise, and accelerate trade, reduce its costs and time.

Following the events of 2022 which has been characterised by significant challenges, largely as a result of the ongoing negative economic impact of the coronavirus pandemic, global economic uncertainly, and European political upheaval amongst other matters, the Corporation was not without its successes and notable resilience in spite of these challenges. ECIC constantly stretches the boundaries to be a world-class export credit agency in facilitating South African export trade and investment globally.

## Highlights and significant developments

The year began with our previous CEO, Kutoane Kutoane, being honoured by CEO Today Magazine in London as the winner of the **CEO of the Year Africa Awards 2021.** A wonderful inspiration and reminder of this leader and our staff contributions towards our mission of being a world class export agency.

The new Addendum to the 2016 Agreement between the Minister and ECIC was signed during the first quarter to expand the transactions that are eligible for ECIC support. The Corporation managed to approve two transactions under this expanded mandate during the financial year.

The Corporation has also achieved a Level 1 B-BBEE score which is testament to the significant strides made by the Corporation in the pursuit of transformation. This together with the clean audit achieved demonstrates the strong corporate governance framework and the maturity of the control environment.

The Global Trade Review's UK based editorial team annually selects the market's Best Deals from the previous 12 months. The winning deals feature a mixture of trade, commodities, supply chain and export finance transactions. Proudly, ECIC was instrumental in two of the 14 winning deals in 2022 i.e. the Amandi Rail Project in Ghana and the Ghana Western Regional Hospitals.

The 2021/22 financial year was a challenging one for the Corporation and the South African economy alike. Sluggish economic growth contributed to a financial squeeze that is currently felt by society and the populace in every corner of the country. The Performance Section on page 90 details the strategic objectives that we were able to achieve and in certain areas overachieving our targets. Three of the twelve targets were not achieved due to:

1. Automation of 60% of the processes identified on the ECIC Business Process Automation Plan
   a. The ERP technical upgrade project sign-off was delayed due to outstanding issues in the financial management and asset management modules as at 31 March 2022. As a result, only 48% of the business processes were automated during the period.
2. Approval of $525 million worth of transactions
   a. The size of the deals approved were of a smaller size. Big ticket deals are fewer and have had a slow gestation period.
3. Achieve a 5% increase in equity
   a. 3% increase in equity was recorded which was below the 5% target and this is mainly attributable to the IBNR that was raised for the Liqhobong project.

As part of the website upgrade the Corporation has launched the premium calculator on the website which provides an indicative premium calculation to stakeholders in a simplified and user friendly process.

## Challenges

In line with the ECA practice globally, ECIC is engaging with **the dtic** to explore an amendment of the ECIC enabling legislation that will authorise ECIC to provide insurance cover to non-South African financial institutions. ECIC's ability to provide insurance cover to non-South African financial institutions would unlock additional funding capacity to buyers of South African exports at competitive rates.

The ECIC mandate has been expanded to widen its scope of intervention in facilitating intra-Africa trade and take advantage of the opportunities presented by the coming into effect of the African Continental Free Trade Agreement. The Corporation is working with the IDC and commercial banks to unlock the availability of short-term trade finance products in pursuit of Intra-Africa trade.

In the rapidly changing global business environment, driving change is never easy, nevertheless, we continuously strive to pursue excellence when delivering our products and services to our stakeholders.

## Stakeholder engagement

As a company built on success and tangible outputs; ECIC strongly pursues impactful outcomes working in close collaboration with our stakeholders. Current global conditions may seem bleak, however, the future outlook for the Corporation remains bright and is predicated on a solid foundation of leading with integrity and by fostering closer collaboration between the private and public sector role players in the export value chain and pooling together as South Africa Inc.

## Financial Performance

### PREMIUMS, CLAIMS AND UNDERWRITING PROFIT SUMMARY

### 2017/18 TO 2021/22 (R'000)

| | 2021/22 | % Movement 2021/22 | 2020/21 | 2019/20 | 2018/19 | 2017/18 |
|---|---|---|---|---|---|---|
| Insurance premium revenue | 196 290 | (72) | 701 331 | 213 930 | 154 278 | 886 948 |
| Net insurance revenue | 512 654 | (16) | 611 453 | 523 290 | 580 843 | 525 036 |
| Underwriting profit/ (loss) | (298 035) | (154) | 556 718 | 453 596 | 623 402 | 388 496 |
| Claims paid | - | - | - | (373 787) | (206 469) | (19 968) |
| Investment income | 297 453 | (64) | 822 981 | 122 549 | 320 224 | 259 570 |

### ASSET GROWTH

### 2017/18 TO 2021/22 (R'000)

| | 2021/22 | % Movement 2021/22 | 2020/21 | 2019/20 | 2018/19 | 2017/18 |
|---|---|---|---|---|---|---|
| Total financial assets (including cash and debtors) | 9 098 937 | 8 | 8 413 288 | 8 797 567 | 7 908 271 | 6 878 281 |
| Total assets | 10 136 431 | (1) | 10 204 214 | 10 784 073 | 9 734 640 | 8 652 052 |
| Total equity | 6 646 714 | 2 | 6 504 738 | 6 049 617 | 5 013 602 | 4 030 045 |

While the Corporation recorded an underwriting loss of R298 million, net cash generated from operating activities stood at R670 million. The underwriting loss is driven by an Incurred But Not Reported (IBNR) Reserve being raised on the Liqhobong project. Investment income reduced significantly as a result of market stabilization post the initial COVID-19 shock. The outlier income in 2020/2021 was attributable to the reversal of losses incurred during the onset of COVID-19 at the end of 2019/20. Despite the underwriting loss that has been recorded and the relative reduction in investment income, the Corporation achieved a net profit of R334 million.

The Financial Overview section on page 88 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 by **the dtic,** the Board, management and the employees of the Corporation. 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 the Minister and **the dtic** for their support in creating an enabling environment and expanded mandate that is conducive to our business growth and development.

I thank the Board and executive management for their wise and insightful guidance in steering the Corporation towards the delivery of excellent results and in building a high performance

organisation. Our previous CEO, Kutoane Kutoane's term as the Chief Executive Officer expired at the end of June. Let me take this opportunity to express our sincere gratitude to KK for his leadership and effective stewardship of the Corporation during his tenure as the CEO of ECIC. He succeeded in building a legacy of excellence that will be a springboard for an upward trajectory of success.

I would like to express my sincere gratitude to all our employees for their dedication and determination to achieve tangible and positive results, despite working remotely and in a more challenging operating environment. I am confident that our best years lie ahead and that together we will catapult the Corporation to greater heights of success.

**Mandisi Nkuhlu**
*Acting Chief Executive Officer*

29 July 2022

# 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.

### Our legislative and strategic operating environment

As a self-sustaining, limited liability company and registered financial services provider regulated by the FSCA and Prudential Authority (FSP No: 30656) and Schedule 3B entity under the Public Finance Management Act (PFMA), 1 of 1999 (as amended), Export Credit Insurance Corporation of South Africa SOC LTD (ECIC) is the official export credit agency (ECA) of the South African government, founded on 02 July 2001 in terms of the Export Credit and Foreign Investments Insurance Act 78 of 1957, as amended.

The Corporation operates under the auspices of the Department of Trade, Industry and Competition. The Corporation was established with a mandate of facilitating and encouraging South African export trade by underwriting bank loans and investments outside the country to enable South African contractors to win capital goods and services contracts in countries outside of South Africa.

The Corporation complies with the requirements of South Africa's legislative framework for corporate entities that ensure transparency, accountability and the sound management of revenue, expenditure, assets and liabilities in SOEs, as well as the Companies Act, 71 of 2008, that came into effect in 2011. The Corporation maintains all the governance structures and arrangements required by this Act and remains up-to-date on emerging legislation, standards and regulations that may affect its operations materially.

### Non-binding guidelines

The Corporation participates actively in the Berne Union (International Union of Credit and Investment Insurers), an international non-profit association and community of global export credit and investment insurers, and the Prague Club Committee within the Berne Union, an information exchange network for new and maturing export credit and investment insurers.

The Berne Union is guided by principles of ethical conduct that favour sustainability, sound business practice, environmental responsibility, transparency and cooperation.

### Influence of target economies

We use an internal country rating method to assess in country risk. We track country ratings through international credit agencies and liaise closely with the Department of International Relations and Cooperation (DIRCO) about political environments in countries where we carry, or plan to carry, risk.

## 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 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 large, long-term 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.

# VISION, MISSION AND VALUES

## VISION

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

## MISSION

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

## VALUES

The Corporation has five values being:

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

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

## ECIC Online

All information contained in our Integrated Report and Annual Financial Statements are published on our website [www.ecic.co.za](http://www.ecic.co.za).

# 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 | 2022 Country | 2021 | 2021 Country |
|---|---|---|---|---|
| | R'000 | rating | R000 | rating |
| Ghana | 7 414 960 | 4 | 6 760 661 | 4 |
| Iran | 5 080 130 | 5 | 6 676 605 | 5 |
| Mozambique | 1 307 638 | 5 | 5 045 139 | 5 |
| Zimbabwe | 3 568 063 | 7 | 3 172 022 | 7 |
| Malawi | 337 046 | 5 | 2 079 827 | 5 |
| Lesotho | 974 977 | 5 | 996 218 | 5 |
| Liberia | - | - | 573 743 | 6 |
| Uganda | 373 069 | 6 | 372 589 | 6 |
| Zambia | 60 561 | 5 | - | - |
| Ethiopia | 959 828 | 6 | 180 268 | 6 |
| Tanzania | 82 675 | 5 | 167 244 | 5 |
| Swaziland | 121 611 | 5 | 191 102 | 5 |
| Democratic Republic of Congo | 247 028 | 6 | 172 481 | 6 |
| Mauritius | - | - | 65 598 | 3 |
| Republic of Congo Brazaville | 48 304 | 6 | 49 527 | 6 |
| South Africa* | 117 000 | 4 | - | - |
| Cote d' Ivoire | 37 027 | 5 | 37 965 | 5 |
| Botswana | 29 260 | 3 | - | - |
| | **20 759 177** | | **26 540 989** | |

** 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.*

As at 31 March 2022, the total sum insured was R20,8 billion ($1,44 billion). This represents a decrease of 21,55% when compared to R26,5 billion ($1,78 billion) as at 31 March 2021. The movement in the total sum insured is largely influenced by the refinancing of Nacala loans and a reduction on investments insurance covering MTN and Zimborders. The effect of other loans cover expiring is set-off off by drawdowns.

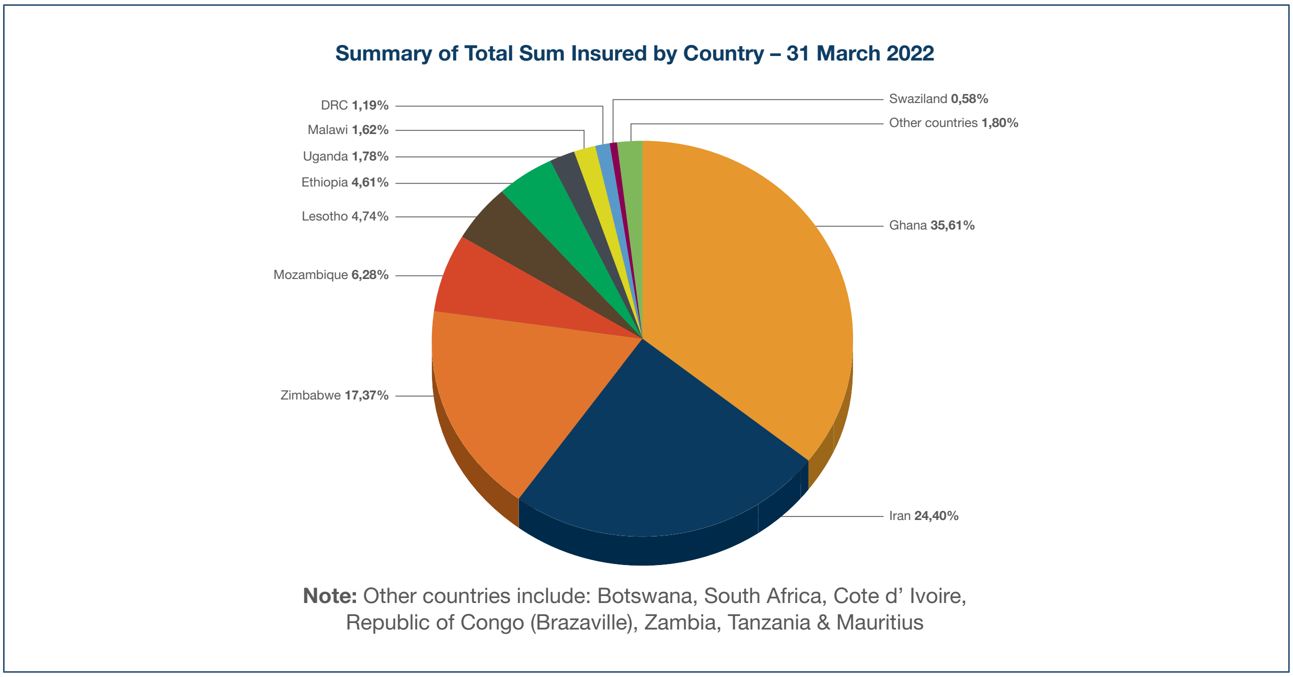



**Figure 5: Impact of sums insured by country**

The top 3 countries in the insurance portfolio are Ghana, Iran, and Zimbabwe at 35,61%, 24,40% and 17,37% respectively.

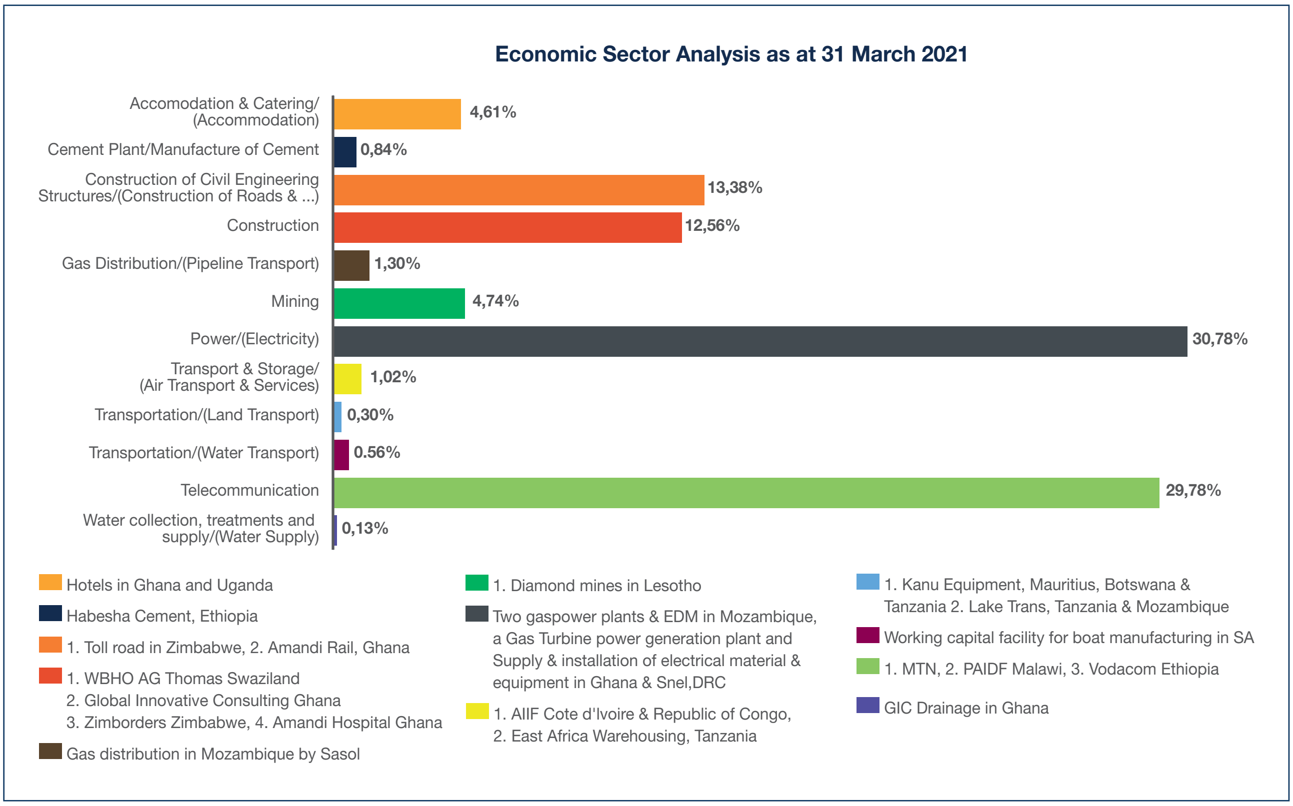


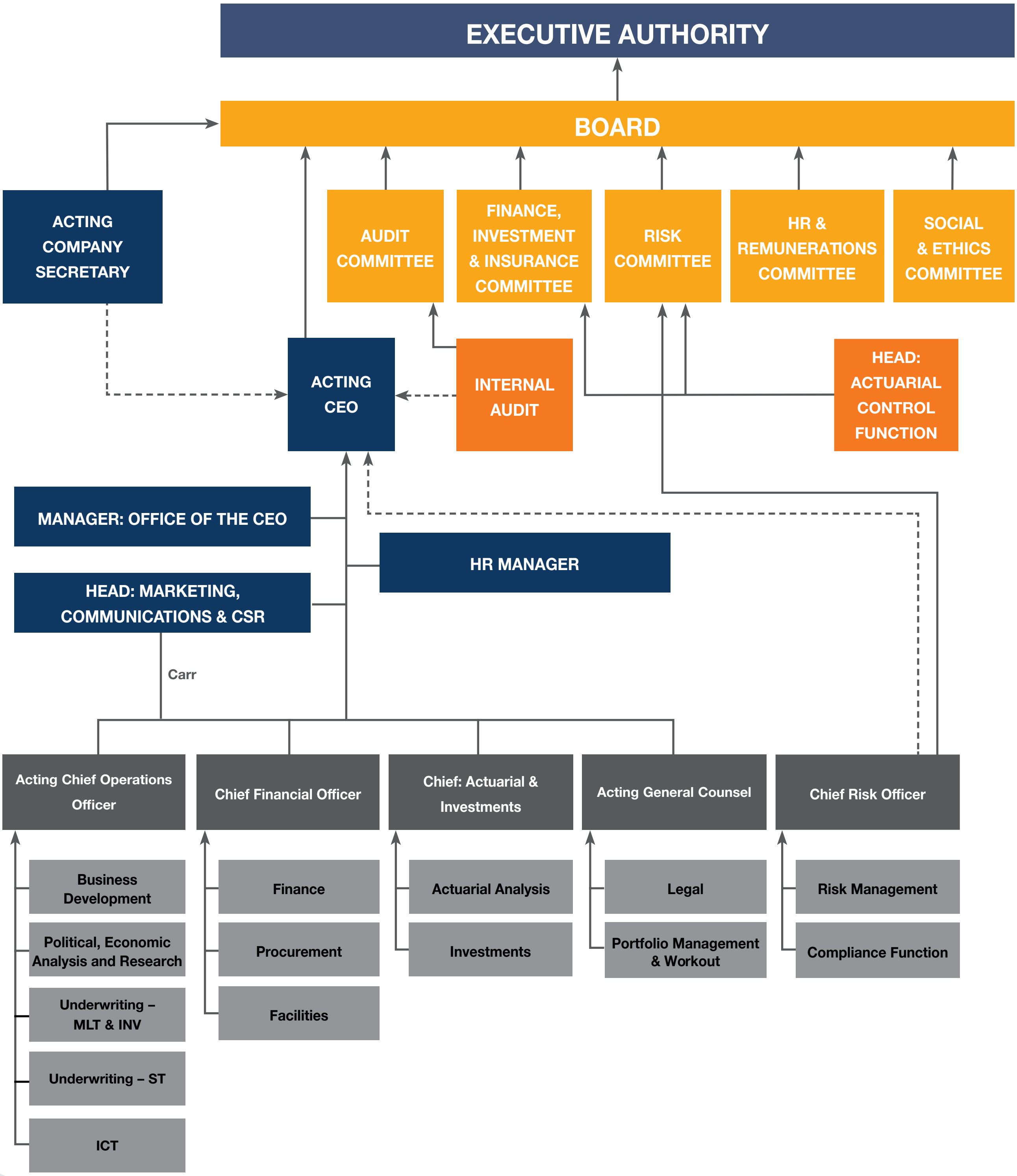

**Figure 6: Economic Sector Analysis**

The three largest sectors in the portfolio represent about 73,9% ($1,06 billion) of the total sum insured:

1. Power and energy (30,8%) at $442,8 million
2. Telecommunication (29,8%) at $428,5 million
3. Construction including civil engineering structures (13,4%) at $192,5 million.

# OWNERSHIP AND OPERATING STRUCTURE

## HIGH LEVEL ORGANISATIONAL STRUCTURE



# BOARD OF DIRECTORS

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

**Dheven Dharmalingam,** Chairperson

**Age:** 56

**Qualifications:** CA(SA), Member of the Institute of Directors

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

**Positions on other boards:** NED and Chairman of the Audit Committee for HBZ Bank SA Limited, Executive Director of Companies with personal investments

**Years of service:** 3 years

**Vuyelwa Matsiliza,** Independent Non-Executive Director

**Age:** 55

**Qualifications:** MBL, BA (Hons) (Economics) (Cum Laude), Secondary Teachers Diploma

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

**Position on other boards:** Board member at Chris Hani Development Agency (CHDA)

**Years of service:** 8 years

**Siobhain O'Mahony,** Independent Non-Executive Director

**Age:** 35

**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

**Position on other boards:** Member of the Enforcement Committee of the Information Regulator of South Africa, Executive Director of companies with personal investments

**Years of service:** 8 years

**Sisa Mayekiso**, Independent, Non-Executive Director

**Age:** 39

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

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

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

**Years of service:** 3 years

**Lerato Mothae,** Independent Non-Executive Director

**Age:** 45

**Qualifications:** CA(SA)

**Areas of expertise:** Auditing, Finance, Financial Management

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

**Years of service:** 3 years

**Deshni Subbiah,** Cert. Director 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, General Management (Distinction), Masters in Business Administration (MBA), Certificate in Investments from the Institute of Actuaries (UK)

**Areas of expertise:** Actuarial and Risk Management

**Position on other boards:** Land and Agricultural Development Bank of South Africa Life Insurance SOC Ltd, Land and Agricultural Development Bank of South Africa Insurance SOC Ltd

**Years of service:** 3 years

**Lerato Mataboge,** Non-Independent Non-Executive Director

**Age:** 43

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

**Areas of expertise:** Strategy, Trade and Investment

**Position on other boards:** None

**Years of service:** 3 years

**Errol Makhubela,** Non-Independent Non-Executive Director (National Treasury)

**Age:** 45

**Qualifications:** BCom Finance and Economics, Post graduate diploma in the 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 years

**Sinenhlanhla Thwala,** Acting Company Secretary

**Age:** 33

**Qualifications:** BA (Legal Studies & Political Science)

**Areas of expertise:** Corporate governance, secretarial administration

**Positions on other boards:** None

**Years of service:** 1 month

# EXECUTIVE MANAGEMENT

The Chief Executive Officer (CEO) is responsible for the Corporation's day-to-day operations and is supported by the Chief Operations Officer, Chief Financial Officer, Chief Risk Officer, Chief Actuarial and Investments and General Counsel. Various units report to the CEO and his executive team. With the exception of the CEO, who is on a three-year contract with a three-month notice period, all other executives are permanent employees who are required to give a month's notice when resigning.

Executives are not bound by a restraint of trade agreement when leaving the Corporation.

**Mandisi Nkuhlu,** Acting Chief Executive Officer

**Age:** 54

**Qualifications:** B. Juris, LLB, Management Advancement Programme, Executive Leadership Programme, Senior Executive Programme

**Areas of expertise:** Law and Finance

**Position on other boards:** None

**Years of service:** 15 years

**Noluthando Mkhathazo,** Chief Financial Officer

**Age:** 40

**Qualifications:** CA(SA), Management Advancement Programme

**Areas of expertise:** Finance, Auditing and Financial Management

**Position on other boards:** None

**Years of service:** 11 years

**John Omollo,** Chief Risk Officer

**Age:** 54

**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

**Position on other boards:** None

**Years of service:** 10 years

**Ntshengedzeni Gilbert Maphula,** Acting Chief Operations Officer

**Age:** 50

**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

**Position on other boards:** None

**Years of service:** 15 years

**Diane Naicker,** Acting General Counsel

**Age:** 44

**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:** 11 years

**Sias Esterhuizen,** Chief Actuarial & Investments

**Age:** 42

**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

**Position on other boards:** None

**Years of service:** 5 years

# EXTERNAL ENVIRONMENT

# EXTERNAL ENVIRONMENT

The severity of the COVID-19 pandemic has broadly subsided hence it is now less of a policy focus with very few countries like China still applying selective restrictions. However, the Ukrainian-Russian war continues to dent the world economy through multiple channels, with the impact being the most pronounced. The first half of 2022 has been dominated by tightening financial conditions across emerging economies. They are considered to be at their tightest levels since 2016 due to the lingering effects of the pandemic and the Russia-Ukraine conflict, resulting in a slowdown in the global economy, high inflation, heightened levels of uncertainty, rising interest rates, and increased risk aversion.

Policy rate increases in advanced economies have pushed up sovereign bond spreads in several countries, raising concerns about debt sustainability in a number of African countries. The risk of debt distress could further increase if inflationary pressures continue growing amid the multiple shocks facing the global economy, and if the US Fed continues to hike policy rates aggressively. This will drive spreads on sovereign bonds to rise even higher, especially in countries that are at risk of debt distress, as well as those with high exposure to exchange rate or interest rate risks. Emerging markets have experienced capital outflows of around $25 billion in the quarter ending June 2022, and remain vulnerable in the face of higher interest rates amid depreciating currencies. Global economic growth is projected to decline from 5.6% in 2021, averaging 3.4% over the next two years due to supply chain disruptions, persistent inflation and the impact of the Russia-Ukraine conflict.

US-China relations in the Biden-era have improved with convergence on some key issues while the two countries will continue to tread water on other matters of significance. Amidst criticism and objections, the US President is now contemplating the removal of tariffs on some Chinese goods in an effort to reduce the price of goods in the US and contain record-breaking inflation which has reached 9.1%. This will have replicative effects on the countries which import goods from the US.

The US dollar typically has an inverse relationship with commodity prices. A number of commodities such as base metals, precious metals and grains declined while the US dollar strengthened by 6.2% in the quarter to June. Gold prices are declining while the US Fed is forecast to hike interest rates in the coming quarter, which will put further downward pressure on gold prices.

The pandemic had delayed global summits and undermined the ability of leaders to act on issues that imperil global policy coordination. However, countries continued to relax travel restrictions in 2022 enabling international leaders to meet again. In June 2022, the World Trade Organisation (WTO) finally held its 12th Ministerial Conference after having been postponed twice due to COVID-19 restrictions. The Conference brought together government ministers from both developed and developing countries; reviewed the functioning of the multilateral trading system; and agreed on a package of key trade initiatives. African leaders also attend the World Economic Forum annual meeting in May 2022. The forum focused on several issues, including climate change; rising energy prices; global supply chain problems; gender inequality; and poverty. BRICS also held its Summit in June under the theme 'Foster High-quality BRICS Partnership, Usher in a New Era for Global Development.' Issues tabled included the adoption of a strategy on food security issues, expression of support by member states of talks between Russia and Ukraine as well as the peaceful resolution of Iranian nuclear talks and preservation of the JCPOA (Joint Comprehensive Plan of Action).

On the continent, Somalia held its presidential elections in May 2022, the first democratic election since 1969. The newly elected president has committed to complete the constitutional review process and urgently address security and drought issues. Addressing security issues in Somali is critical in restoring peace and ease of cross-border trade in the horn of Africa.

The rest of the continent remained generally stable in the last quarter except the instability caused by the M23 rebel movement in the East of the DR Congo. However, food security issues and rising inflationary pressure are likely to result in increased civil protests across the continent.

Some of the countries still to hold presidential elections in 2022 include Angola, Chad, Lesotho, and Sudan. There are less political challenges expected out of these elections.

The International Monetary Fund (IMF) established an eligibility criteria of the Common Framework for lower-middle income countries seeking debt treatment as a result of the COVID-19 pandemic.

It has called on creditors to finalise restructuring agreements with Chad, Zambia and Ethiopia in order to unlock financing for these countries, under the G20 common framework. Noteworthy, existing debt relief resolutions are deemed inadequate to bring down debt levels or reduce the vulnerabilities of countries with rising debt levels. The spiralling debt servicing costs necessitate implementation of medium to long term strategies and measures among countries in Sub-Saharan Africa that continuously find themselves in cycles of "debt traps."

Here at home, the economy grew by 1.9% in the first quarter of 2022, returning to pre-crisis levels, supported by increased demand for goods and services. In April, floods in Kwazulu-Natal took a toll on human livelihoods, infrastructure and economic growth. The province which relies mainly on tourism has a long road to recovery as it is still striving to address the effects of the riots and looting in 2021.

South Africa has not benefited from high commodity prices as year-to-date trade performance continues to be weak, due to the impact of higher oil prices which have outweighed net gains. In May 2022, South Africa's inflation accelerated to 6.5%, breaching the SARB's 3-6% target range, for the first time since the 2016 drought. The implementation of severe load-shedding continues to be persistent and severe, further slowing South Africa's recovery in 2022.

## Deal pipeline

Projects in the following sectors are in the ECIC deal pipeline and at different stages of assessment in the project cycle:

1. Mining – $995m;
2. Infrastructure – $397m;
3. Telecoms – $100m;
4. Oil and Gas – $100m.

These projects are under different internal evaluation stages and the Corporation will highlight the future contributions to **the dtic** AfCFTA Export Plan upon finalisation of the relevant ECIC approval processes.

# 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.

### 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** | • Underwriting Loss: R298 million (2021: Profit of R557 million)<br>• Net Investment income R297 million (2021: R823 million) | • Equity R6,6 billion (2021: R6,5 billion)<br>• Financial Assets at Fair Value R9,1 billion (2021: R8,4 billion) | • Uncertain macro-economic outlook<br>• Regulatory/ Legislative changes<br>• Recession in the US<br>• SA Credit Downgrade<br>• Competition | • Increase in equity: 3% (2021: 17%)<br>• Value of transactions approved: $250 million (2021: $894 million) | • ECIC is self-funded<br>• ECIC is financially stable<br>• Contributes to growth, development and transformation of South African exporters<br>• Reduced National Treasury contingent liability<br>• Increased shareholder value |
| **Human capital** | • Employee costs: R103 million (2021: R92 million)<br>• Training: R2,8 million (2021: R2,9 million) | • Staff complement: 83 (2021: 88) | • Insufficient capacity<br>• Insufficently skilled capacity | • Employee Engagement Score: 77% (2020: 67%) * Survey conducted every two years | • Strategic business objectives met<br>• Quality-rich and performance-driven organisational culture<br>• Retention of diverse talent<br>• Work-engaged employees |

| ECIC Value Creation Process | | | | | |
|---|---|---|---|---|---|
| | **Inputs** | **Outputs** | **Risks** | **Key performance indicator** | **Outcomes** |
| **Intellectual capital** | • Additions of computer software and models: R NIL (2021: R NIL)<br>• Amortisation/ Usage of computer software and models: R691 000 (2021: R868 000) | • Research reports on trade and investment opportunities<br>• Carrying value of intangible assets: R285 000 (2021: R1,1 billion) | • Business recovery<br>• ICT risk<br>• Regulatory/ Legislative changes | • Implementation of Business Process Automation Plan – 70% (2019: 70%) | • Improved knowledge of ECIC products and African markets<br>• Working environment conducive to delivering on mandate in light of Industry 4.0 |
| **Social and relationship capital** | • Socio-Economic Development: R14 million (2021: R26 million) | • Increased brand awareness<br>• Contribution to education and training<br>• Contribution to transformation<br>• Improved knowledge of ECIC products and African markets<br>• Claims paid R NIL (2021: R NIL) | • Competition<br>• Damage to reputation/ brand<br>• Negative social impacts that are linked to insured projects | • B-BBEE Level 1 (2021: Level 2)<br>• Employee Engagement Score: 77% (2020: 67%) * Survey conducted every two years | • Transformation and capacity building<br>• Protection from reputational damage<br>• Positive impact on skills shortage and job creation<br>• Relationship with key stakeholders improved<br>• Long-term sustainability<br>• Evolving business model to meet stakeholder needs |

| ECIC Value Creation Process | | | | | |
|---|---|---|---|---|---|
| | **Inputs** | **Outputs** | **Risks** | **Key performance indicator** | **Outcomes** |
| **Manufactured capital** | • Additions of property and equipment: R1,1 million (2021: R1 million)<br>• Depreciation/ Usage of property and equipment: R4 million (2021: R6,9 million) | • Carrying value of property and equipment: R2,7 million (2021: R6,3 million) | • Business recovery<br>• ICT risk<br>• Regulatory/ Legislative changes | • Implementation of Business Process<br>Automation Plan – 70% (2019: 70%) | • Working environment conducive to delivering on mandate in light of Industry 4.0 |
| **Natural capital** | • Cost of printing and stationery: R79 406 (2021: R165 870)<br>• Cost of water and electricity: R682 933 (2021: R145 120)<br>• Travel costs R335 190 (2021: R15 150)<br>• Financing projects that impact natural | • Zero fines/ penalties related to environmental impacts<br>• Insured projects comply with the World Bank<br>Equator Principles<br>• Monitoring of projects Environmental and Social Management Plans | • Business recovery<br>• ICT risk<br>• Regulatory/ Legislative changes | • Implementation of Business Process Automation Plan – 70% (2019: 70%) | • Working environment conducive to delivering on mandate in light of 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 5 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. Click here to view the document online.

## 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 **(prior to the conclusion of term of the executive director Mr Kutoane Kutoane, effective 30 June 2022),** 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. All directors jointly have a fiduciary duty to exercise due care, 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, strategic 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 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 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 legal oversight and regulatory 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** 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** 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 a year 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 10 times during the 2022 financial year, being on 30 April 2021, 28 May 2021 (special), 02 July 2021 (special), 30 July 2021, 30 August 2021, 09 September 2021 (Special), 28 October 2021, 12 November 2021 (Special), 27 January 2022, 24 March 2022 (Special).

**Table 1: Board members, committees and meeting attendance from 1 April 2021 to 31 March 2022**

| Board Members (Directors) | Board and Board Committee Meetings and Attendance | | | | | |
|---|---|---|---|---|---|---|
| | Board (10) | Audit (5) | Risk (4) | Finance & Investment (7) | HR & Remuneration (5) | Social & Ethics (3) |
| **Non-Executive Directors** | | | | | | |
| D Dharmalingam (Chair) | 10 | - | 4* | - | 5 | 3 |
| V Matsiliza | 10 | 5 | | 7 | 5 (C) | - |
| S O'Mahony | 9 | 5 | 4 (C) | - | 5 | - |
| S Mayekiso | 10 | 5 | | 7 (C) | 5 | - |
| L Mothae | 7 | 5 (C) | - | - | 5 | 3 |
| D Subbiah | 10 | - | 3 | 6 | - | 3 (C) |
| Shareholder representative: L Mataboge* | 5 | | | 0 | | |
| **Executive director** | | | | | | |
| K Kutoane | 10 | 4 | | | | 3 |

Notes to the table

(C) = Chairperson of Board Committee

* Shareholder (**the dtic**) representative

## 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 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 Chairman, Company Secretary, Board and committees were viewed as satisfactory. The CEO's performance is also reviewed annually by the Board and Executive team and feedback is provided by the Chairman. The Board, under the leadership of the Chairman, remains committed to the process, which has been embraced as a valued feedback mechanism.

The Board also proposed that the next Board evaluation, due to be conducted externally, should be complemented with face-to-face interviews to address identified shortcomings in the methodology used for previous evaluations.

## Information technology governance

The Audit Committee and Risk Committee monitor ICT governance by considering the efficacy of IT controls, policies and processes and their risk to financial reporting and the effectiveness of financial controls; and monitoring 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 Charters 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 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.

## 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 five (5) times during 2021/22 on 23 April 2021, 26 May 2021 (special), 26 July 2021, 25 October 2021, 26 January 2022. The committee operates in terms of a formal charter 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 on page 3 of this 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.

## Risk Committee

The Risk Committee is responsible for the risk identification, evaluation, monitoring and management.

The committee assists the Board by ensuring that risk management processes and controls effectively identifies and monitors key risks in an integrated and timely manner and are implemented appropriately. The committee supports the Board in discharging its ICT governance duties and oversees the implementation of new applicable regulatory developments, such as the Own Risk Self-Assessment (ORSA). 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 period under review on 22 April 2021, 22 July 2021, 21 October 2021 and 24 January 2022.

The committee activities in 2021/22 are as follows:

- 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 standard 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.

The committee believes that it discharged its obligations adequately during the year and that all material risks were identified, quantified and, where possible, mitigated.

## Finance, Investment and Insurance Committee

The Finance, Investment and Insurance Committee comprised of three independent non-executive directors and one non-independent non-executive director (**the dtic** representative). Meetings are also attended by the statutory actuary and investment managers on invitation.

The committee met seven (7) times during the year under review on 22 April 2021, 08 June 2021 (Special), 21 July 2021, 30 August 2021 (special) 19 October 2021, 20 January 2022 and 23 February 2022 (special).

### ACTIVITIES IN 2021/22

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.

## 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. FIve (5) meetings were held during the year on 13 April 2021, 16 July 2021, 23 August 2021 (special), 15 October 2021, 24 March (special).

## 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 Non-Executive Directors. The Committee considers Board and executive succession and determines the Board's induction and continuing development programme.

### ACTIVITIES IN 2021/22

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 2020/21 short-term incentive pay-outs;
- reviewing the Corporation's remuneration policies and monitoring their implementation and effectiveness;
- oversaw developing the year's human resources strategic plan;
- reviewing the performance of the CEO and members of the Executive Management Committee.

## 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). This report was presented at the Corporation's Annual General Meeting for the 2020/21 financial year. The committee met three (3) times during the year on 13 April 2021, 15 July 2021 and 13 October 2021.

## 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 2021/22

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 Responsibility function;
- 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 68-69 of this report)
    - marketing and communication initiatives (page 70 of this report)
    - CSR initiatives (page 82 of this report)
    - remedial actions for the improved occupational health and safety of employees and visitors.

## 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 2022/23

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.

## 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 EXCO secretary. The CEO co-opted the Head: Marketing, Communications and CSR; Head: Information Communication Technology; Head: Human Resources; and Manager in the CEO's office; and Senior Compliance Officer onto EXCO. The committee's five focus areas are administration, operations, projects, enterprise risk management and ICT.

## Activities in 2021/22

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 relationships;
- overseeing the effective management of ICT resources;
- approving Socio-economic development and funding for enterprise supplier development;
- projects monitoring progress against Corporate performance targets.

# REMUNERATION REPORT

## Report by the Chairperson: Human Resources & Remuneration Committee

I am pleased to present our Remuneration Report, which 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 financial year ending March 2022 continued to be a challenging year for the Corporation as the pandemic endured and worsened. The Corporation continued to provide support to its employees during this time. Employee safety was prioritised, and remote working continued for most of the financial year with hybrid working implemented in the last quarter.

A range of wellness interventions were delivered virtually and physically. ECIC employees also have access to a variety of counselling services provided by a qualified and independent wellness services provider.

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

- Considered the way of working, its benefits, and its significant challenges such as an impact felt in the culture of the organisation, as people lost connection with each other. This resulted in the Corporation implementing a hybrid work model. This new work model will strengthen the Corporation's employer value proposition, as the country moves beyond the pandemic.
- Considered the Employee Engagement Survey Results.
- Considered the chief executive and divisional executives performance contracts setting their remuneration.
- Considered and recommended the Remuneration Report for approval by the Board.
- Reviewed and approved the Corporation's Succession Planning.
- Considered and recommended adjusted salary increases for approval by the Board.
- Reviewed and approved the Corporation's Balanced Scorecard for 2023 financial year.
- Considered the performance of the Corporation, recognised, and rewarded eligible employees with adjusted short-term incentives.
- 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.
- Considered progress made on the implementation of the Employment Equity Plan; and
- Considered and approved the performance improvement plan.
- Obtained independent remuneration benchmark analysis from a range of survey providers.

## Business performance and the impact on remuneration

The Corporation was not spared from the effects of the COVID-19 pandemic and its negative impact on trade, finance, and investment during the review period. This resulted in the Corporation not achieving all its targets. During 2022, the Corporation had twelve targets to be achieved. The Corporation achieved nine of the twelve targets resulting in a weighted corporate performance score of 3.79 out of 5.00 compared to a score of 3.92 over the period that ended 31 March 2021.

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 Remunerations Committee assists the Board in ensuring that the Corporation remunerates fairly, responsibly, and transparently. Furthermore, it oversees the development and 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 Remunerations 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 Chairman provides feedback to the Board after each Committee meeting of key decisions and relevant discussions.

The Human Resources & Remuneration Committee had four meetings in 2021/22, with attendance set out in the table below.

**Table 2: Human Resources & Remuneration Committee attendance record, 2021/22**

| Members | Meeting Attended |
|---|---|
| Dheven Dharmalingam | 4/4 |
| Vuyelwa Matsiliza | 4/4 |
| Siobhain O'Mahony | 4/4 |
| Sisa Mayekiso | 4/4 |
| Lerato Mothae | 4/4 |

## 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 AGM annually. The shareholder considered and supported the remunerations policy and implementation report.

### KEY FOCUS AREAS FOR THE 2022/23 FY

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

- Continue to review remuneration practices and adjust as required.
- Ensuring the Remuneration Policy and 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.
- Deliberate focus on building skills to enable strategy implementation.
- Focus on retaining and attracting critical skills.
- Deliberate 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 Corporation is well-structured and has clear processes.

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

### 1. Remuneration Philosophy and Policy

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.

#### 2.1 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.

### 2.1.1 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 funds. It is set considering the size, scope, and complexity of the role, benchmarked to market. Remuneration is reviewed on an annual basis and increases take effect on 1 April each year. Annually, we conduct remuneration benchmarking to track market trends related to all employee levels.

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.

## Short-term incentives

The purpose of the short-term incentive scheme is to align the performance of employees with the goals of the Corporation and to motivate and reward employees who outperform the agreed performance hurdles.

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

### 2.2 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.

### 2.3 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).

### 2.4 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 2022 pertaining to the group's executive directors, prescribed officers, and the general workforce.

## 3.1 Total remuneration

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

**Table 3: Executive remuneration**

| 2022 R'000 | Basic salary | Bonus paid | Provident fund | Cell phone allowance | Acting allowance | Other benefits* | Total |
|---|---|---|---|---|---|---|---|
| K Kutoane – Chief Executive Officer (Director) | 3 925 | 1 538 | - | 44 | - | 76 | 5 584 |
| 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 Esterhuizen – Chief Actuarial & Investment | 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 | 2964 |
| | **15 712** | **6 088** | **1 570** | **209** | **0** | **687** | **24 266** |

| 2021 R'000 | Basic salary | Bonus paid | Provident fund | Cell phone allowance | Acting allowance | Other benefits* | Total |
|---|---|---|---|---|---|---|---|
| K Kutoane – Chief Executive Officer (Director) | 3 793 | 1 773 | - | 45 | - | 60 | 5 671 |
| C Kgoale – Company Secretary | 1 257 | 471 | 121 | 23 | - | 53 | 1 925 |
| M Nkuhlu – Chief Operations Officer | 2 415 | 1 070 | 232 | 30 | 40 | 216 | 4 003 |
| N Mkhathazo – Chief Financial Officer | 1 948 | 851 | 302 | 30 | - | 42 | 3 173 |
| S Esterhuizen – Chief Actuarial & Investment | 2 329 | 1 013 | 292 | 27 | - | 10 | 3 671 |
| N Maphula – General Counsel | 1 626 | 793 | 251 | 30 | - | 197 | 2 897 |
| J Omollo – Chief Risk Officer | 1 787 | 775 | 277 | 30 | - | 10 | 2 879 |
| | **15 155** | **6 746** | **1 475** | **215** | **40** | **588** | **24 219** |

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

The executive remuneration has been impacted by implementation of the new short term incentive (bonus) capping rules approved in the 2021 financial year.

## 3.2 Remuneration Amendments implemented

### 3.2.1 SHORT TERM INCENTIVES

There were no significant changes in policy from the previous reporting year. The Performance Linked Short Term Incentive Policy was reviewed for a greater alignment with the Remuneration Guide for State Owned Companies.

A formulaic determination of the STI pool for the 2022 financial year based on actual performance as compared to targets, created a pool of R20 172m. This pool was lesser the 2021 financial year pool due to changes in the capping rules. The 2021 STI pool was R25 985m.

### 3.2.2 SALARY INCREASES FOR 2022

The salary increase process for 2022 was concluded, providing an average increase of 3.8% across the Corporation. This process was informed by several factors, such as inflation and affordability. Increases of senior management remained lower than those of the general employees. This has been a deliberate approach in an endeavour to reduce income inequality.

### 3.3 DISCLOSURE OF DIRECTOR'S REMUNERATION

Payments to directors for the year ended 31 March 2022 for services rendered are as follows:

| | 2022<br>R'000 | 2020<br>R'000 |
|---|---|---|
| **Non-executive** | | |
| D Dharmalingam | 285 | 235 |
| S Mayekiso | 306 | 243 |
| S O'Mahony | 244 | 249 |
| V Matsiliza | 307 | 250 |
| L Mothae | 239 | 200 |
| D Subbiah | 273 | 219 |
| | **1 654** | **1 396** |

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

## 3.3 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 3-year fixed term contract and his notice period is 3 months.

The term of employment for Mr. Kutoane Obed Kutoane, the former CEO ended on the 30th of June 2022. The recruitment process for a new CEO is at an advanced stage and is expected to be completed in due course .

# STRATEGY

# STRATEGY

## THE PLANNING PROCESS

In developing the annual strategic plan, the Corporation considers the National Development Plan as the overarching programme that guides the government priorities of the current administration. There is therefore a link between the ECIC objectives/initiatives and the objectives and vision of the National Development Plan. Secondly, the priorities of **the dtic** are considered, to ensure that there is alignment between the ECIC objectives and **the dtic** priority areas.

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

This allowed management and the Board to take stock of the external operational and competitive environment to help the Corporation to position itself better to address the current and impending challenges that are lurking on the horizon.

This process has enabled the Corporation to develop programmes, performance targets and measurements in line with the SMART principles.

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

# STRATEGIC THEMES

## Stakeholder and customer engagement

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

## Grow the business

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

## Operational excellence

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

## Good governance and risk management

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

# STRATEGIC OBJECTIVES

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

## i. STAFF RETENTION AND EFFICIENCY

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

## ii. IMPROVE BUSINESS PROCESSES AND SYSTEMS

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

## iii. CONTRIBUTE TO TRADE FACILITATION

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

## iv. GOOD GOVERNANCE AND SOUND RISK MANAGEMENT PROCESSES

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

## v. INCREASE CAPITAL BASE

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

## vi. IMPROVE STAKEHOLDER SATISFACTION

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

# SWOT ANALYSIS

### Internal strengths and weaknesses

| Strengths | Weaknesses |
|---|---|
| • Open to cover African countries based on in-depth knowledge of the market<br>• Flexibility in underwriting terms (tenor, risk rating, etc.)<br>• Strong adherence to governance principles<br>• Skilled and competent workforce<br>• Government backing as a shareholder<br>• Peer recognition on large and complex projects<br>• Available underwriting capacity within risk appetite / Strong balance sheet and solvency position | • Predominantly manual processes<br>• Process inefficiency challenges<br>• Reliance on lumpy transactions |

### External opportunities and threats

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

The SWOT Analysis is used to identify strategic targets that address the weaknesses and threats, and take advantage of the strengths and opportunities. The activities in this regard are outlined in the Materiality, Stakeholder, Governance and Performance sections of this Report.

# ALIGNMENT TO GOVERNMENT PRIORITIES

The Corporation's objectives are developed based on the alignment of the ECIC mandate with Government priorities as represented by the Industrial Sector Master Plans, the National Development Plan (NDP), and South Africa's Economic Recovery and Reconstruction Plan.

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

ECIC will further contribute to this by introducing short-term insurance products and updating the eligibility

criteria for value added goods as we seek to support a larger portion of the export value chain. The Addendum to the 2016 Agreement between the Minister and the Corporation, to be effective from the beginning of the

2021/22 financial year, identifies sectors related to the various Industrial Sector Master Plans concluded by the

dtic from time to time as priority areas of focus. The Corporation's expanded sectoral coverage will enhance the ECIC contribution to the dtic AfCFTA Export Plan and to the direct and indirect creation of decent jobs, value addition and competitiveness in export markets.

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

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

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

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

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

The ECIC will be required to support the African Continental Free Trade Area (AfCFTA), particularly

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

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

# ECIC TIER-ONE STRATEGY MAP

**Customer/ Stakeholder**

- IMPROVE STAKEHOLDER SATISFACTION

**Finance**

- INCREASE CAPITAL BASE

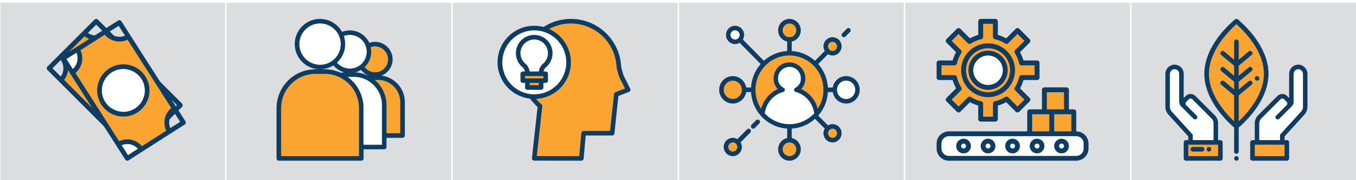
**Internal Process**

- IMPROVE BUSINESS PROCESSES AND SYSTEMS
- CONTRIBUTE TO TRADE FACILITATION
- GOOD GOVERNANCE AND SOUND RISK MANAGEMENT PRACTICES

**Organisational Capacity**

- STAFF RETENTION AND EFFICIENCY

| CAPITALS | | | | | |
|---|---|---|---|---|---|
| Financial | Human | Intellectual | Social and Relationship | Manufactured | Natural |



# 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 new market access and our business reach.

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;
- 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 above-mentioned management plans informs the annual review of the Stakeholder Management Framework and associated plans.

# STAKEHOLDER ENGAGEMENT PLAN 2021/22

<table>
<tr><th>Stake-holder Group</th><th>Purpose</th><th>Engagement Approach</th><th>Focus Area of Stakeholder Manage-ment Framework addressed</th><th>Progress dash-board</th><th>Outcome</th><th>Out-come</th></tr>
<tr><td rowspan="2">All</td><td rowspan="2">Keep stakeholders updated on important information about ECIC</td><td>Two Stakeholder Newsletters</td><td>2. Enhancing stakeholder engagement bulletins informing stakeholders of developments at ECIC, deals supported as well as portfolio analysis<br>3. Communication of successful projects<br>5. Improve transparency of communication and effectiveness of information sharing initiatives</td><td>☺</td><td>First newsletter finalised in Q1.<br>Second newsletter finalised in Q3.</td><td>Y</td></tr>
<tr><td>Host knowledge sharing sessions explaining several ECIC matters, including but not limited to:<br>1. ORSA Processes<br>2. Capital Allocation and Modelling<br>3. ECIC Strategic Thinking<br>4. Investment Processes<br>5. Trade Facilitation<br>6. SA Inc offering with regard to AfCFTA<br>7. Underwriting processes<br>8. Risk Appetite</td><td>1. Clearly delineating the factors impacting the execution of the ECIC mandate and address those within our control<br>5. Improve transparency of communication and effectiveness of information sharing initiatives<br>6. Identification of potential business opportunities<br>7. Management of risk</td><td>☺</td><td>The following were hosted in Q3:<br>1. CAI Engagement Session on 10 November 2021 -ORSA Processes, Capital Allocation and Modelling, and Investment Processes; and<br>2. CEO and COO Engagement Session on 30 November 2021 - ECIC developments in relation to AfCFTA, the expanded mandate and its impact on ECIC processes and trade facilitation.<br>The following was hosted in Q4:<br>1. February 2022 - An interactive discussion with the ECIC Chief Risk Officer and General Counsel on<br>Risk Appetite, Global trends that affect South African exports, and the Importance of ECIC policy and covered risks</td><td>Y</td></tr>
</table>

| Stakeholder Group | Purpose | Engagement Approach | Focus Area of Stakeholder Management Framework addressed | Progress dashboard | Outcome | Outcome |
|---|---|---|---|---|---|---|
| | Addressing matter from Stakeholder Survey regarding disagreements to the matter "people at ECIC act with integrity at all times" | Staff training on Workplace Ethics and awareness sessions on the Compliance and Ethics Policy | 8. Enabling reporting of unethical behaviour by ECIC representatives | ☺ | Whistleblowing and Ethics Policies Awareness Session held in March 2022. | Y |
| | | Inclusion of Tip-Offs Anonymous information on ECIC documents and communications | | ☺ | This has been implemented on the Stakeholder Newsletter from Q1. | Y |
| | | Discussion of possible integrity issues included in casual stakeholder engagements | | ☺ | Informal enquiries were made with stakeholders as to their knowledge of integrity issues at ECIC and no matters were brought up.<br>Follow ups were made on the integrity item with the service provider. 1 response out of 18 (6%) disagreed that ECIC disagreed that people at ECIC act with integrity at all times. We were not able to obtain more information on the response.<br>The Corporate Reputation Index Performance Score is an indication of the level of trust in ECIC. We will look to include a question/s on integrity for a wider response to the issue. | Y |
| **Parliament** | Respond to Parliamentary questions | Email communication | 5. Improve transparency of communication and effectiveness of information sharing initiatives | ☺ | PQ 1363 responded to on 21 May 2021.<br>PQ 2155 responded to on 16 September 2021.<br>PQ 201 responded to on 14 February 2022. | Y |
| **Portfolio Committee** | Provide information on Mandate, Strategy and Performance | Attendance of Portfolio Committee meeting and submission of required documents | 5. Improve transparency of communication and effectiveness of information sharing initiatives | ☹ | No attendance requested to-date. | N/A |
| **National Treasury** | Regular meetings with National Treasury ALM team | Two annual meetings held | 1. Clearly delineating the factors impacting the execution of the ECIC mandate and address those within our control<br>5. Improve transparency of communication and effectiveness of information sharing initiatives<br>7. Management of risk | ☺ | First meeting was held on 31 August 2021.<br>Both departments indicated that a second meeting, usually scheduled for February/March was not required. | Y |
| | Submit Quarterly Performance Report to the ALM Team | Email submission of reports | | ☺ | Q1 Report was submitted on 31 July 2021.<br>Q2 Report was submitted on 31 October 2021.<br>Q3 Report was submitted on 31 January 2022. | Y |

| Stake-holder Group | Purpose | Engagement Approach | Focus Area of Stakeholder Manage-ment Framework addressed | Progress dash-board | Outcome | Out-come |
|---|---|---|---|---|---|---|
| **the dtic** | Obtaining Ministerial sign-off for outstanding items | 1. Meetings with DG on progress<br>2. Updating Minister on progress | 1. Clearly delineating the factors impacting the execution of the ECIC mandate and address those within our control<br>5. Improve transparency of communication and effectiveness of information sharing initiatives<br>6. Identification of potential business opportunities<br>7. Management of risk | ☺ | Engagements and correspondence shared with the Minister's Office during Q1.<br>Meeting with DG held on 14 October 2021. List of documents for Minister's approval was submitted by COSEC and included as an attachment to the Q3 Performance Report. A meeting date is still outstanding.<br>Correspondence will continue in the new financial year. | Y |
| | Reporting on ECIC contribution to the achievement of **the dtic** Joint KPIs | 1. Specific inclusion in Quarterly Performance Reports | | ☺ | Q1 Report was submitted on 31 July 2021.<br>Q2 Report was submitted on 31 October 2021.<br>Q3 Report was submitted on 31 January 2022.<br>Several meetings were attended during the year with the Minister and relevant teams to discuss the JKPIs. Detailed submissions on the South African companies benefitting from ECIC was submitted as requested.<br>The JKPIs for 2022/23 have been revised following a meeting with the Minister, **the dtic** and its entities on 22 February 2022. The 2022/23 ECIC Strategic Plan has been updated to reflect this revision. | Y |
| | Contribution to **the dtic**<br>1) Capital Projects Feasibility Programme (CPFP) Adjudication Committee; and<br>2) Black Industrialists Scheme (BIS/BIFF) Adjudication Committee | Attendance of the meetings | | ☺ | ECIC is represented on the CPFP Adjudication Committee. ECIC attended all meetings called during the financial year.<br>ECIC is represented on the Black Industrialists Scheme (BIS) Adjudication Committee. ECIC attended all meetings called during the financial year.<br>Refer to **the dtic** 2021/22 Annual Incentive Report for the contributions of these Committees. | Y |

| Stake-holder Group | Purpose | Engagement Approach | Focus Area of Stakeholder Manage-ment Framework addressed | Progress dash-board | Outcome | Out-come |
|---|---|---|---|---|---|---|
| **Afrex-imbank** | Conversion of shareholding to Class A shares | Continuous engagements with relevant stakeholders when required | 5. Improve transparency of communication and effectiveness of information sharing initiatives<br>6. Identification of potential business opportunities | ☺ | Afreximbank sent a letter to the SA President on 19 June 2021 to request a meeting to discuss various matters including SA acceding to the Establishment Agreement of the Bank. National Treasury query on the matter on 1 July 2021 responded to on 2 July 2021.<br>After the finalisation of the AGM minutes Afreximbank sent a General Capital Increase letter to all shareholders requesting additional investments. To maintain its current equity percent ECIC would need to invest $44,6 million. The letter sets out 3 milestone dates for discounts on the investment.<br>A submission was be made to the October 2021 FIIC and Board meetings in this regard. It was resolved that ECIC would not participate in the General Capital Increase before the first deadline of 30 June 2022.<br>A further submission will be made to the July 2022 FIIC and Board meetings following the results of the Afreximbank equity valuation, and the dividend declaration should the AGM take place before that date. | Y |
| | Participation in Annual General Meeting | Voting on AGM items | | ☺ | Electronic voting form submitted on 28 June 2021 | Y |
| **Berne Union** | Attend or participate in the events of the Spring meetings and AGM | Attendance of both meetings | 5. Improve transparency of communication and effectiveness of information sharing initiatives<br>6. Identification of potential business opportunities<br>7. Management of risk | ☺ | Spring meeting attended virtually by ECIC representatives from 4-10 May 2021.<br>AGM attended virtually from 11-15 October 2021. | Y |

| Stake-holder Group | Purpose | Engagement Approach | Focus Area of Stakeholder Manage-ment Framework addressed | Progress dash-board | Outcome | Out-come |
|---|---|---|---|---|---|---|
| **BRICS ECAs** | Platform focusing on relevant cooperation opportunities, potential product harmonization as well as information sharing amongst the BRICS ECA's | Attendance of BRICS ECA CEO's Forum and Working Group | 1. Clearly delineating the factors impacting the execution of the ECIC mandate and address those within our control<br>3. Communication of successful projects<br>5. Improve transparency of communication and effectiveness of information sharing initiatives<br>6. Identification of potential business opportunities<br>7. Management of risk | ☹ | A date has not yet been scheduled for the meeting. | N/A |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Custom-ers** | ECIC Advocacy programme with South African Exporter CEOs | Host annual online CEO Engagement Session | 5. Improve transparency of communication and effectiveness of information sharing initiatives<br>6. Identification of potential business opportunities | ☺ | Event held on 30 November 2021 | Y |
| | Consultations with banks that support South African exporters | CEO engagements with individual banks | | ☺ | EXCO met with IDC and DBSA during Q1.<br>Board Chair, CEO and COO engaged with the SA banks during Q3.<br>EXCO and Management introductory session is planned with National Empowerment Fund on 5 April 2022. This will be in pursuance of the Export Passport Programme in the 2022/23 ECIC Strategic Plan. | Y |
| | Presentation of the Financial Results | CFO Engagement Session | 2. Enhancing stakeholder engagement bulletins informing stakeholders of developments at ECIC, deals supported as well as portfolio analysis<br>5. Improve transparency of communication and effectiveness of information sharing initiatives<br>7. Management of risk | ☺ | Event held on 6 October 2021. | Y |

| Stake-holder Group | Purpose | Engagement Approach | Focus Area of Stakeholder Manage-ment Framework addressed | Progress dash-board | Outcome | Out-come |
|---|---|---|---|---|---|---|
| **DIRCO** | Regular meetings with DIRCO | Establish interaction with first high-level meeting | 1. Clearly delineating the factors impacting the execution of the ECIC mandate and address those within our control<br>5. Improve transparency of communication and effectiveness of information sharing initiatives<br>6. Identification of potential business opportunities<br>7. Management of risk | ☺ | ECIC is a Working Committee member of the DIRCO Coordination Mechanism for Economic Diplomacy (COMED), the membership of which includes representatives from DIRCO, **the dtic**, DPE, Business Unity South Africa, Black Business Council, Business Leadership South Africa, National Treasury, IDC, DBSA, Banking Association of South Africa, and other SOEs identified by DPE.<br>The public launch was attended on 7 March 2022 and ECIC is expected to play a leading role in the Trade Working Group.<br>The first Working Committee meeting was scheduled for 22 March 2022, however, ECIC was the only attendee with DIRCO and the meeting was postponed to an as yet unscheduled date. | Y |
| **DPE** | Establish close relations and interaction with key SOE's reporting to DPE allowing us access to their business endeavours into Africa specifically | Attendance of Africa Steering Committee meetings | 5. Improve transparency of communication and effectiveness of information sharing initiatives<br>6. Identification of potential business opportunities | ☹ | DPE has not scheduled any meetings since the implementation of COVID-19 lockdowns.<br>Engagements with DPE and specific SOEs will continue through the DIRCO COMED and Business Development initiatives. | N/A |

| Stakeholder Group | Purpose | Engagement Approach | Focus Area of Stakeholder Management Framework addressed | Progress dashboard | Outcome | Outcome |
|---|---|---|---|---|---|---|
| **Employees** | Office space in compliance with COVID-19 regulations | Regular communication regarding COVID-19 measures | 1. Clearly delineating the factors impacting the execution of the ECIC mandate and address those within our control<br>2. Enhancing stakeholder engagement bulletins informing stakeholders of developments at ECIC, deals supported as well as portfolio analysis<br>5. Improve transparency of communication and effectiveness of information sharing initiatives<br>7. Management of risk | ☺ | Communication sent out regarding vaccine awareness and distribution of Pulse Oximeters to staff. Medical Aid companies presented to staff during Q1 on vaccination process.<br>A free COVID-19 Virtual Doctor has been made available to staff through Workforce Healthcare.<br>A staff workshop was held with Discovery on 27 July 2021 to provide information on the COVID-19 vaccination administrative process and the assistance provided to ECIC staff in this regard.<br>A further COVID-19 Vaccination Awareness Workshop was held on 29 October 2021. | Y |
| | Communication to staff on corporate affairs | Quarterly meeting with staff after Board meetings | | ☺ | A strategic planning discussion was held with all staff on 3 August 2021.<br>Further staff meetings were held on 10 September 2021, 1 October 2021, 14 December 2021. | Y |
| | Ensuring that staff have the same message to convey to various stakeholders | Internal Communique to staff for the Quarterly CEO Report and Performance Table | | ☺ | Quarterly CEO Report communiques were sent out to staff and Q3 CEO Report was presented to each Business Unit during Q4. | Y |
| | | Workshop on Integrated Report and Annual Financial Statements | | ☺ | CFO Engagement Session was held on 6 October 2021 with staff invited. | Y |
| | | Workshop on Strategic Plan | | ☺ | Manager in the Office of the CEO held sessions with each Business Unit in Q4 where the 2021 Integrated Report, 2022/23 Strategic Plan, and Q3 CEO Report were presented and discussed. | Y |

| Stake-holder Group | Purpose | Engagement Approach | Focus Area of Stakeholder Management Framework addressed | Progress dash-board | Outcome | Out-come |
|---|---|---|---|---|---|---|
| **Export Councils** | ECIC Advocacy programme with Export Councils<br>1. South African Electrotechnical Export Council<br>2. South African Capital Equipment Export Council<br>3. South African Boatbuilders Export Council<br>4. Rail Export Council<br>5. Pipe & Tube Export Council | Attendance of workshops and trade missions | 2. Enhancing stakeholder engagement bulletins informing stakeholders of developments at ECIC, deals supported as well as portfolio analysis<br>3. Communication of successful projects<br>5. Improve transparency of communication and effectiveness of information sharing initiatives<br>6. Identification of potential business opportunities | ☺ | The following events were attended during Q3:<br>• Africa Trade South Africa (ATSA) 01 October 2021<br>• TXF World Fair (Madrid, Spain) 19-20 October 2021<br>• Enlit Africa (previously called Africa Energy Week) 26 -28 October 2021<br>• Africa Transport Evolution 29-30 November 2021<br>• Manufacturing Indaba 22 -24 November 2021<br>• Intra-Africa Trade Fair 15-21 November 2021<br>The following events took place in Q4:<br>1. Africa Energy Indaba<br>2. GTR Africa<br>3. TXF Middle East & Africa: Export & Project Finance 2022 | Y |

| Stake-holder Group | Purpose | Engagement Approach | Focus Area of Stakeholder Management Framework addressed | Progress dash-board | Outcome | Out-come |
|---|---|---|---|---|---|---|
| **FSCA and PA** | Respond to questions on specific items related to Insurance Act | Emailed engagement and submission of requested documents.<br>Meetings should emails not be sufficient for proper understanding of requirements.<br>An annual meeting is held between PA and ECIC EXCO. | 1. Clearly delineating the factors impacting the execution of the ECIC mandate and address those within our control<br>2. Enhancing stakeholder engagement bulletins informing stakeholders of developments at ECIC, deals supported as well as portfolio analysis<br>5. Improve transparency of communication and effectiveness of information sharing initiatives<br>7. Management of risk | ☺ | The PA/FSCA was engaged during Q1 regarding the appointment of the internal auditors in 2020, 2019/20 B-BBEE Reporting, completion of a Climate Risk Survey, completion of Fit and Proper Assessments.<br>The PA/FSCA approved the ECIC submission of its ORSA for January each year. The 2021 ORSA was submitted in Q4.<br>Confirmation that the added goods from the expanded mandate fall under the ambit of the current licence has been received. | Y |
| | Annual engagement and any other engagement requested by PA | | | ☺ | Annual Market Risk meeting held with the PA on 31 May 2021.<br>The next meeting is planned for 29 April 2022. | Y |

| Stakeholder Group | Purpose | Engagement Approach | Focus Area of Stakeholder Management Framework addressed | Progress dashboard | Outcome | Outcome |
|---|---|---|---|---|---|---|
| **SACCI** | Engagement with SACCI on areas of possible collaboration:<br>1. Events calendar<br>2. ECIC staff contribution to SACCI Work Streams feeding into SA President<br>3. Challenges with Certificates of Origin<br>4. SACCI Export Guarantee instrument<br>5. SACCI Membership Rewards | Individual engagements with relevant ECIC management to be arranged. | 1. Clearly delineating the factors impacting the execution of the ECIC mandate and address those within our control<br>5. Improve transparency of communication and effectiveness of information sharing initiatives<br>6. Identification of potential business opportunities | ☺ | ECIC is represented on the SACCI Council with the first meeting attended on 6 May 2021.<br>Monthly meetings are scheduled with the SACCI Manager: Corporate Services to discuss the implementation of the identified possible areas of collaboration. ECIC involvement in Breakfasts with Ministers and Webinars is being looked at.<br>SACCI has regular webinars that are available for ECIC staff to attend. These have been shared with staff throughout the financial year when received.<br>A planning meeting for the 2022 calendar year was held on 15 February 2022. A further meeting will be held after the Marketing Plan is finalised.<br>A Ministerial lunch or webinar with SACCI members on the expanded mandate has been requested by SACCI and will be explored in the new financial year. | Y |
| **World Economic Forum** | Attend and participate in relevant activities of the forum | Attendance of relevant meetings and participation in collaborative initiatives | 1. Clearly delineating the factors impacting the execution of the ECIC mandate and address those within our control<br>5. Improve transparency of communication and effectiveness of information sharing initiatives<br>6. Identification of potential business opportunities | ☺ | The ECIC CEO is a member of the WEF Regional Action Group for Africa (RAGA), with the Manager: Office of the CEO acting as the Sherpa on the Working Group. Meetings are attended when scheduled. The last meetings took place in March 2021.<br>Under the RAGA Digital Transformation for Long-Term Growth workstream, ECIC contributed to the WEF white paper titled “Financing the Future of Energy for Africa” through the PEAR division. The white paper was published in September 2021.<br>Planning meeting was held with the WEF Business Engagement Specialist for ECIC on 28 March 2022 and several opportunities for ECIC participation in public engagements and further research projects were identified. This partnership agreement expires on 30 April 2023, and forms part of the strategic partnership paper. | Y |

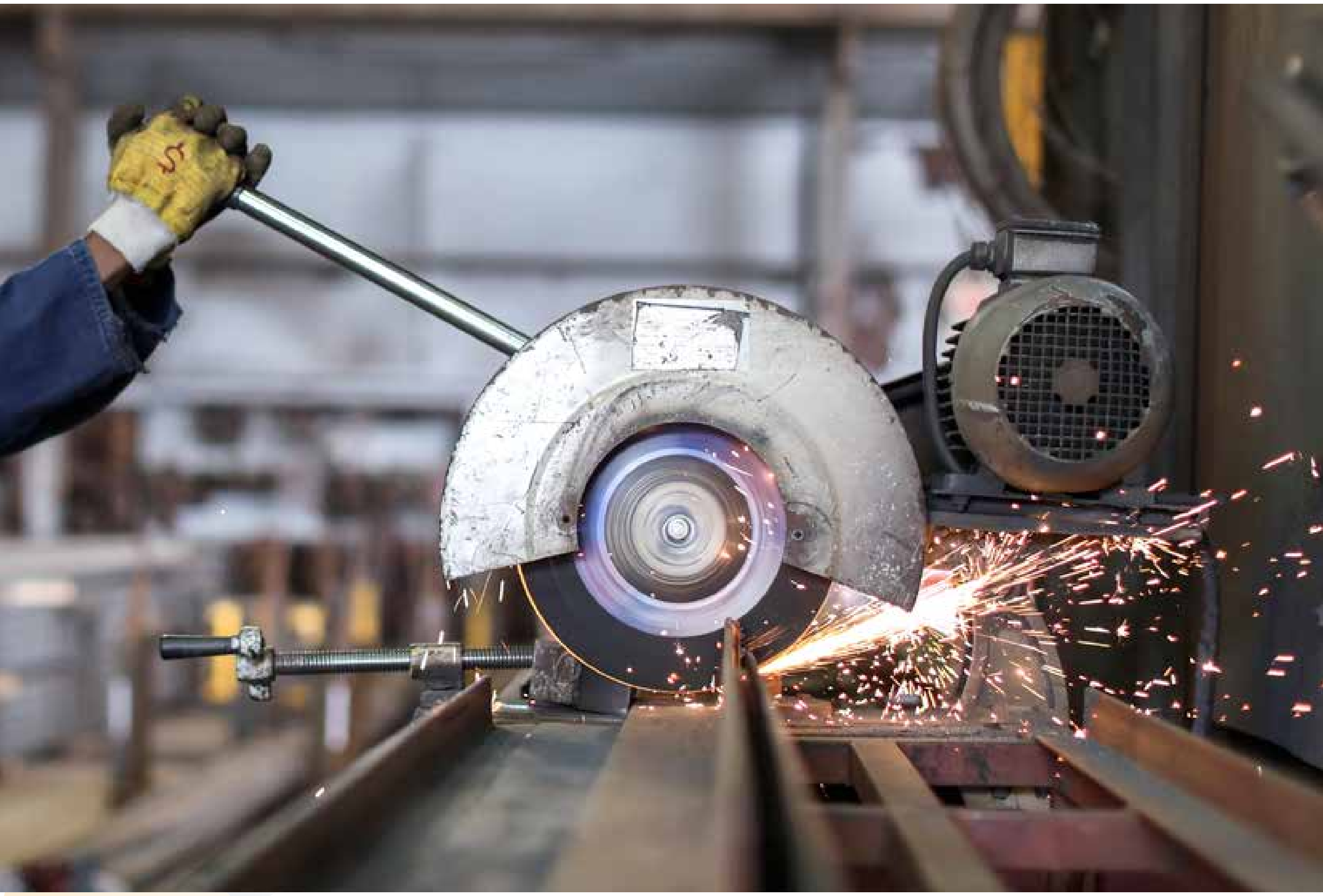
| Stake-holder Group | Purpose | Engagement Approach | Focus Area of Stakeholder Manage-ment Framework addressed | Progress dash-board | Outcome | Out-come |
|---|---|---|---|---|---|---|
| **Other ECIC mem-berships** | Strategic partnerships | Attendance of presentations/ workshops when invited.<br><br>Cost-benefit analysis done for any identified membership. | 1. Clearly delineating the factors impacting the execution of the ECIC mandate and address those within our control<br><br>5. Improve transparency of communication and effectiveness of information sharing initiatives<br><br>6. Identification of potential business opportunities | ☺ | A paper was requested detailing why specific partnerships were undertaken and what is the value proposition for ECIC. This paper is included in the April SEC and Board meeting packs. The discussions at those meetings will determine the types of partnerships that will be sought. | Y |

☺ *Initiative implemented / partially implemented and on track*

😐 *Initiative not yet implemented / partially implemented but full implementation delayed*

☹ *Concern on implementation of initiative / Initiative will not be implemented*

| | | | | | |
|---|---|---|---|---|---|
| **Number of engagement initiatives (# of faces LESS "N/A")** | | 29 | | | |
| **Number of engagement initiatives implemented** | Y | 29 | 100.0% | ☺ | 90.6% |



# MARKETING AND COMMUNICATIONS PLAN

The Marketing and Communications Plan involves the development and on-going implementation of various initiatives showcasing ECIC thought leadership and capabilities through various digital platforms and media channels.

## The implementation of the plan included:

### MEDIA AND ADVERTISING CAMPAIGNS

- The international campaign with a focus on Intra-Africa trade themed "Providing credit support for buyers of South African goods and services" continued throughout the financial year allowing ECIC to implement both local and international campaigns with a specific focus on the Africa Continental Free Trade Area (AfCFTA).
- Completion of the ECIC ECA Calculator accessed via the website;
- Print media campaigns consisting of written content covering ECIC projects themed "Successfully growing our Portfolio in Frontier Markets" which was featured in various publications as well as digital platforms;
- Media interviews under the topics:
  - The role of ECIC and how we assist manufacturers and collaborate with stakeholders;
  - Leaders in Export Finance: A look behind the data
  - Southern Africa – Where do the opportunities lie?
  - ECIC on the AfCFTA and operations in the DRC and Ethiopia
- Manage the development, coordinating, conceptualization, writing and editing of the internal and external newsletters, as well as various other internal communications that are disseminated to employees
- Use of NEWSCLIP media monitoring to track and monitor ECIC online and traditional media from one platform; and
- ECIC participated in the following events during the 2021/22 financial year:
  - TXF Africa
  - TXF World Fair
  - Infrastructure Africa
  - TXF Global
  - Enlit Africa
  - Dubai Expo
  - Intra-African Trade Fair 2021 (IATF)
  - Manufacturing Indaba
  - Transport Evolution Africa 2021
  - Africa Energy Indaba
  - GTR Africa
  - TXF Middle East & Africa: Export & Project Finance 2022

### ECIC 20-YEAR ANNIVERSARY CAMPAIGN

During the financial year the Corporation embarked on various initiatives around the 20th Anniversary Campaign, running from May to December 2021. The campaign consisted of a plethora of memorabilia including a 'Did you Know teaser campaign,' reflecting on the past 20 years communicated weekly in June 2021 as a build up to the 20th anniversary event that took place on the 2 July 2021. Further to that the ECIC embarked on various communications initiatives to build momentum both internally and externally in celebration of this milestone. The Corporation concluded the 20th anniversary campaign in December 2021 with the design of a special edition Digital Magazine and Stakeholder Newsletter to commemorate a rear-view mirror and reflected on the entity's achievements and economic impact over the 20 years. Click here to view the magazine online.

# INVESTING IN OUR PEOPLE

Talent management is a key strategic business matter and is designed to ensure we recruit, appoint, retain and develop the most talented employees available in the job market. We collaborate with our employees to help them realise their worth. We are committed to providing a stimulating work environment and development opportunities. Learning and development are prioritised in our human capital strategy, which is designed to drive internal career advancement.

During the period under review, we implemented a hybrid work model and continued to review our people and organisational practices to support the evolving world of work and enhance engagement and productivity.

**Table 4: Investing in People**

| | 2021/22 | 2020/21 |
|---|---|---|
| Number of full-time permanent employees | 87 | 88 |
| Salaries and benefits (Rm) | R79,230 million | R75, 384 million |
| Women representation in Executive Committee (%) | 17% | 17% |
| 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 manage the growth of the workforce, in alignment with its cost structure. During the reporting period, staff complement consisted of 87 employees (2021: 88) including those on fixed-term contracts and graduate trainees.

The Corporation regards diversity and inclusion as an imperative and, as such, 51% of all employees are male and 49% are female, while the percentage of people with disabilities remained constant at 2.4%. The Corporation continuously strives to ensure that the employee profile is representative of the broader society.

## Employee attrition and retention

During the period under review, the voluntary turnover rate was 3% (2021:8%) and is within the tolerable rate of 15%. The Corporation achieved a retention rate of 97% (2021:92%) 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% for the foreseeable future.

## Employee development

The Corporation is committed to growing and developing its employees to their full potential, investing R 3 million in 2022. Employees completed planned training resulting in 843 online courses completed via the e-learning platform. By encouraging employee skills development, we can encourage employees to seize opportunities to transition into new targeted roles, thereby ensuring that the Corporation's employees have the requisite skills in an ever-changing world.

## Learnerships

The Corporation implemented a learnership programme with 8 learners living with disabilities during the period under review. The comparative number of learners in 2021 was 5.

## Employee Wellness

Employee wellness remains a priority. During the past year, the Corporation implemented its Employee Wellness Programme (EWP) through Workforce Healthcare, a wellness provider. Wellness days were implemented for early and proactive management of health conditions.

## Employee Engagement

During the year under review, we conducted an employee engagement survey. An employee engagement score of 77% was achieved. The engagement score showed an improvement when compared to the 2019 score of 67%. An employee engagement plan with various actions in response to the results will be implemented

## Graduate programme

The Corporation's graduate programmes has a strong focus on building a strong succession pipeline for core, critical and scarce roles in areas such as underwriting and investments. In 2021, our graduate programme had an intake of 6 graduates. The programme comprises individualised learning programmes and accelerated work experience.

## Looking Ahead

The Corporation will continue with its efforts to keep its employees safe, healthy and productive as the pandemic runs its course. Special emphasis will be placed on employee wellness, employee engagement, performance and reward strategies to drive the right behaviours and business outcomes.

# RISK MANAGEMENT

# RISK MANAGEMENT

## Risk framework

The Corporation's risk framework is predicated on the need to manage existing and emerging risks prudently and ensure business sustainability and compliance with applicable laws and regulations. Typical risks for an export credit agency (ECA) emanate predominantly from counterparties in foreign jurisdictions, while the holders of the Corporation's policies are currently domiciled in South Africa. As part of its "no surprises" approach to risk management, the Corporation scans the global environment continually using macroeconomic variables as early warning signals to identify and proactively manage potential risks. The Corporation's risk management framework aligns business and operational procedures and processes with Board-approved policies. This ensures that risks being assumed are well understood and allows the Corporation to operate in a sustainable manner that protect policy holders and support incremental South African exports. The Corporation has fully adopted the regulatory requirements stipulated by the Prudential Authority in the governance and operational standards for insurers.

## ECIC Board risk oversight

The Board delegated the responsibility for the continued effectiveness of the risk management system to the Risk Committee. The Board also adopted the combined or integrated assurance model that has strengthened coordination and collaboration across the three lines of defence.

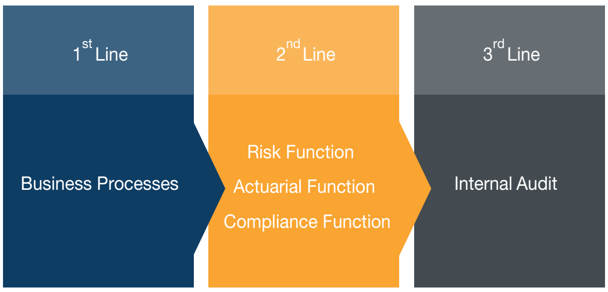



**Figure 7: Integrated Assurance Model**

## Risk management

The Corporation's business elicits varied risk types that are broadly encapsulated into four streams.

### 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 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 coming from multilateral institutions. 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 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 combines leading and lagging key risk indicators (KRIs) to manage operational risks proactively. Following the outbreak of the pandemic, the Corporation activated its Business Continuity Management that saw 100 percent achievement for remote work from home. Stringent on-site hygiene regime was put in place to protect all persons accessing the Corporation's offices for work or visits.

Access to the office premises remain limited to those unable to work remotely for various reasons and prior authorisation is sought in such instances.

## 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 |
|---|---|---|
| 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 |
| 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. |
| Country concentration risk | The maximum combined loss (gross of claim salvages) of a single event from exposures in a single country. | $733 million loss ($330 million loss net of salvages)[1] |
| Industry concentration risk | The maximum combined loss (gross of claim salvages) of a single event from exposures in an industry. | $733 million loss ($330million loss net of salvages) |
| Obligor concentration risk | The maximum loss (gross of claim salvages) of a single obligor/project. | $330 million loss (at a 100% LGD)[2] |
| Protect Reputation and Brand | The Corporation will manage or avoid situation / actions that could have a negative effect on its reputation and brand | N/A |

[1] *The claim salvages are assumed to be 55% i.e., 45% LGD as per as per the highest expected for securitised investment insurance transactions.*

[2] *Should an exposure be considered to be underwritten above this limit, a lower LGD must be justified.*

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. The pandemic containment measures instigated multi-pronged effects on both the demand and supply side. On the supply side, resources were allocated to procurement of medical supplies and protective personal equipment initially, and later to vaccine research and development. Manufacturing capacity was curtailed by pandemic containment measures such as social distancing amongst others. Whilst effects such as chip shortage curtailing output in the auto-sector, far reaching ramifications will be felt by governments who have ramped up debt to fight the pandemic. The demand side have also been curtailed by containment measures in sectors such as hospitality and travel. This confluence of supply and demand curtailment pose an ongoing risk to the Corporation's deal pipeline in the medium-term. The effects of the sovereign credit downgrade and subsequent downward notching have the effect of increasing the cost of hard currency borrowing by South African banks, resulting in comparatively expensive ECA wrap solutions from South Africa.

Click on the link below to access the 2021/22 Risk Register:

Corporate Risk Register

## OUTLOOK / FUTURE PLANS

The Corporation has a new strategic objective to embed sound risk management practices to ensure a self-sustainable Corporation that transacts within risk appetite limits.

In the next five years we aim to pursue good governance and sound risk management practices. This programme will include:

- Maintaining healthy financial, risk and portfolio management ratios

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

- No breaches on risk appetite limits over the 5-year period (excluding legacy breaches prior to 1 April 2022); and
- Achievement of desired risk maturity levels by 31 March 2025.

# PERFORMANCE

# 2021/22 PERFORMANCE REPORT

| Output | Performance Measure or Indicator | 2021-22 Annual Target | Actual Achievement 2021-2022 | Reason for Variance |
|---|---|---|---|---|
| **STAFF RETENTION AND EFFICIENCY** | | | | |
| Retention of staff | % staff retained | Retain 85% of staff | **Target achieved.**<br>97% staff retained. | N/A |
| Staff efficiency | Employee cost to earned premium (3-year average) | Ratio not greater than 22% | **Target achieved.**<br>13% staff efficiency ratio. | N/A |
| **IMPROVE BUSINESS PROCESSES AND SYSTEMS** | | | | |
| Tracking of cost to income ratio on an annual basis | Cost to income ratio | Cost to income ratio not exceeding 32% | **Target achieved.**<br>The cost to income ratio of 23%. | N/A |
| Automation of business processes | % of business processes automated | 60% of business processes automated | **Target not achieved.**<br>48% (22 of 46) of business processes automated. | The ERP technical upgrade project sign-off was delayed due to outstanding issues in the financial management module as at 31 March 2022. As a result, only 48% of the business processes could be acknowledged as automated during the period. |
| **CONTRIBUTE TO TRADE FACILITATION** | | | | |
| Facilitation of exports and cross border investments | Value of approved transactions | USD525 million | **Target not achieved.**<br>6 transactions to the equivalent value of USD249,86 million approved to date:<br>1. Amandi Hospital (Ghana) €24,22 million / USD29,48 million<br>2. Socapursel (Cameroon) R43,11 million / USD2,95 million<br>3 Vodacom (Ethiopia) USD121,46 million<br>4. Vamed Hospital (Angola) €28,63 million / USD32,47 million<br>5. ECIC-IDC intra-Africa Facility USD55 million<br>6. Robertson & Caine Working Capital Facility R130 million / USD 8,51 million | The size of the deals approved were of a smaller size. Big ticket deals are fewer and have had a slow gestation period. |
| | Number of approved transactions | 4 deals approved | **Target achieved.**<br>4 deals approved. | N/A |
| | Approved transactions within expanded sectoral coverage | 1 transaction | **Target achieved.**<br>2 transactions approved. | N/A |
| **GOOD GOVERNANCE AND SOUND RISK MANAGEMENT PRACTICES** | | | | |
| Good governance and sound risk management practices | Maintain B-BBEE Score | Level 1 | The B-BBEE verification will take place after the completion of the 2021/22 external audit.<br>The score per the ECIC B-BBEE Tool indicates that a Level 1 has been achieved. | N/A |
| | Maintain healthy Economic Capital (EC) and regulatory Solvency Capital Requirement (SCR) cover ratios | EC Ratio > 120%<br>SCR Ratio > 130% | **Target achieved.**<br>EC Ratio of 229%<br>SCR Ratio of 279% | N/A |
| | Maintain a healthy Claims Loss Ratio | Below 50% | **Target achieved.**<br>Claims Loss Ratio of 32%. | N/A |
| **INCREASE CAPITAL BASE** | | | | |
| Increase in capital base | % increase in equity (excluding foreign exchange movements and related tax) | 5% increase in equity | **Target not achieved.**<br>3% increase in equity. | This is mainly attributable to the IBNR raised for the Liqhobong project |
| **IMPROVE STAKEHOLDER SATISFACTION** | | | | |
| Improve employee engagement score | Employee engagement score | Employee engagement score of 68% | Target achieved<br>Employee engagement score of 76,6% (3.83 out of a rating of 5). | N/A |

** The performance of this target is based on the South African Functional Currency financial statements in Note 40 on pages 76-77 of the Annual Financial Statements.*

# VALUE ADDING HIGHLIGHTS FOR 2021/22

On 2 July 2021, the ECIC celebrated its 20-year anniversary. The ECIC CEO, Kutoane Kutoane, was honoured during the first quarter by CEO Today Magazine as the winner of the **CEO of the Year Africa Awards 2021.**

The ECIC achieved a Level 1 B-BBEE Score. This is the second time that ECIC has achieved Level 1.

## PROJECTS SUPPORTED

Aligned to the ECIC mandate of making SA exporters attractive to international buyers, the Corporation approved 6 transactions to the value of $249,86 million during the financial year. 2 transactions relate to the expanded mandate which commenced on 31 May 2021.

### Amandi Hospital Ghana (€24,3 million)

This project is a spin-off from the Amandi Rail Ghana project approved in March 2021. The Project entails the rehabilitation and the remodelling of the existing Effia-Nkwanta Hospital and the construction of a new 250 beds state of the art regional hospital in Agona, western region of Ghana. The Effia-Nkwanta Hospital is an old hospital established in 1938 and due to its deplorable state, the equipment and infrastructure is no longer fit for purpose, hence the rationale to remodel and rehabilitate it.

During the construction phase, a total of **400 job opportunities (man-hours)** are estimated to be created/sustained in South Africa. As for the operational phase, an estimated **587 job opportunities (man-hours**) are expected to be sustained on an annual basis for the next 20 years.

MacSteel is one of the South African sub-contractors (the supply contract is estimated at €4,5 million) and their participation in this export Project will advance the objectives of the Steel Master Plan. **South African content of at least €12,1 million (50% of Investec bank facility)** is expected to be achieved.

### Socapursel, Cameroon (R43,1 million)

The Project entails the delivery of processing equipment for the production of table margarine, puff pastry and shortening with a capacity of 4t/hr to be manufactured over a period of 12 months of which the ECIC Covered Loan Amount will be repaid in eight (8) equal semi-annual instalments over 4 years.

During the construction phase, a total of **42** job opportunities (man-hours) are estimated to be created/sustained in **South Africa. South African content of at least R35 million** is expected to be achieved.

### Vodacom Ethiopia ($121,5 million)

The purpose of the investment is to support the underdeveloped telecommunication sector in Ethiopia to enable the country to achieve an optimum internet penetration level.

The investment entails the acquisition of a 6,2% shareholding in STE (a newly established telecommunications company to operate telecommunications services in Ethiopia) by Vodacom via Global Partnership for Ethiopia BV (GPE) domiciled in the Netherlands.

GPE was established as the intermediary holding company by an international consortium (consisting of Safaricom, Vodacom, Vodafone, Sumitomo

Corporation, and CDC Group Plc) for the purpose of acquiring the telecommunications licence in Ethiopia. The Netherlands is being used as a risk mitigant due to the bilateral investment protection treaty with Ethiopia.

### Vamed Hospital (€28,63 million)

The project entails the engineering, procurement, construction, equipping, training, provision of technical assistance and financing of three military hospitals in the Republic of Angola at a cost of €224,59 million. The hospitals will be constructed in the Angolan regions of:

a) Cabinda (100 beds at €60,5 million);
b) Luena (100 beds at €61,5 million); and
c) Huambo (200 beds at €102,8 million).

The hospitals will serve approximately 3,7 million people. The delivery of the three hospitals will significantly improve the healthcare sector and access to healthcare of the communities and surrounding areas, and lead to upskilling of these communities through training for jobs within the hospitals.

During the construction phase, a total of **613** job opportunities (man-hours) are estimated to be created/sustained in South Africa. It is expected that **SA content of at least €14,31 million** (50%) will be achieved with 50 potential suppliers identified.

### ECIC/IDC Facility ($55 million) – ECIC expanded mandate

ECIC will be providing up to 100% Political Risk Insurance cover and 85% Commercial Risk Insurance cover to the IDC under the IDC-ECIC Intra-Africa Trade Facility (the Facility) amounting to $55 million.

This transaction establishes an umbrella intra-Africa trade facility that enables effective collaboration between IDC and ECIC in financing South African contractors/ exporters and the Buyers/ Borrowers of South African products in pursuit of intra-African trade as envisaged under AfCFTA.

The institutional arrangements agreed upon include dedicated teams working on the continuous improvement of the working arrangements and turnaround times when processing applications under the Facility.

The focus areas of the Facility fall within the priority sectors of the ECIC expanded mandate. This Facility is seen as a pilot programme by the two entities to coordinate efforts and programmes in driving higher levels of intra-Africa trade. The successful uptake will pave the way for similar programmes incorporating the lessons learnt.

### Robertson and Caine Working Capital Facility (R130 million) – ECIC expanded mandate

ECIC is providing 90% Commercial Risk Insurance on the ABSA Working Capital Facility covering R130 million.

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. Confirmed orders to-date for 2022 are 190 yachts with an aggregate value of $126 million.

The R130 million consists of:

a) R90 million overdraft to be utilised for the design and manufacturing of various moulds required to manufacture new models; and
b) R40 million (USD equivalent) held in a Foreign Currency Account (CFC) to purchase imported raw materials denominated in US Dollars required as inputs for manufacturing of the Catamarans.

During the building/manufacturing process of the 190 Catamarans a total of **2 000** jobs will be sustained and **200** job opportunities (man-hours) are estimated to be created in South Africa.

The confirmed order (190 boats) amounts to R1,93 billion comprises of costs/expenses to be procured from various South African suppliers. The ECIC cover of R130 million represents 7% of the confirmed order amount. It is expected that **SA content of R1,53 billion (1 175%)** will be achieved.

This is the first standalone transaction within the expanded mandate and by providing insurance cover for this transaction confidence in ECIC will be created.

## MEASURING THE SOCIO-ECONOMIC IMPACT OF THE ECIC

Based on the drawn portion of export credit supported from the beginning of the financial year 2021/22, six projects with total drawdowns amounting to R2.5 billion have been facilitated (see table 1).

**Table 5: Draws for the period 1 April 2021 to 31 March 2022**

| Project Description | Sector | Country | Drawn amounts (In R mn) |
|---|---|---|---|
| **Rehabilitation of the electricity network and supply of prepaid meters** | Electricity | DRC | 92.6 |
| **Rehabilitation and construction of Beitbridge border post** | Infrastructure | Zimbabwe | 749 |
| **Redevelopment of Western Railway line between Takoradi Port and Huni Valley** | Rail | Ghana | 1 083.2 |
| **Rehabilitation and remodelling of the existing Effia-Nkwanta Hospital, and construction of a regional hospital** | Infrastructure | Ghana | 397.3 |
| **Diamond mine** | Mining | Lesotho | 23.8 |
| **Working Capital Facility by Absa for the manufacturing, supply and exporting of Catamarans** | Boat building | | 130 |

The estimated impact of the ECIC support scheme reflects the creation/sustainability of 3,498 job opportunities, of which a total of 1,914 job opportunities are estimated to be created/sustained during the construction phase, and an estimated 1,584 job opportunities are expected to be sustained on an annual basis for the next 20 years.

The total impact of employment is made of direct, indirect and induced employment opportunities. Across both phases, the largest beneficiaries of employment creation/sustainability are estimated to accrue to both semi-skilled and unskilled labor categories in South Africa.

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 Sector, Financial and Business Services, as depicted in the employment impact table **(see table 6).**

**Table 6: Employment impact by sector [Number]**

| Country | Impact on SA | |
|---|---|---|
| | Construction Phase | Operational Phase |
| Agriculture | - | 66 |
| Mining | - | 2 |
| Manufacturing | 613 | 929 |
| Water and Electricity | - | 6 |
| Construction | - | 3 |
| Trade & Accommodation | - | 240 |
| Transport & Communication | - | 31 |
| Financial & Business Services | 1,301 | 92 |
| Community & Social Services | - | 215 |
| **Total employment impact** | **1,914** | **1,584** |

## PREMIUM CALCULATOR

As part of the website upgrade the Corporation is designed an ECA Calculator on the website which provides an indicative premium calculation to stakeholders in a simplified and user friendly process to be revised.

## PRODUCTION OF RESEARCH REPORTS

The Corporation conducts research to identify potential trade and investment opportunities in countries and economic sectors, so that South African exporters and investors may find the content beneficial.

The following sector reports were published during the FY:

1. Trade and Investment opportunities in the Steel Industry;
2. Trade and Investment opportunities in the Automotive Industry; and

## SOCIO-ECONOMIC DEVELOPMENT

The SED Programme is intended to improve the quality of life of identified disadvantaged communities throughout the country by implementing sustainable socio-economic interventions across the SED focus areas as guided by the Transformation Strategy and SED Policy. The interventions are implemented through established mutually beneficial partnerships and collaborations with institutions that have similar objectives to our SED objectives.

During the financial year the Corporation provided Financial support to the following areas:

**Through the consumer education programme ECIC contributed to nine students graduating in the 2021/22 FY at the University of Stellenbosch with MPhil in Development Finance and two of those students obtaining 6 distinctions.**

**In light of the South African Actuaries Development Programme: Actuarial Science, eight students graduated with Honours Degree's and have secured employment in the financial sector.**

**Four students who obtained their Accounting qualification through Thuthuka have been allocated to various entities for their in-service training.**

**ECIC financed a revamp of the Structured Finance course presented at the University of Stellenbosch to include Trade Finance in the 2020/21 financial year.**

# VALUE CREATION

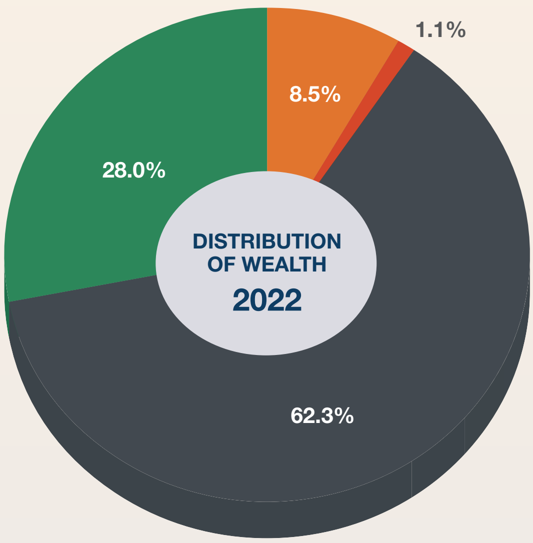
| Value Added Statement | | AFS Note | 2022 R'000 | % | 2021 R'000 | % | 2020 R'000 | % | 2019 R'000 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| **Wealth created** | | | | | | | | | | |
| Net income | | | 1,019,109 | | 1,597,952 | | 879,696 | | 1,085,004 | |
| Profit on exchange differences | | 25 | 65,431 | | 408,754 | | - | | - | |
| Salvages income / Change in claims reserves | @ | 14 | 83,644 | | 69,331 | | 114,140 | | 395,902 | |
| Interest Make-Up Scheme | # | | 39,489 | | - | | 34,704 | | - | |
| Deferred tax | | 26 | 55,648 | | - | | 20,278 | | - | |
| Paid to suppliers | | | (52,92s3) | | (49,799) | | (68,485) | | (67,851) | |
| | | | **1,210,398** | | **2,026,238** | | **980,333** | | **1,413,055** | |
| **Distribution of wealth** | | | | | | | | | | |
| **Employee costs** | | 23 | 103,380 | 8.5 | 92,375 | 4.6 | 96,320 | 9.8 | 97,363 | 6.9 |
| **Interest Make-Up Scheme** | # | | - | 0.0 | 64,375 | 3.2 | - | 0.0 | 101,527 | 7.2 |
| **Loss on exchange differences** | | | - | 0.0 | - | 0.0 | 347,899 | 35.5 | 582,513 | 41.2 |
| **Government** | | | | | | | | | | |
| Taxes | | 27 | 31 | 0.0 | 150,115 | 7.4 | 440,089 | 44.9 | 358,658 | 25.4 |
| **Socio-Economic Development** | * | | 13,901 | 1.1 | 25,998 | 1.3 | 39,653 | 4.0 | 13,355 | 0.9 |
| **Claims paid / Change in claims reserves** | @ | 14 | 753,750 | 62.3 | - | 0.0 | 37,265 | 3.8 | 206,469 | 14.6 |
| **Retained for growth** | | | 339,336 | 28.0 | 1,693,375 | 83.6 | 19,107 | 1.9 | 53,170 | 3.8 |
| Depreciation and amortisation | | 23 | 4,994 | | 7,719 | | 4,762 | | 2,792 | |
| Deferred tax | | 26 | - | | 18,317 | | | | 34,393 | |
| Profit for the year | | | 334,342 | | 1,667,339 | | 14,345 | | 15,985 | |
| | | | **1,210,398** | **100.0** | **2,026,238** | **100.0** | **980,333** | **100.0** | **1,413,055** | **100.0** |

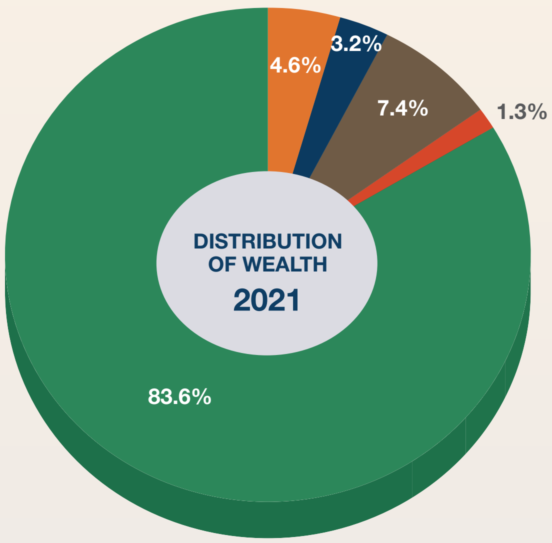
@ *Salvage income and positive changes in claims reserves have been separated from Claims paid and negative changes in claims reserves. This was combined in prior years.*

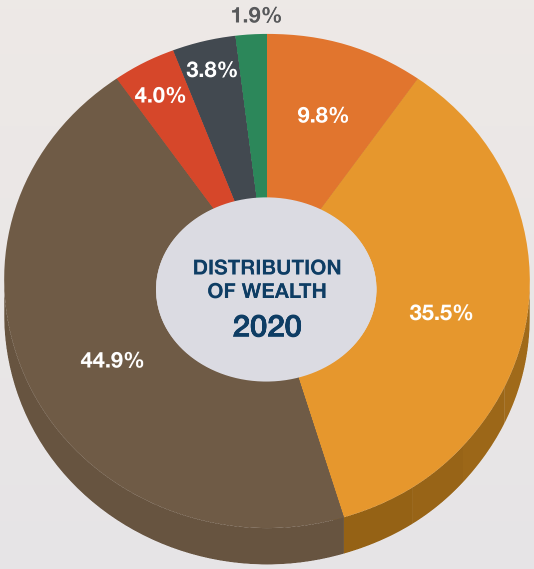
\# *Net income earned / cost incurred on the IMU Scheme. This does not include the capital payments made on the IMU liability*

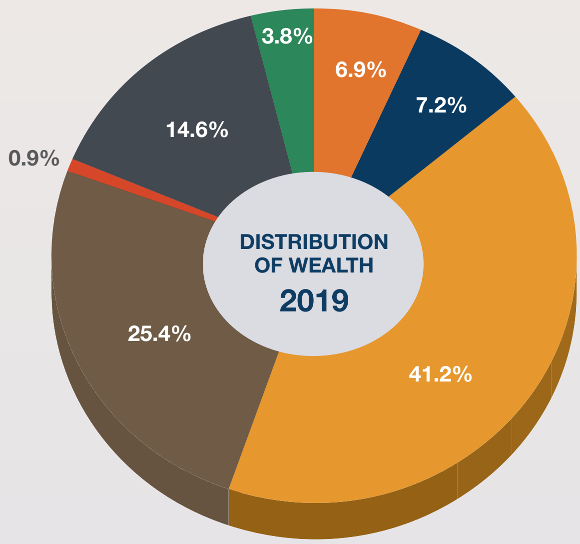
* *Other costs in the prior relate to administration costs which include management fees to agencies and travel costs. These costs in the prior year formed part of the mandatory allocated budget for SED & ESD programmes, in the current year the mandatory allocated budget for SED & ESD programmes excludes administration costs. The administration costs incurred form part of operating expenses.*

# DISTRIBUTION OF WEALTH




- Employees cots
- Socio-Economic Development
- Interest Make-Up Scheme
- Claims paid / Change in claims reserves
- Loss on exchange differences
- Retained for growth
- Taxes

# FINANCIAL OVERVIEW

# REFLECTIONS BY THE CHIEF FINANCIAL OFFICER

***Mrs Noluthando Mkhathazo***

Satisfying our stakeholders depends on their trust in our ability to create value, the levels of employee engagement, how we manage risk and whether our business conduct is ethical, effective and efficient. In turn, we need to ensure that our balance sheet remains strong, and the Corporation continues to be self-sustainable. In the past year, our balance sheet was put to the test whereby the Corporation raised a provision for the biggest claim in its history. Despite raising a provision of R752 million, we managed to generate profit after tax of R334 million and increased our net assets in United States Dollar (USD) terms (excluding foreign exchange movements and related tax) by 3%.

In addition, the Corporation maintains a healthy claims loss ratio of 32% (which is below our targeted ceiling of 50%) and a strong solvency position both in terms of our internal ratio and regulatory ratio. The Regulatory capital cover ratio stood at 279% while the Economic capital (internal) cover ratio was 229%.

## Macro-Economic Environment

### EXCHANGE RATE VOLATILITY

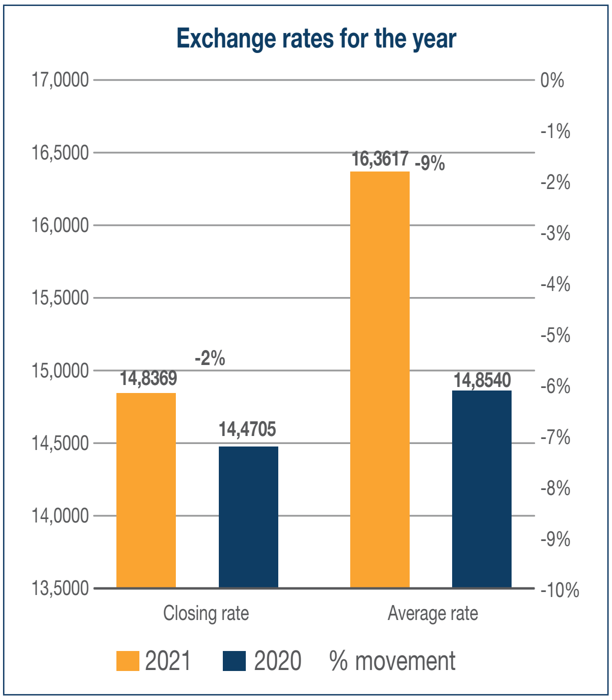



**Figure 8: Exchange rate volatility**

The ZAR/USD closing exchange rate appreciated by 2% compared to the prior year whilst the average exchange rate appreciated by 9%. This resulted in a reduction in the ZAR equivalent of USD Net Assets and a recognition of foreign exchange gains.

## COVID-19 Impact on operating environment

ECIC has not been spared from the effects of COVID-19. One of the projects in the mining sector had experienced challenges in respect of the low quality of the diamonds mined and low quantity of the reserves, which were exacerbated by COVID-19 resulting into unsustainable low market price. The project had to be placed under care and maintenance. As at year end, there had been no default event. However, an Incurred But Not Reported Claims Reserve (IBNR) was raised given a high probability of default in the next financial year. Post year-end, the Corporation received and paid a claim of $56 million excluding VAT which was fully provided for in the reporting period.

## Russia/Ukraine war

The Corporation has no insurance exposure in Russia and Ukraine. Nevertheless, the supply disruptions triggered by the Russia/Ukraine war placed further downward pressure on global growth with negative impact on many of the emerging countries that the Corporation is doing business in.

## Financial Performance

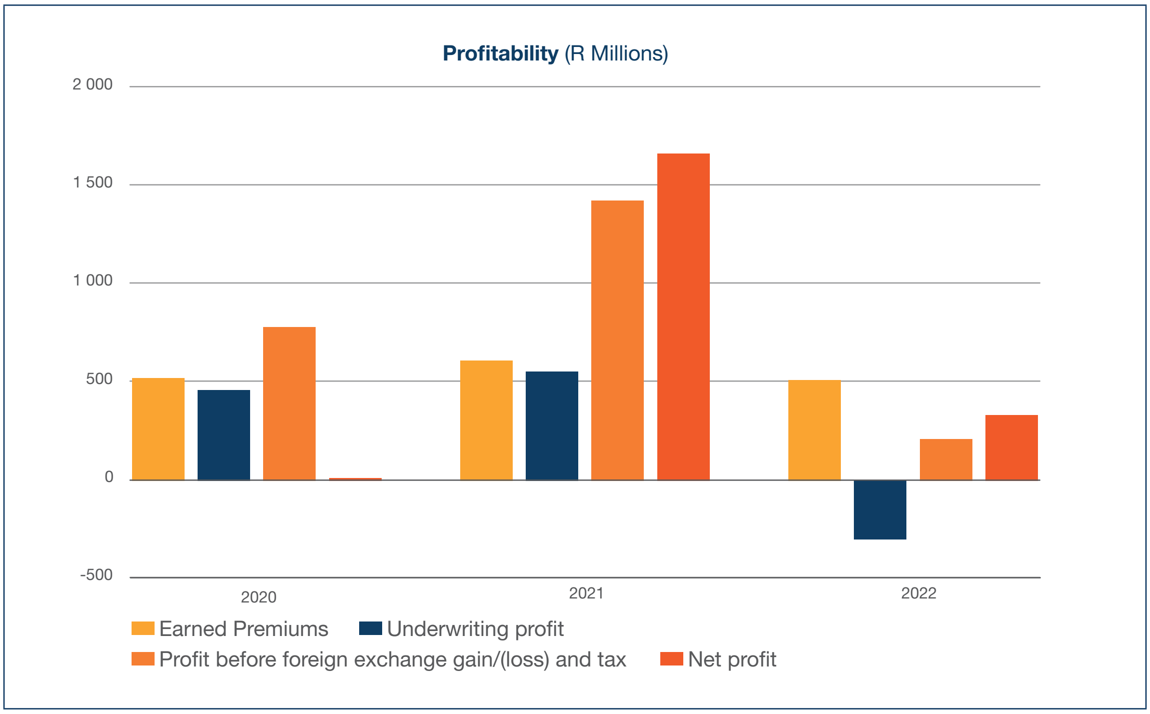



**Figure 9: Profitability**

During the year, one of our big projects prepaid its insured loan. This resulted in the release of unearned premium reserves and the reversal of an accrual for future premiums. This prepayment has however resulted in the insurance portfolio becoming highly concentrated in high risk-rated countries and projects hence there was an increase in concentration risk reserve (CRR). The increase in the CRR has resulted in net insurance premium revenue earned decreasing by R99 million (16%) from R611 million to R512 million.

The reduction in the net insurance premium revenue earned explained above and the raising of the IBNR amounting to R752 million resulted in a substantial reduction of R855 million (154%) in underwriting results from a profit of R557 million to a loss of R298 million.

In the 2021 financial year, the Corporation generated profit before foreign exchange gains /loss and of R1.4 billion mainly due to earning investment income of R822 million. This very high investment income is largely due to the market recovery following losses incurred during the onset of COVID-19.

Although the functional currency of the Corporation is United States Dollar (USD), the taxable income used to calculate the tax expense is based on the functional currency being South African Rands

(ZAR). This results in a mismatch between the taxation expense and the profit before tax. In a year where the Corporation records foreign exchange losses in terms of USD functional currency, the effective tax rate is higher than 28% as a taxable income includes foreign exchange gains and vice versa for foreign exchange gains.

In 2020, the foreign exchange losses on the USD functional currency figures and tax expense significantly reduced the profits from R782 million to R14 million. However, in 2020 and 2021, the tax expense significantly reduced due to foreign exchange losses recorded in terms of ZAR functional currency figures. The combination of the foreign exchange gains on the USD functional currency figures and the reduced tax expense resulted in the profit increasing from R1.4 billion to R1.7 billion in 2021 and R213 million to R334 million in 2022.

In 2022, the tax expense is reduced future due to amendments in the Income Tax Act whereby IMU grant is now exempt from tax. The IBNR, exemption of IMU grant and the tax mismatch explained above have resulted in the effective tax rate of -19.97%.

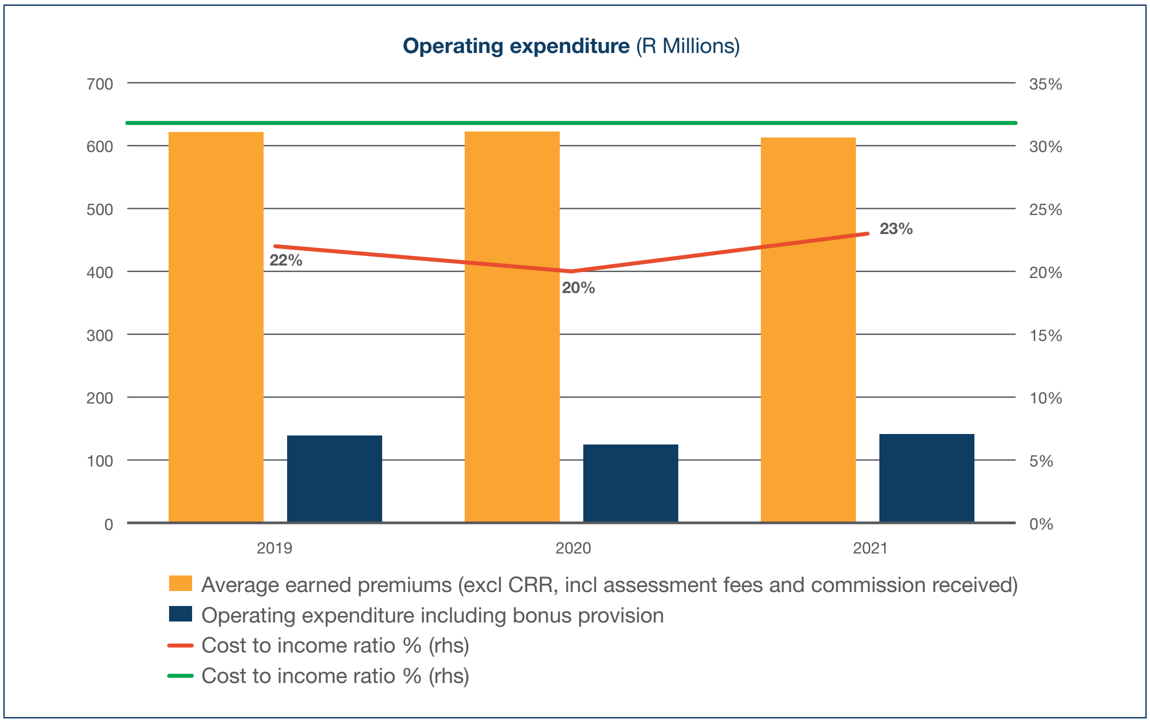



**Figure 10: Operating expenditure**

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%.

## Assets and Liabilities Management

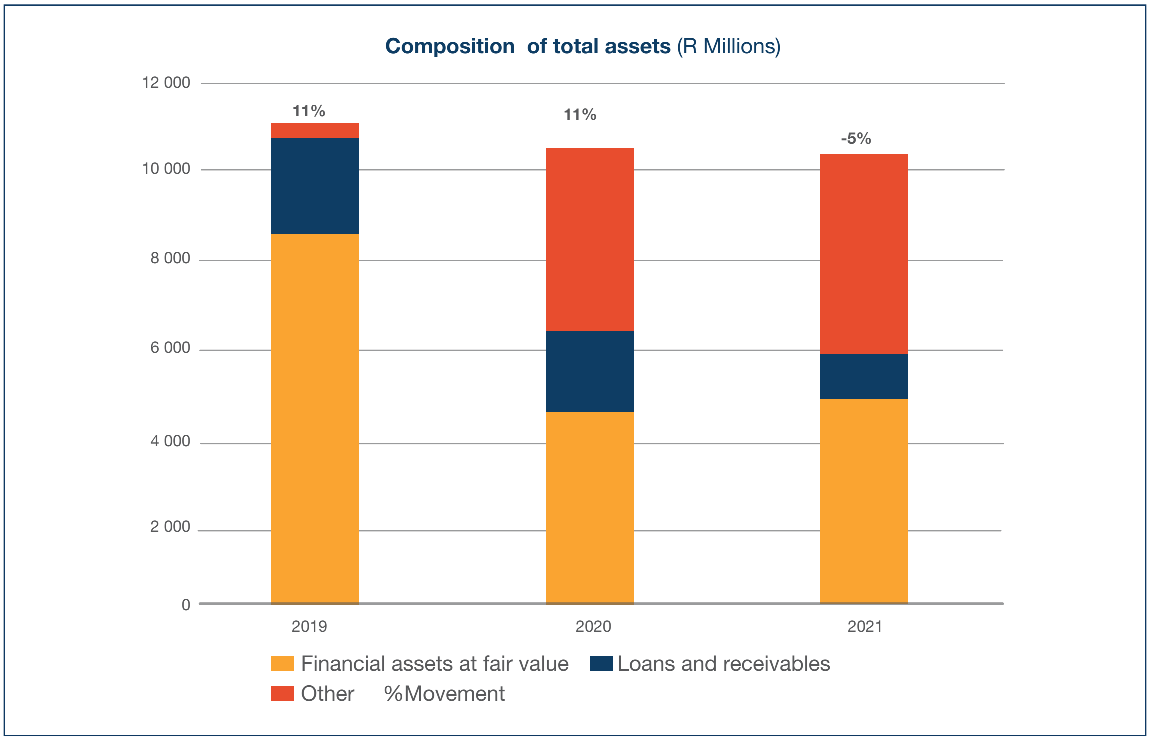



**Figure 11: Composition of total assets**

The total assets decreased by R68 million (1%) from R10.204 billion to R10.136 billion, which is mainly due to the reversal of the future premium receivable as a result of one of the big projects prepaying its insured loan.

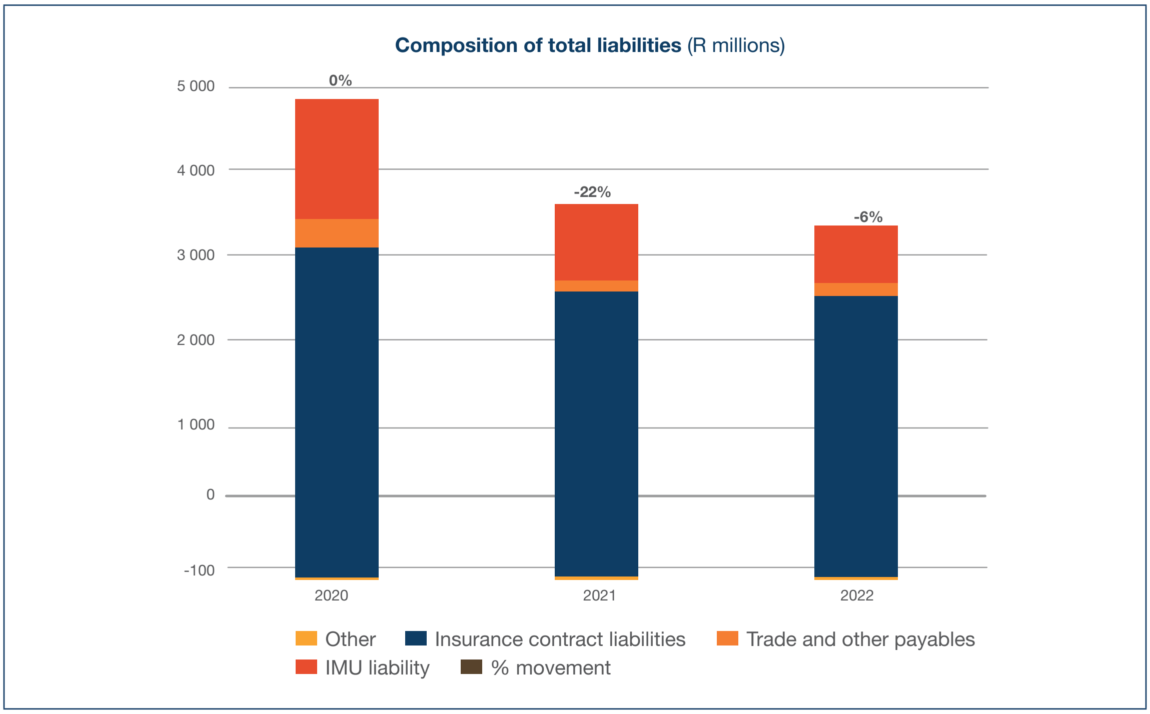



**Figure 12: Composition of total liabilities**

The total liabilities decreased by R210 million (6%) from R3.699 billion to R3.490 billion, which is mainly due to the release on unearned premium reserves as a result of one of the big projects prepaying its insured loan. This was coupled with the reduction in the IMU liability due to payments made to the financial instructions.

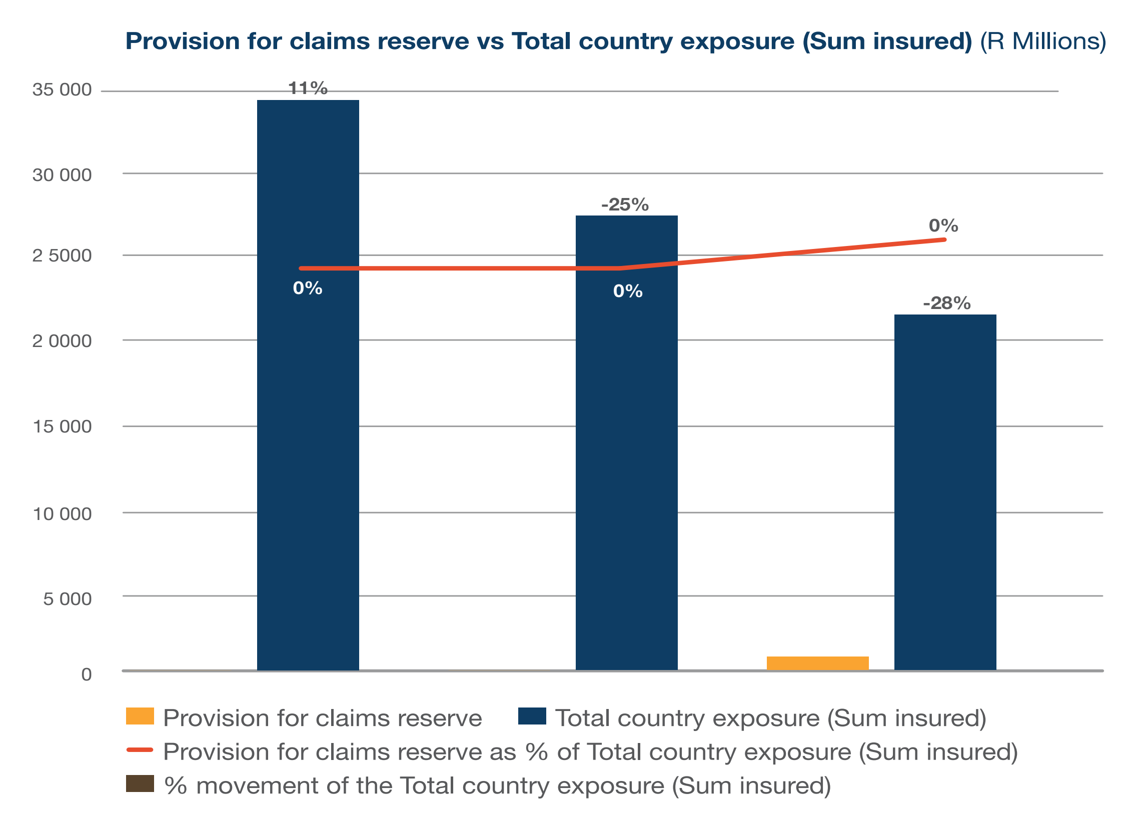



**Figure 13: Provision for claims**

The IBNR raised in the 2022 FY amounts to 4% of the total sum insured. Despite raising this IBNR of R752 million, the Corporation still has a strong solvency portion with the both the Regulatory capital cover ratio and the Economic capital cover ratio being above the 100% as required by the Prudential Authority. The Regulatory capital cover ratio stood at 279% while the Economic capital cover ratio was 229%.

It should however be noted that the Corporation received two related claims under the relevant ECIC insurance policies in the previous financial year. It is ECIC's view that the policyholder does not have valid claims and as a result the claims were rejected. For this reason, a claims reserve has not been raised. These claims are currently under litigation.

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.

## Cashflow Management

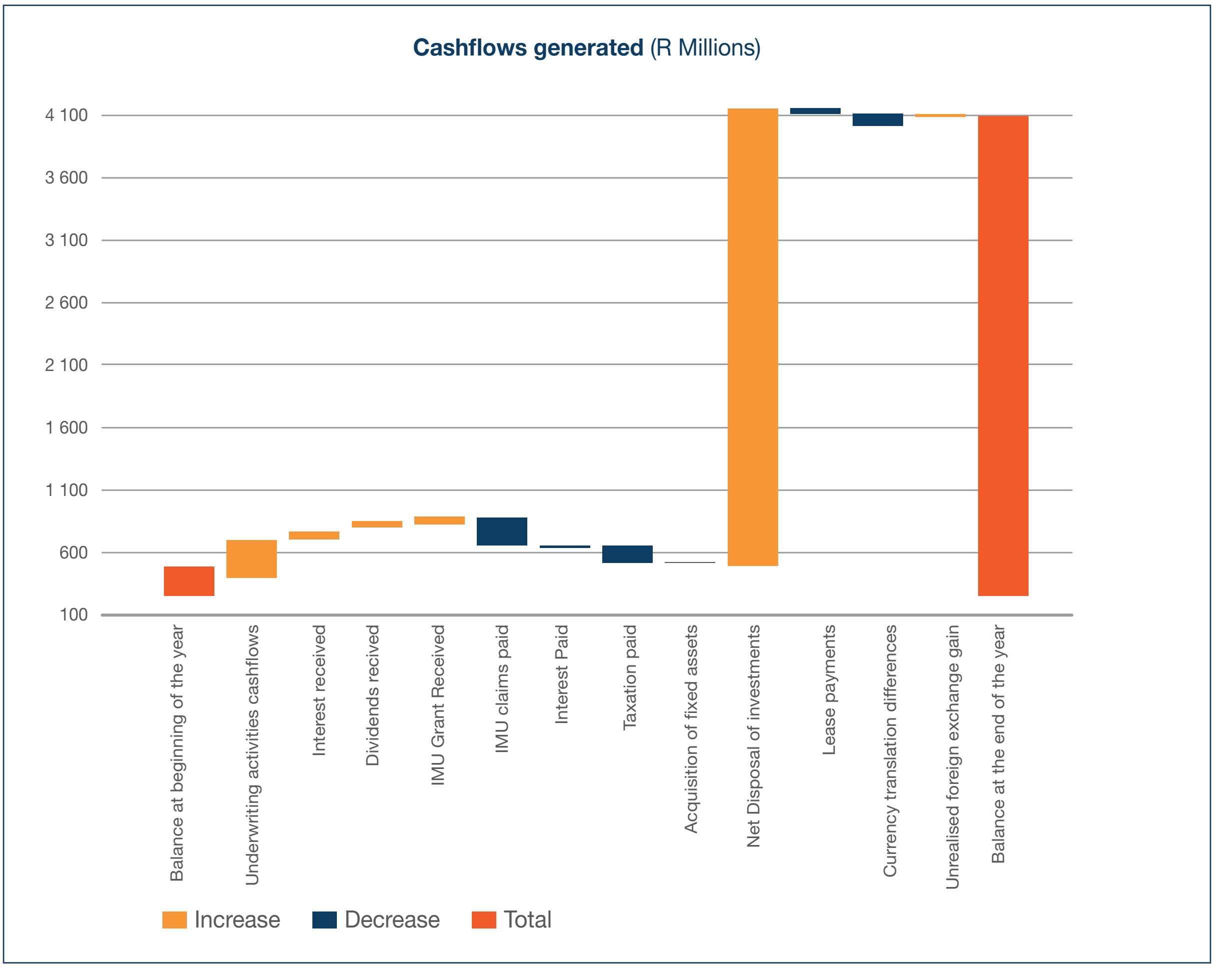



**Figure 14: Cashflows generated**

# 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 2019 at 1 US Dollar equivalent to R14,5968
- 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

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 **August 2021**):

- 31 March 2023 at 1 US Dollar equivalent to R15,00
- 31 March 2024 and 31 March 2026 1 US Dollar equivalent to R14,50

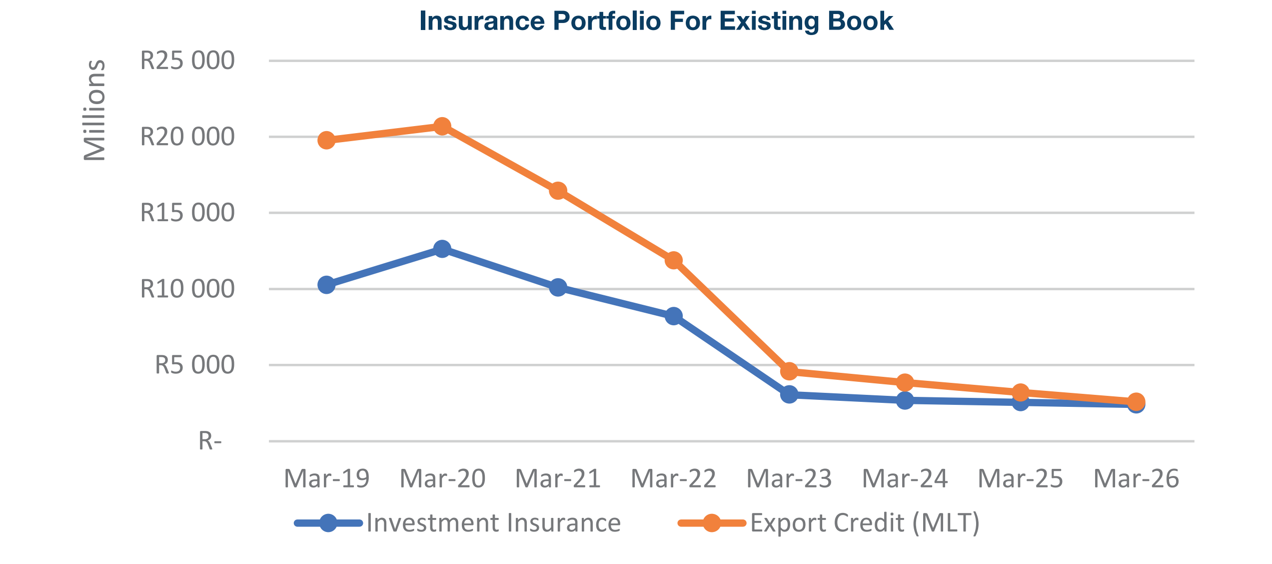



**Figure 15: Insurance portfolio (existing book)**

The ECIC insurance portfolio is made up of export credit loans, working captial (under extended mandate), and investment (including equity and shareholder loans).

The sum insured excluding any pipeline projects, is presented in figure 1 above, which reflects a sharp reduction in the insurance portfolio: –

- The reduction in the investment insurance follows a reduction of covered amount in respect of MTN Iran and cancellation of investment insurance policies in respect of the Zimborders project. In 2021, ECIC approved a further restructuring of the Infralink debt, incorporating amendments of 2018 restructuring which had not been finalised due to COVID-19 and corporate restructuring at ZINARA. Exposure in Infralink will increase by an estimated $15 million when the Infralink debt restructuring becomes effective, which is attributed to the DBSA second loan facility, covered under the ECIC's insurance policy. The reduction of the investment insurance portfolio is further affected by the expiry in May 2022 of a 15 year investment insurance policy in respect of CMG Mozambique. A notable change in trends is that new policies underwritten recently are significantly smaller compared to historic single obligors covered under the investment insurance portfolio.

- The export credit portfolio's significant reduction is influenced by the refinancing of Nacala corridor railway and port debt in June 2021, which has impacted the entirely strategic period. The forecast of the current book exclude Total LNG Mozambique project which was suspended in April 2021 before any drawdowns under the covered loan had occurred.

The sum insured including pipeline is presented below in figure 2 which depict ECIC extended mandate to cover short-term transactions. Pipeline represent projects on offer of cover and projects where ECIC has made an in principle commitment.

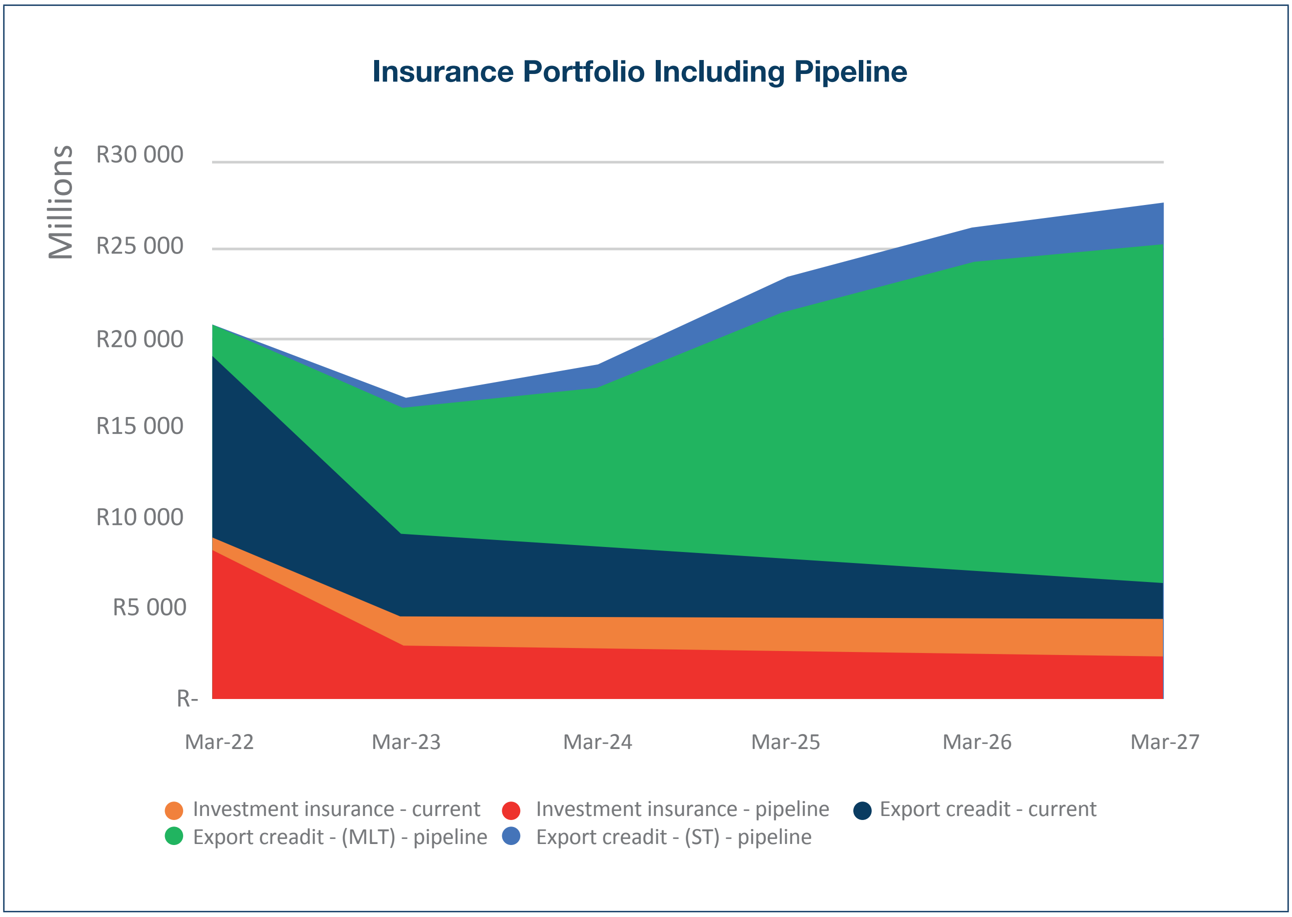



**Figure 16: Insurance portfolio (including pipeline)**

ECIC's per country exposure remains largely in the same geographic areas. The top 3 countries are Ghana, Iran and Zimbabwe (as presented in figure 3), which is also aligned to the top 3 economic sectors presented in table 1 below.

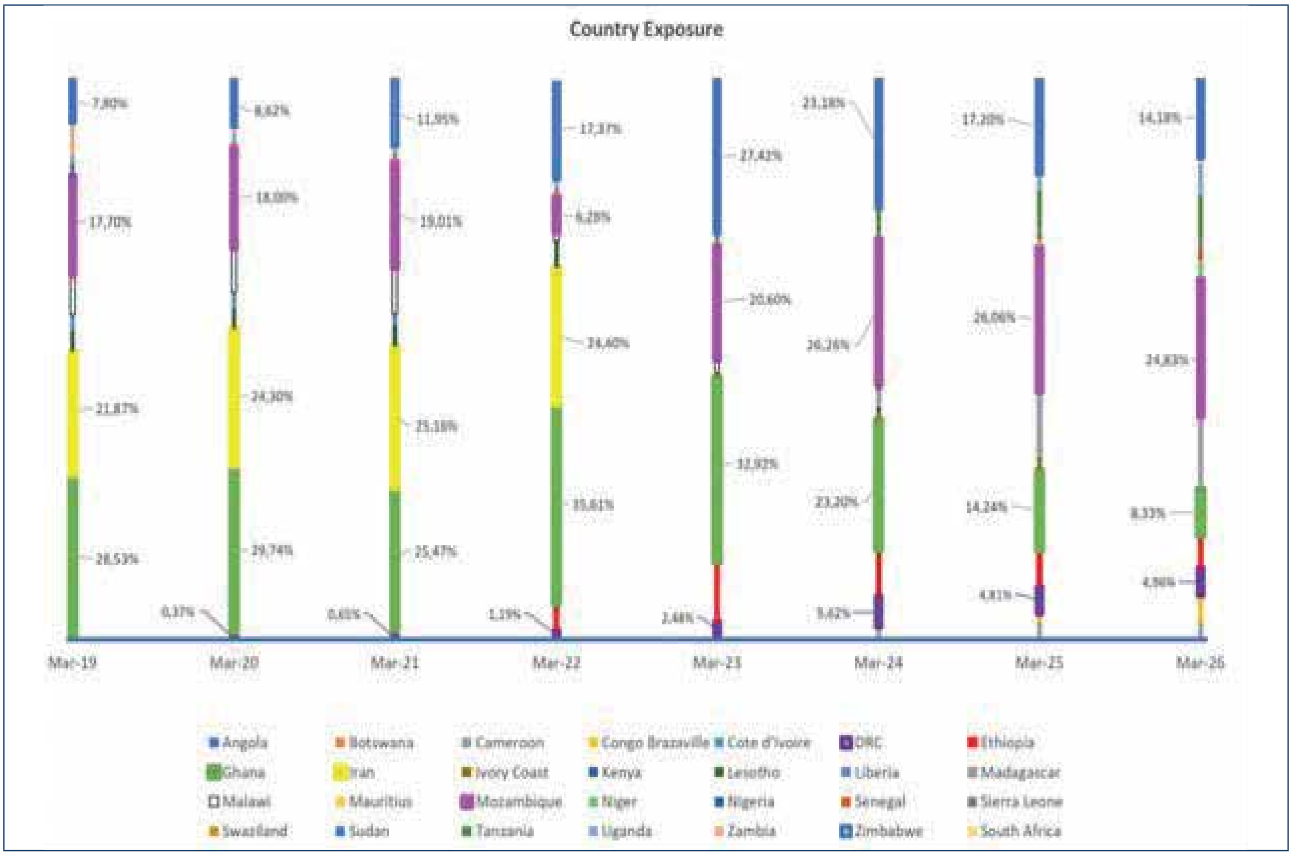



**Figure 17: Country exposure**

**Table 7: Top 3 Economic sectors**

| | | |
|---|---|---|
| **Power / electricity** | Ghana<br>Mozambique<br>DRC | • Combined Cycle Gas Turbine Power Plant<br>• Electrification programme<br>• Natural gas power plant projects<br>• Electricity network rehabilitation programme |
| **Telecommunications** | Iran<br>Malawi<br>Ethiopia | Investment into telecommunication network(s) |
| **Construction (incl. civil engineering structure)** | Zimbabwe<br>Ghana | • Rehabilitation of the toll-road<br>• Railway infrastructure |

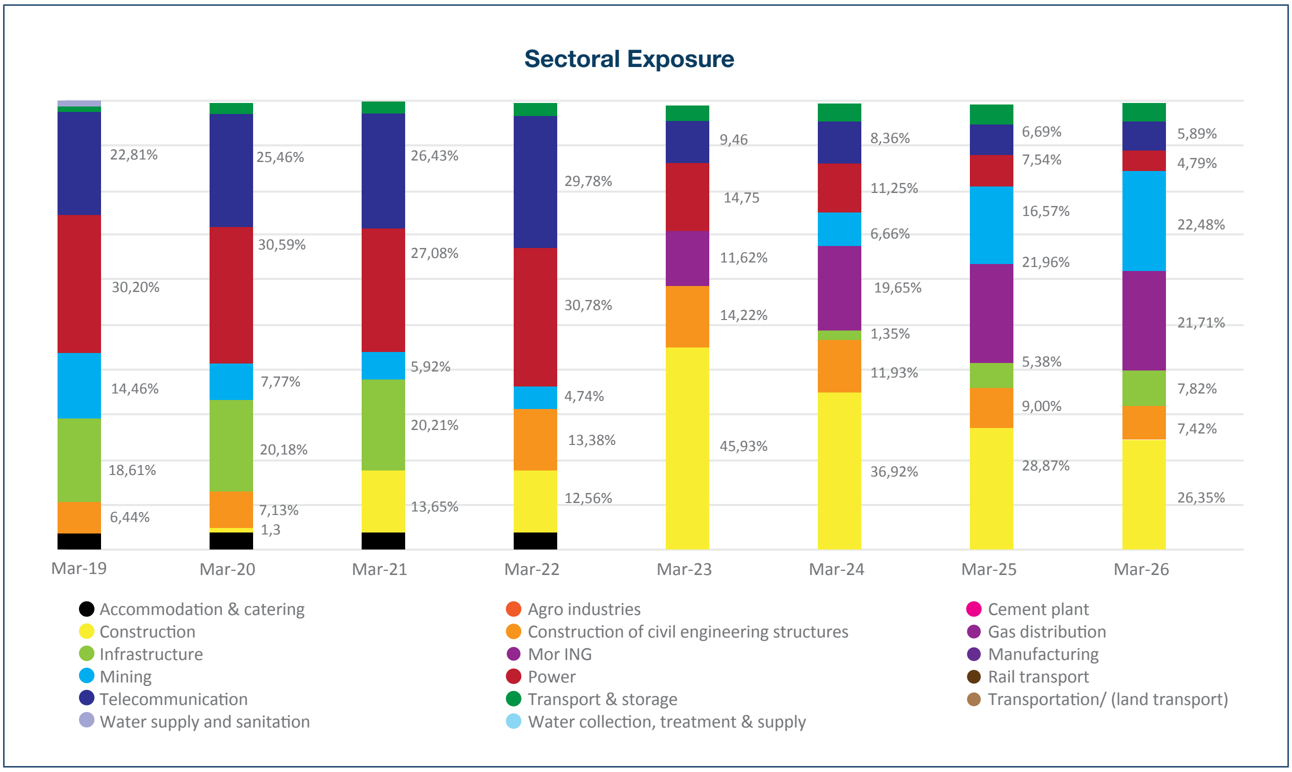



**Figure 18: Sectorial exposure**

## Sovereign loans

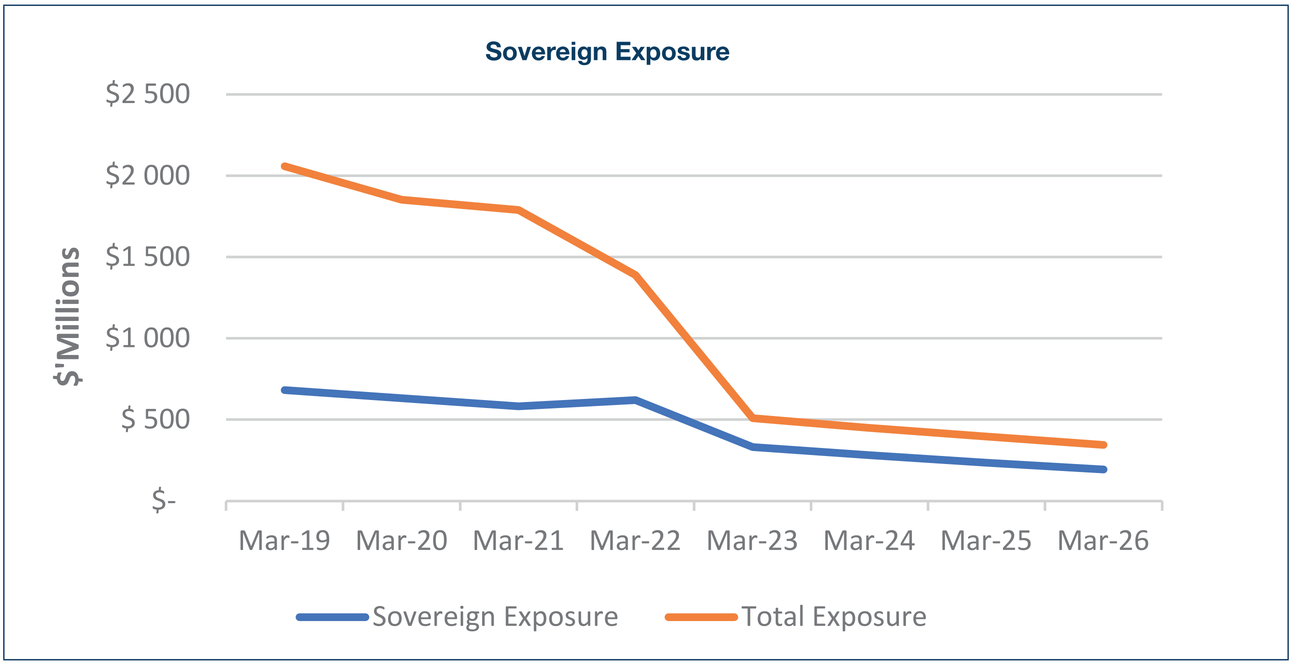



**Figure 19: Sovereign Exposure**

The largest sovereign exposure is in Ghana, which amounts to $472 million which comprises of loans funding 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 $118 million loans funding the rehabilitation of toll-roads. The Mozambique loan amounts to $22 million for the electrification network rehabilitation programme. Swaziland loan amounts to $8 million to fund the road rehabilitation.

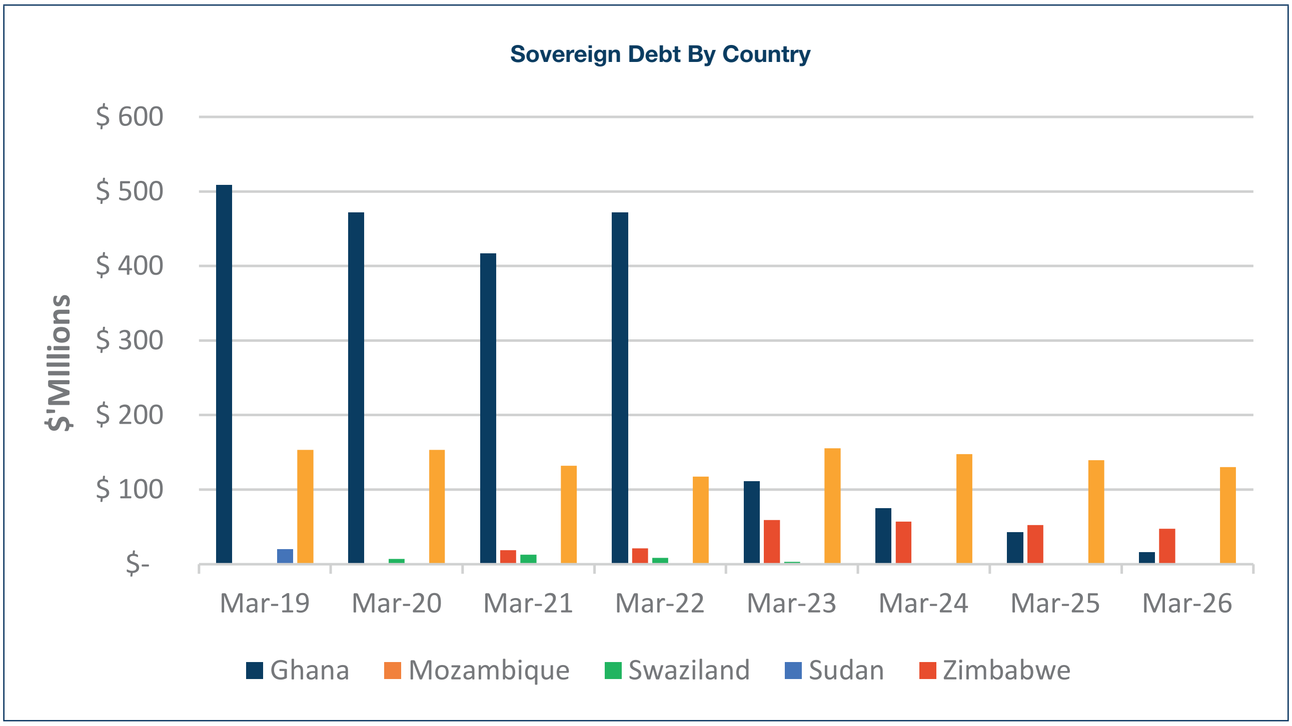



**Figure 20: Sovereign Debt by Country**

# 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 8: Mechanisms and strategies to maintain or increase available capital**

| Mechanism | Strategies |
|---|---|
| Build retained earnings | • Improve profitability<br>• 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 in a position 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.

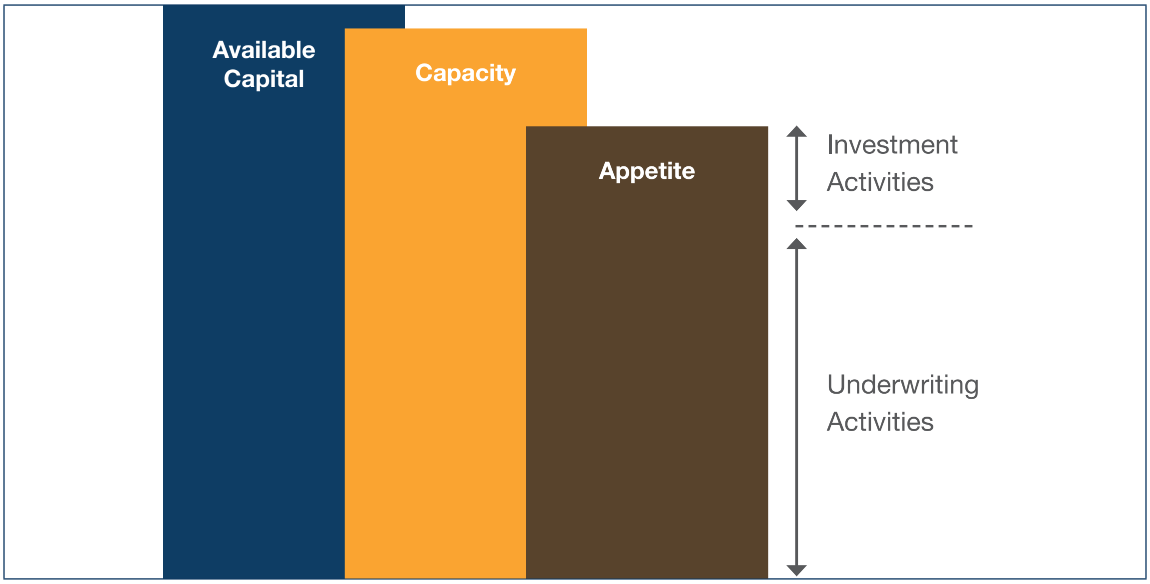



**Figure 21: Illustration of risk capacity and appetite**

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.

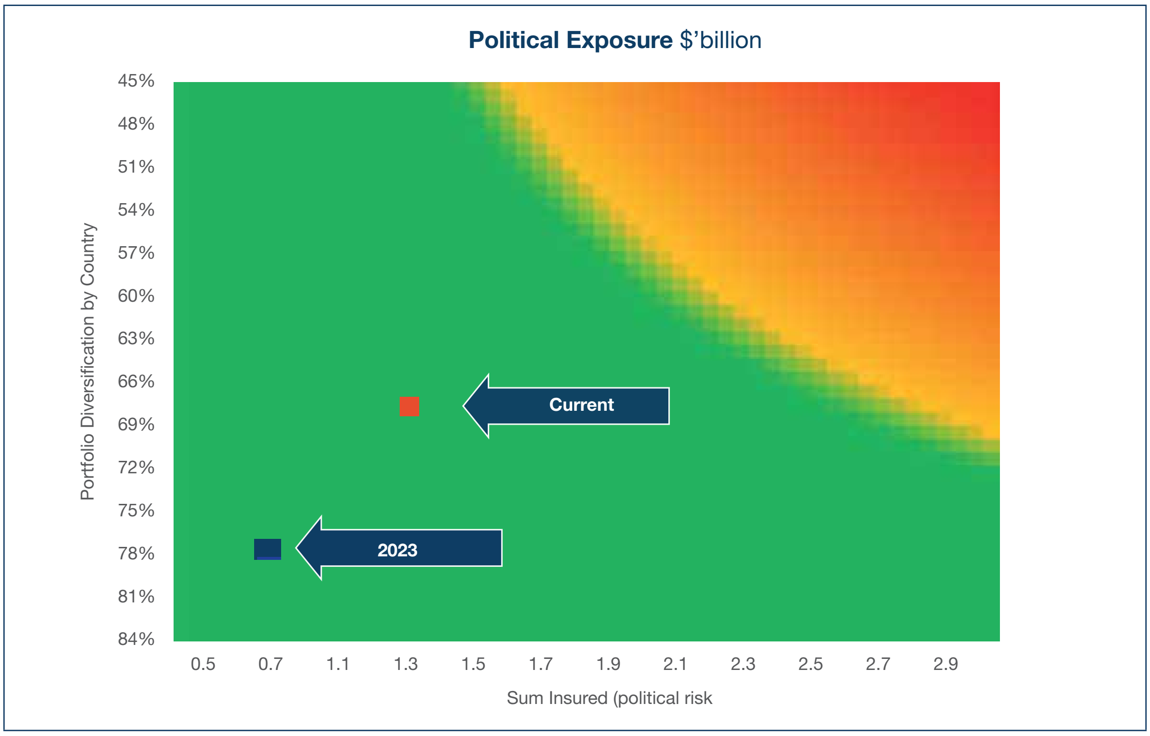



**Figure 22: Political exposure**

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.

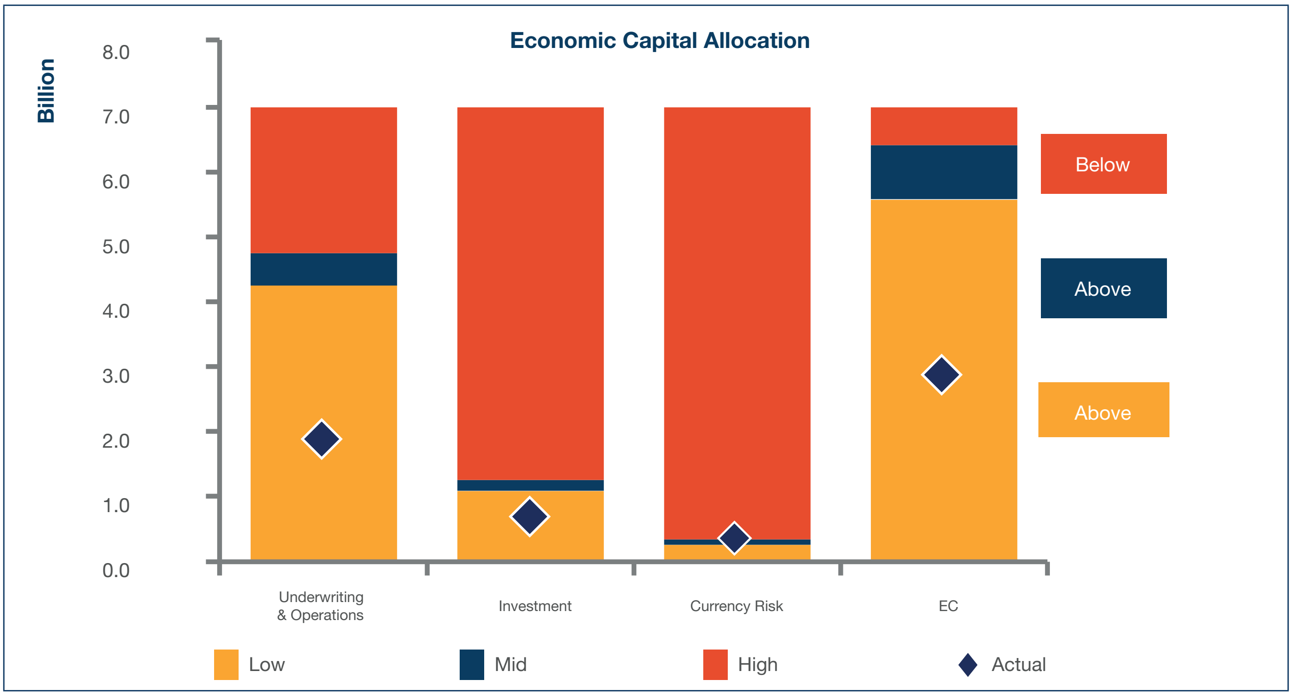



**Figure 23: Economic capital allocation**

## Projected solvency

The chart below depicts the projection of the regulatory Solvency Capital Requirement (SCR) and EC cover ratios over the 2022-2027 planning period. The significant improvement by March 2023 is due to the expiry of a contract with a large underwritten exposure. The red, amber and green levels reflect the Board appetite thresholds.

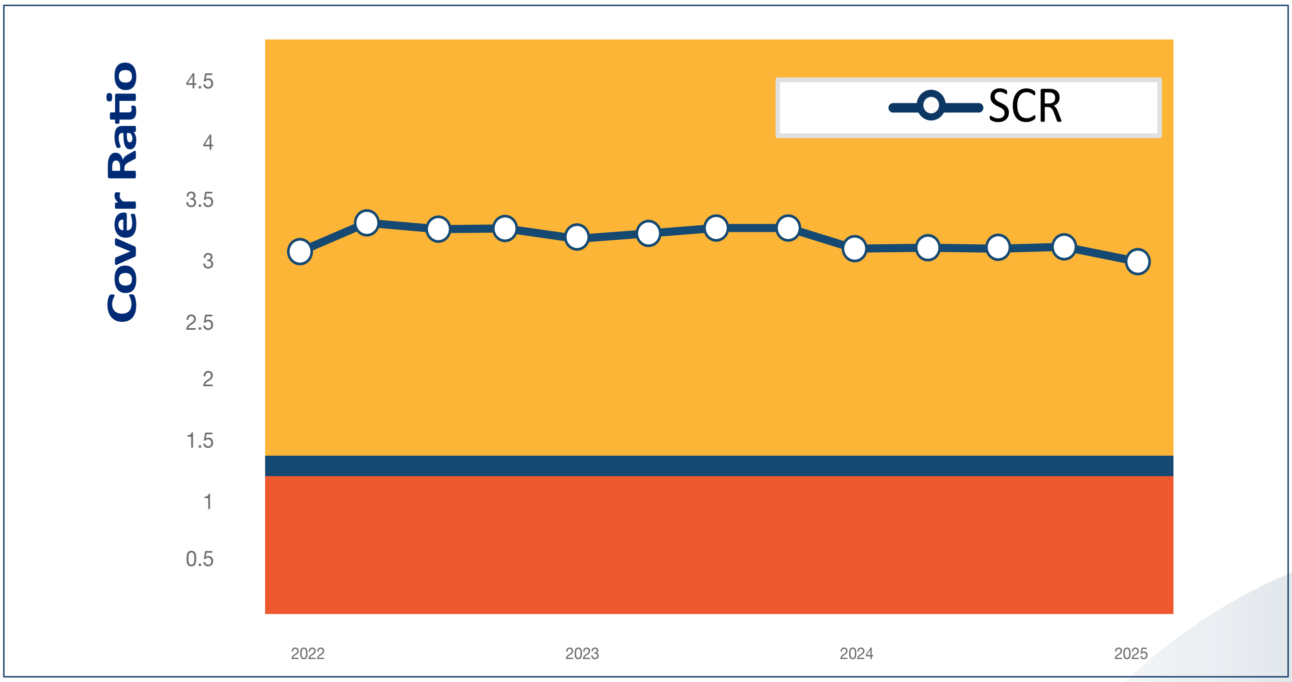



**Figure 24: Projected Solvency Cover Ratio (SCR)**

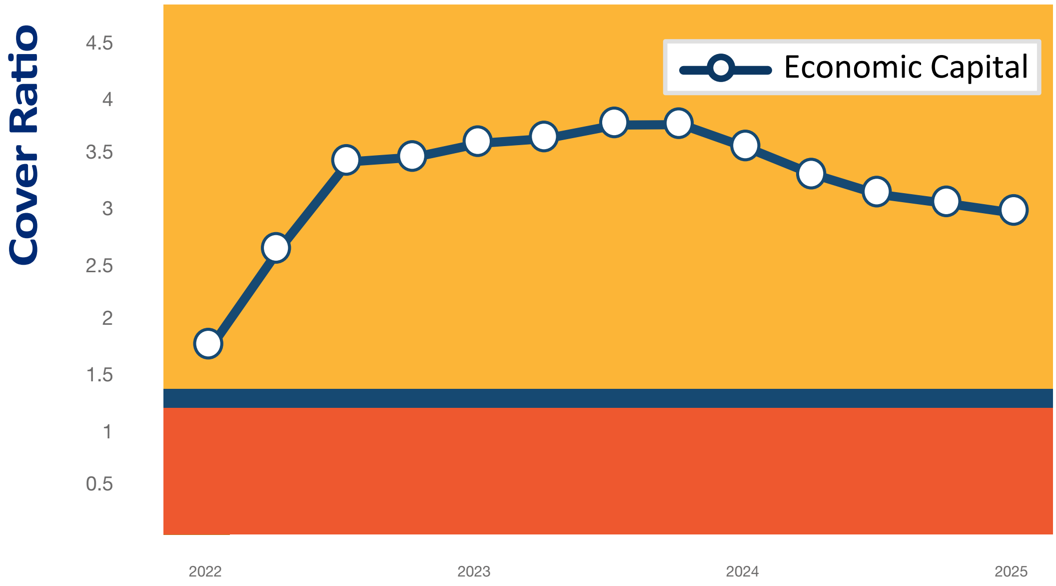



**Figure 25: Projected Solvency Cover Ratio (EC)**

## 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 occur more frequently if necessary.

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.

## 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 occur more frequently if necessary.

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.

# REPORT ON SA CONTENT

Projects supported by ECIC must achieve the minimum SA content requirement of 70% of the loan amount (i.e., for Projects delivered in Africa, at least 50% from South Africa and the balance from the rest of Africa). Content is measured during the delivery period of the project; and the cumulative SA content is determined at the end of project delivery. PMWU monitors SA Content of project and provides ECIC with audit certificates every quarter.

**Table 9: Projects drawing during the 2021/2022 financial year**

| Project Name | Policy Effective Date | Drawdown (Delivery) period end Date | Country | Project Economic Sector | SA Exporter / Co-ordinating Exporter | ECIC loan amount | Total drawdown | Goods and Services Certified with Content | Cumulative Required % SA Content | % Cumulative SA content achieved |
|---|---|---|---|---|---|---|---|---|---|---|
| SNEL-Blue Energy SA ☹ | 25 October 2019 | 30 November 2021 extended TBA | DRC | Electric power generation, transmission and distribution | Connect Africa Technologies Proprietary Limited, SÁ | $27.5 mil | $18.03 | $14.2 mil | 70% | 51.48% |
| **Comments:** The project experienced delays of meters installation programme due to COVID-19 lockdown and rolling blackouts in DRC. Project delivery is continuing and DBSA/ECIC had approved the extension of the availability period from 30 November 2021 to 28 February 2022 whilst a long-term restructuring of the project is being considered. ECIC is processing a request to further extend the availability period by an additional 6 months up to August 2022 and allow drawdowns to occur under the covered facility for the borrower to continue its installation programme. No drawdowns occurred during the reporting period. | | | | | | | | | | |
| EDM ☹ | 26 October 2020 | 28 December 2023 | Mozambique | Power | Painhas S.A. | $70 mil | $25,3 mil | $42 712 | 70% | 0,06% |
| Comments: Only two drawdowns have occurred to date: to pay ECIC premium and the start-up costs. Project design variations resulted in project delays; a compromised solution was only agreed with EDM in February 2022. ECIC has been in discussion with the EPC Contractor and DBSA to explain the SA Content reporting format. A workshop with DBSA and the EPC Contractor is scheduled for 6 April 2022. No drawdowns occurred during the quarter. | | | | | | | | | | |
| ZimBorders ☹ | 26 November 2020 | 31 May 2023 | Zimbabwe | Construction | Raubex Pty Ltd | $129 mil | $76,7 mil | $33,9mil | 70% | 26,31% |
| Comments: The 4th quarterly exporter's declaration was received in February 2022 covering draws up to December 2021. | | | | | | | | | | |

☹ *Not achieved*

# OUTLOOK

The strategic planning process for the 2022/23 financial year was based on a 5-year outlook for the first time. This identified longer term discussion points and 9 key strategic objectives were identified:

1. Contribute to trade facilitation that results in job creation
2. Enhance transformation
3. Improve employee value proposition
4. Improve business processes and systems
5. Improve staff efficiency
6. Embed risk management practices
7. Enhance financial sustainability
8. Stakeholder and customer engagement
9. Enhance corporate governance

The following new Key Performance Indicators have been introduced from 1 April 2022:

1. Export Passport Programme
2. No breaches on risk appetite limits over the 5-year period
3. Risk maturity levels of the Corporation
4. Track the operating cost base of underwriting activities (Replaces the Cost-to-Income ratio)
5. Culture Entropy Score
6. Click Through Rate (CTR) on the AfCFTA media campaign (For measurement from 2023/24)
7. Clean Audit with no repeat findings on the Board Audit Committee report (judgemental differences not taken into account).

## Automation of business processes

The following processes are planned to be addressed in the financial year:

1. Tender Management;
2. Portfolio Management; and
3. Contract Management.

## Transactions for approval

The current deal pipeline indicates that in the new financial year the following projects may potentially convert into insurance applications:

1. 7 projects to the value of $923 million;
2. 1 project to the value of €180 million; and
3. 1 project to the value of R137 million.

## Embedding Risk Management practices

The Risk and Compliance system went live during the fourth quarter of the 2021/22 financial year. The system uptake has been good, especially on the compliance module. The Risk module is currently on a parallel run with units capturing their risks on and off the system. The reporting module needs updating to be able to segregate risk and compliance reports.

The Credit Rating Tool is still undergoing scoping to determine the requirements that will be included in the terms of reference. Procurement is anticipated to be concluded before the third quarter of 2022/23.

## Sourcing of office premises

The current lease agreement will expire on the 15 November 2022. The procurement process is expected to be finalised for occupation on the 16 November 2022.

## Appointment of Fund Managers

The tender to appoint two new fund managers to manage USD Global Multi-asset Class mandates was inconclusive and re-advertised, with the preferred bidder anticipated to be awarded and funded by end-June 2022.

# LIST OF TABLES AND FIGURES

## TABLES



## FIGURES



**Physical address**
Block C7 & C8, Eco Origins Office Park
349 Witch Hazel Ave, Highveld Ext 79, Centurion

**Postal address**
P.O. Box 7075,Centurion, 0004
+27 12 471 3800
info@ecic.co.za
www.ecic.co.za

RP198/2022
ISBN: 978-0-621-50470-5


# ANNUAL FINANCIAL STATEMENTS 2022

**Export Credit Insurance Corporation of South Africa SOC Ltd**

**Financial statements**
for the year ended March 31, 2022

**These financial statements were supervised by:**

N Mkhathazo CA (SA)
*Chief Financial Officer*

These financial statements have been prepared 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)<br>V Matsiliza (Independent non-executive director)<br>S O'Mahony (Independent non-executive director)<br>S Mayekiso (Independent non-executive director)<br>L Mothae (Independent non-executive director)<br>D Subbiah (Independent non-executive director)<br>L Mataboge (Non-independent non-executive director)<br>E Makhubela ((Non-independent non-executive director) |
| **Business address** | 349 Witch Hazel Avenue<br>Eco Park Origins<br>Building C7 & C8<br>Centurion<br>0063 |
| **Bankers** | First National Bank |
| **Auditors** | SizweNtsalubaGobodo Grant Thornton Inc.<br>Chartered Accountants (S.A.)<br>Registered Auditors |
| **Acting Company Secretary** | S Thwala |
| **Company registration number** | 2001/013128/30 |

# INDEX

The reports and statements set out below comprise the financial statements presented to the shareholder:



# Audit Committee Report

This is the Audit Committee's report for the financial year ended 31 March 2022. 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 2022 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 ('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 2022 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 the consortium of SizweNtsalubaGobodo Grant Thornton Inc and AM PhakaMalele Inc as external auditors of the Corporation for the 2023 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).

## 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 control 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

# Audit Committee Report

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 2022 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 2022. 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 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 firm 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 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.

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 26 July 2022, the committee recommended the approval of the annual financial statements to the Board.

Ms Lerato Mothae

**L Mothae**

*Chairperson*

# Directors' Responsibility Statement and approval of the Annual Financial Statements

The external auditor is 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 2022.

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 2022. 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 control 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 2022 that appear on pages 14 to 77 were approved by the Board of Directors on 29 July 2022 and are signed on its behalf by:

**D Dharmalingam**
*Chairperson*

29 July 2022

**M Nkuhlu**
*Acting Chief Executive Officer*

29 July 2022

# 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.

**S Thwala**
*Acting Company Secretary*

29 July 2022

# 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. The appointment for Mr E Makhubela was confirmed by the PA in July 2022.

## Executive management

During the 2022 financial year, there were no changes in management. However, in June 2022 the employment term for the CEO (executive director) Mr K Kutuone came to an end and the company secretary Mr C Kgoale resigned. With effect from July 2022, Mr M Nkuhlu (COO) has been appointed as the acting CEO and Ms S Thwala has been appointed as the acting company secretary. Mr N Maphula (General Counsel) has since been appointed as acting COO, while Ms D Naicker has been appointed as the acting General Counsel.

## Financial results

The financial results of the Corporation are fully disclosed on pages 14 to 77.

## 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.

The amendment tax bill which designates the IMU grant as tax exempt in terms of Schedule 11 of the Income Tax Act has been promulgated and was applied in the 2022 financial year. Further to the above, 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. The deferred tax balance for the 2022 financial year has since been calculated applying the reduced rate of 27 percent.

## Changes in accounting policies

The accounting policies applied during the year ended 31 March 2022 are in all material respects consistent with those applied in the annual financial statements for the year ended 31 March 2021, as no 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 will place further downward pressure on global growth with negative impact on many of the emerging countries that the Corporation is doing business in.

## Significant events

During the current financial year, one of the projects prepaid its insured loan resulting into the derecognition of the premuim receivable of R423 million for the unexpired risk. The related unearned premium reserve was also reversed. Refer to note 14.1 for the detailed disclosure.

A deferred tax asset of R45 million has been recognised for the tax losses reported in the current financial year of R165 million as a result of the IBNR raised. The tax loss reported is a once off event 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 2023 financial year onwards. The deferred tax asset is expected to be utilised within the next two years. This is demonstrated in the Corporation's forecast and strategic plan for 2022/23 to 2026/27 financial years.

## Events after the reporting period

One of the projects in the mining sector had experienced challenges in respect of the low quality of the diamonds mined and low quantity of the reserves, which were

# Directors' Report

exacerbated by COVID-19 resulting into unsustainable low market price. The project had to be placed under care and maintenance. At reporting date, an IBNR reserve was raised for the project since there was no default event yet (refer to note 14 for the detailed disclosure). Post year-end, the Corporation received and paid a claim of $56 million excluding VAT which was fully provided for in the reporting period.

## 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:

| | 23 April 2021 | 26 May 2021 (Special) | 26 July 2021 | 25 October 2021 | 26 January 2022 |
|---|---|---|---|---|---|
| **Members** | | | | | |
| L Mothae (Chairperson) | X | X | X | X | X |
| V Matsiliza | X | X | X | X | X |
| S O'Mahony | X | X | X | X | X |
| S Mayekiso | X | X | X | X | X |
| **Invitees** | | | | | |
| S Khan (dtic shareholder representative) | X | X | X | X | X |

*Legends:*
*X > in attendance*

## Litigation

In the previous financial year the Corporation received a court summons pertaining to the insurance claims that were rejected by the Corporation. The Corporation is defending the litigation action. The disclosure has been provided in note 14.3 provision for claims reserves.

## Related-party transactions

The related-party transactions are specified in the Notes to the Annual Financial Statements on pages 70 to 73.

## 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 2022 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 | 2021-22 Annual Target | Actual Achievement | Reason for Variance |
|---|---|---|---|---|
| **STAFF RETENTION AND EFFICIENCY** | | | | |
| Retention of staff | % staff retained | Retain 85% of staff | **Target achieved.**<br>97% staff retained. | N/A |
| Staff efficiency | Employee cost to earned premium (3-year average) | Ratio not greater than 22% | **Target achieved.**<br>13% staff efficiency ratio. | N/A |
| **IMPROVE BUSINESS PROCESSES AND SYSTEMS** | | | | |
| Tracking of cost to income ratio on an annual basis | Cost to income ratio | Cost to income ratio not exceeding 32% | **Target achieved.**<br>The cost to income ratio of 23%. | N/A |
| Automation of business processes | % of business processes automated | 60% of business processes automated | **Target not achieved.**<br>48% (22 of 46) of business processes automated. | The ERP technical upgrade project sign-off was delayed due to outstanding issues in the financial management module as at 31 March 2022. As a result, only 48% of the business processes could be acknowledged as automated during the period. |
| **CONTRIBUTE TO TRADE FACILITATION** | | | | |
| Facilitation of exports and cross border investments | Value of approved transactions | USD525 million | **Target not achieved.**<br>6 transactions to the equivalent value of USD249.86 million approved to date:<br>1. Amandi Hospital (Ghana) €24.22 million / USD29.48 million<br>2. Socapursel (Cameroon) R43.11 million / USD2.95 million<br>3 Vodacom (Ethiopia) USD121.46 million<br>4. Vamed Hospital (Angola) €28.63 million / USD32.47 million<br>5. ECIC-IDC intra-Africa Facility USD55 million<br>6. Robertson & Caine Working Capital Facility R130 million / USD 8.51 million | The size of the deals approved were of a smaller size. Big ticket deals are fewer and have had a slow gestation period. |
| | Number of approved transactions | 4 deals approved | **Target achieved.**<br>4 deals approved. | N/A |
| | Approved transactions within expanded sectoral coverage | 1 transaction | **Target achieved.**<br>2 transactions approved. | N/A |
| **GOOD GOVERNANCE AND SOUND RISK MANAGEMENT PRACTICES** | | | | |
| Good governance and sound risk management practices | Maintain B-BBEE Score | Level 1 | The ECIC B-BBEE Tool has an achievement of Level 1. However, at the time of approving the AFS, the B-BBEE verification had not been concluded. | N/A |
| | Maintain healthy Economic Capital (EC) and regulatory Solvency Capital Requirement (SCR) cover ratios | EC Ratio > 120%<br>SCR Ratio > 130% | **Target achieved.**<br>EC Ratio of 245%<br>SCR Ratio of 300% | N/A |
| | Maintain a healthy Claims Loss Ratio | Below 50% | **Target achieved.**<br>Claims Loss Ratio of 32%. | N/A |
| **INCREASE CAPITAL BASE** | | | | |
| Increase in capital base | % increase in equity (excluding foreign exchange movements and related tax)* | 5% increase in equity | **Target not achieved.**<br>3% increase in equity. | This is mainly attributable to the IBNR raised. |
| **IMPROVE STAKEHOLDER SATISFACTION** | | | | |
| Improve employee engagement score | Employee engagement score | Employee engagement score of 68% | **Target achieved**<br>Employee engagement score of 76.6% (3.83 out of a rating of 5). | 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 14 to 75, which comprise the statement of financial position as at 31 March 2022, the statement of comprehensive income, statement of changes in equity and statement cash flows for the year then ended, as well as the 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 2022, 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 Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors ("IRBA Code") 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.

### Auditor's responsibilities 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 the 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.

## Report on the audit of the annual performance report

### Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (PAA) and the general notice issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objective presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.

# Independent Auditors' Report

11. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. We have not evaluated the completeness and appropriateness of the performance indicator included in the planning documents. Our procedures do not examine whether the actions taken by the public entity enabled service delivery. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.
12. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in annual performance report of the public entity for the year ended 31 March 2022.

| Objective | Pages in the annual performance report |
|---|---|
| Objective 1 – Increase in capital base | 9 |

13. We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. We did not identify any material findings on the usefulness and reliability of the reported performance information for this objective.

### Other matters

15. We draw attention to the matter below. Our opinions are not modified in respect of this matter.

#### *Achievement of planned targets*

16. Refer to the annual performance report on page 9 for information on the achievement of planned targets for the year.

## Report on the audit of compliance with legislation

### Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.
18. We did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

## Other information

19. 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.
20. Our opinion on the financial statements and our findings on the reported performance information and 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.
21. 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 objective presented in the annual performance report, our knowledge obtained in the audit, or otherwise appears to be materially misstated.
22. 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

23. We considered internal control relevant to our audit of the financial statements, reported performance information 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.

# Independent Auditor' Report

## Other reports

24. 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.

25. 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 2022.*

## Auditor tenure

26. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, I report that SizweNtsalubaGobodo Grant Thornton Incorporated has been the auditor of Export Credit Insurance Corporation of South Africa SOC Ltd for four years.

**SizweNtsalubaGobodo Grant Thornton Inc.**
**Director: Nhlanhla Sigasa**
*Chartered Accountant (SA)*
*Registered Auditor*

29 July 2022

20 Morris East Street
Woodmead
2191

# Independent Auditor' Report

## Annexure – Auditor's responsibility for the audit

1. 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 objective and on the public entity's compliance with respect to the selected subject matters.

### Financial statements

2. 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 by the board of directors, which constitutes the accounting authority.
   - conclude on the appropriateness of the board of directors, which constitutes the accounting authority's 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 related to events or conditions that may cast significant doubt on the ability of the Export Credit Insurance Corporation of South Africa SOC Ltd 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 financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial 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 continuing as a going concern.
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

3. 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.
4. 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.

# Statement of Financial Position

| | Note(s) | 2022 R'000 | 2021 R'000 |
|---|---|---|---|
| **Assets** | | | |
| Intangible assets | 6 | 285 | 1 117 |
| Property and equipment | 7 | 2 678 | 6 262 |
| Deferred tax | 8 | 50 755 | - |
| Financial assets at fair value | 9 | 4 578 311 | 4 303 165 |
| Reinsurance contract assets | 10 | 7 697 | 10 700 |
| Current tax receivable | 29 | 2 066 | - |
| Trade and other receivables | 11 | 1 007 019 | 1 798 269 |
| Cash and cash equivalents | 12 | 4 487 620 | 4 084 701 |
| **Total assets** | | **10 136 431** | **10 204 214** |
| | | | |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital and share premium | 13 | 316 051 | 316 051 |
| Foreign currency translation reserve | | 2 289 719 | 2 484 487 |
| Fair value adjustment through other comprehensive income reserve | | (27 545) | (29 947) |
| Retained earnings | | 4 068 489 | 3 734 147 |
| **Total equity** | | **6 646 714** | **6 504 738** |
| | | | |
| **Liabilities** | | | |
| Insurance contract liabilities | | 2 767 171 | 2 808 756 |
| Provision for unearned premiums | 14.1 | 1 539 070 | 2 428 106 |
| Provision for unexpired risks | 14.2 | 457 382 | 380 650 |
| Provision for claims reserves | 14.3 | 770 719 | - |
| Reinsurance deferred acquisition cost | | 1 185 | 1 648 |
| Deferred tax | 8 | - | 3 838 |
| Employee benefit liability | 15 | 27 459 | 24 816 |
| Trade and other payables | 16 | 129 056 | 89 825 |
| Lease liability | 17 | 140 | 3 396 |
| Liability for interest make-up | 18 | 564 706 | 749 801 |
| Current tax payable | 29 | - | 17 396 |
| **Total liabilities** | | **3 489 717** | **3 699 476** |
| **Total equity and liabilities** | | **10 136 431** | **10 204 214** |

# Statement of Comprehensive Income

| | Note(s) | 2022 R'000 | 2021 R'000 |
|---|---|---|---|
| Insurance premium revenue | 20 | 196 290 | 701 331 |
| Net change in unearned premiums | | 398 970 | (134 655) |
| Gross change in unearned premiums | 14.1 | 401 748 | (132 902) |
| Change in reinsurance unearned premiums | 10 | (2 778) | (1 753) |
| Change in unexpired risks | 14.2 | (82 606) | 44 777 |
| **Net insurance premium revenue** | | **512 654** | **611 453** |
| Assessment fees | | 435 | 271 |
| Reinsurance commissions received | | 429 | 347 |
| Net investment income | 21 | 297 453 | 822 981 |
| IMU grant receipts | | 208 078 | 162 710 |
| Other income | | 60 | 190 |
| **Net income** | | **1 019 109** | **1 597 952** |
| **Claims incurred** | | **(670 106)** | **69 331** |
| Insurance benefits and claims | | 83 644 | 69 331 |
| Claims paid | 14.3 | - | - |
| Salvages income | | 83 644 | 69 331 |
| Change in claims reserves | 14.3 | (753 750) | - |
| Commission paid to intermediaries | | (195) | (193) |
| Operating expenses | 23 | (161 035) | (149 224) |
| Interest expense | 24 | (67) | (476) |
| Profit on exchange differences | 25 | 65 431 | 408 754 |
| Fair value movements on interest make-up liability | 18 | 39 489 | (64 375) |
| SED & ESD contributions | 26 | (13 901) | (25 998) |
| **Profit before taxation** | | **278 725** | **1 835 771** |
| Taxation | 27 | 55 617 | (168 432) |
| **Profit for the year** | | **334 342** | **1 667 339** |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified to profit or loss:** | | | |
| Currency translation differences | 22 | (194 768) | (1 239 685) |
| Fair value adjustments of financial assets | | 3 458 | 35 395 |
| Deferred tax on fair value of financial assets | | (1 056) | (7 928) |
| **Total items that may be reclassified to profit or loss** | | **(192 366)** | **(1 212 218)** |
| **Other comprehensive loss for the year net of taxation** | | **(192 366)** | **(1 212 218)** |
| **Total comprehensive profit for the year** | | **141 976** | **455 121** |

# 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, 2020** | **316 051** | **3 724 172** | **(57 414)** | **3 666 758** | **2 066 808** | **6 049 617** |
| Profit for the year | - | - | - | - | 1 667 339 | 1 667 339 |
| Effects of translation to presentation currency | - | (1 239 685) | - | (1 239 685) | - | (1 239 685) |
| Fair value adjustment net of taxation | - | - | 27 467 | 27 467 | - | 27 467 |
| **Total comprehensive income for the year** | **-** | **(1 239 685)** | **27 467** | **(1 212 218)** | **1 667 339** | **455 121** |
| **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** |
| Note(s) | 13 | | | | | |

# Statement of Cash Flows

| | Note(s) | 2022 R'000 | 2021 R'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from underwriting activities | 28 | 411 358 | 402 315 |
| Interest received | | 142 233 | 162 125 |
| IMU grant receipts | | 208 078 | 162 710 |
| Dividends received | | 58 387 | 49 707 |
| IMU claims paid | | (130 487) | (322 185) |
| Interest paid | | (67) | (476) |
| Taxation paid | 29 | (19 493) | (143 812) |
| **Net cash inflows from operating activities** | | **670 009** | **310 384** |
| **Cash flows from investing activities** | | | |
| Acquisition of equipment | 7 | (1 072) | (1 046) |
| Sale of equipment | | 18 | - |
| Net sale of financial assets | | (44 302) | 3 570 891 |
| **Net cash (outflows)/inflows from investing activities** | | **(45 356)** | **3 569 845** |
| **Cash flows from financing activities** | | | |
| Lease liability repayments | | (3 256) | (5 773) |
| **Increase in cash and cash equivalents** | | **621 397** | **3 874 456** |
| Cash and cash equivalents at the beginning of the year | | 4 084 701 | 331 400 |
| Effect of translation on cash and cash equivalents | | (223 093) | (151 303) |
| Unrealised foreign exchange gain on cash and cash equivalents | | 4 615 | 30 148 |
| **Total cash and cash equivalents at end of the year** | 12 | **4 487 620** | **4 084 701** |

# 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 Credit Guarantee Insurance Corporation of Africa Limited (CGIC), a privately owned insurance company.

The Corporation provides risk mitigation solutions for South African exporters who offer capital 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) Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39***

Amendments to requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures.

The amendment to IFRS 4 enables an insurer applying the temporary exemption from IFRS 9 to apply a practical expedient to account for a change in the contractual cash flows that are required by Interbank offered rates (IBOR) reform by updating the effective interest rate to reflect any change arising from the reform.

The amendment to IFRS 7 requires a company to make additional disclosures in its financial statements so that investors can better understand the effects of IBOR reform on that company.

The amendments to IFRS 9 enable a company to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform.

The amendments to IFRS 9 enable (and require) companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the IBOR reform, by requiring companies to amend their hedging relationships to reflect:

- designating an alternative benchmark rate as the hedged risk; or
- changing the description of the hedged item, including the designated portion, or of the hedging instrument.

The amendment to IFRS 16 enables a company to apply a practical expedient to account for a lease modification required by the IBOR reform.

The amendments to IAS 39 enable (and require) companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the IBOR reform by requiring companies to amend their hedging relationships to reflect:

- designating an alternative benchmark rate as the hedged risk;
- changing the description of the hedged item, including the designated portion, or of the hedging instrument; or
- changing the description of how the entity would assess hedge effectiveness.

The impact is immaterial. The IBOR reform did not have an impact on interest rates used for IFRS 4, IFRS 16 and IAS 39. The impact on IFRS 9 will be assessed when the accounting standard is implemented by the Corporation in the 2024 financial year.

# Accounting Policies

***(ii) IFRS 16, Leases.***

The following amendments were made.

- COVID-19-Related Rent Concessions beyond 30 June 2021.

Amendment that extends, by one year, the one from June 2020. Amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 April 2021.

There is no impact to the Corporation. There has been no rent concessions.

**(b) New standards, amendments and interpretations issued but not effective for the financial year and not early adopted.**

***(i) IFRS 17, Insurance Contracts.***

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.

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).

An entity may simplify the measurement of a group of insurance contracts using the Premium Allocation Approach if certain criteria are met.

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 is expecting to adopt IFRS 17 in its financial statements for the year ending 31 March 2024.

The new standard will have a significant impact on the financial statements when it is initially applied which will include changes to the measurement of insurance contracts issued and the presentation and disclosure. A detailed assessment of the impact is currently underway. Based on the preliminary assessment conducted the impact is as follows:

- 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 need to be split out from insurance risk.
- The standard makes provision for simplified premium allocation approach, but the Corporation will apply the General Measurement Model for all contracts. It is envisaged that the Corporation will be electing the modified retrospective approach to apply IFRS 17 retrospectively.

# Accounting Policies

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

***(v) 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, ECIC will apply the amendments from the effective date and the amendments are not expected to significantly impact the Corporation.

***(vi) 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.

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

# Accounting Policies

***(vii) 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 issues 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.

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 | 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 significant when compared to current method for the purpose of determining the provision. However, for the ECIC 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 | Fair value through profit or | 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.

# Accounting Policies

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 fair value as they are managed and performance is evaluated on a fair value basis.

Below is the fair value balances and adjustments of 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.

| | 2022 | | 2021 | |
|---|---|---|---|---|
| **Financial assets** | **Fair value balance (R'000)** | **Fair value adjustments (R'000)** | **Fair value balance (R'000)** | **Fair value adjustments (R'000)** |
| Financial assets at fair value | 4 578 311 | (33 630) | 4 303 165 | 255 224 |
| Trade and other receivables | 1 007 019 | - | 1 798 269 | - |
| Cash and cash equivalents | 4 487 620 | - | 4 084 701 | - |
| **Total** | **10 072 950** | **(33 630)** | **10 186 135** | **255 224** |

The significant accounting policies are set out below. These policies are consistently applied to all years presented unless otherwise stated. Current and future changes in accounting policies will include the following:

### 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 2022, 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 Export Credit Insurance Corporation of South Africa SOC Ltd have been authorised for issue by the Board of directors on 29 July 2022.

### 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.

# Accounting Policies

### 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.

#### *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.

# Accounting Policies

### *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.

**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.

# Accounting Policies

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.

## 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.

# Accounting Policies

**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 historic cost. Historic 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.

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 |
| Vehicles | 9 years |

Residual value:

| | |
|---|---|
| Computer equipment | R 2 000 |

The equipments' 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.

# Accounting Policies

### *1.7.2 Intangible assets*

At initial recognition intangible assets are measured at historic cost.

Subsequent to initial recognition the intangible assets are measured at historical 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 Leased 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: | 2 years |
| Computer Equipment: | 3 years |

The carrying amount of leased assets is derecognised on termination of the lease agreement.

## 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.

# Accounting Policies

***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 R 7 000.

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.

**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.

**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.

# Accounting Policies

### *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.

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.

### *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.

# Accounting Policies

### *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.

### *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

# Accounting Policies

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.

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

# Accounting Policies

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.

### 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.

## 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 Cashflows).

IMU Grant is recognised as income when received and all the conditions are met; otherwise recognised as a liability.

## 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.

# Accounting Policies

### 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.

### 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.

# Accounting Policies

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 1.7.

#### (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 where 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 capital 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 capital 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:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | R'000 | Country rating | R000 | Country rating |
| Ghana | 7 414 960 | 4 | 6 760 661 | 4 |
| Iran | 5 080 130 | 5 | 6 676 605 | 5 |
| Mozambique | 1 307 638 | 5 | 5 045 139 | 5 |
| Zimbabwe | 3 568 063 | 7 | 3 172 022 | 7 |
| Malawi | 337 046 | 5 | 2 079 827 | 5 |
| Lesotho | 974 977 | 5 | 996 218 | 5 |
| Liberia | - | - | 573 743 | 6 |
| Uganda | 373 069 | 6 | 372 589 | 6 |
| Zambia | 60 561 | 5 | - | - |
| Ethiopia | 959 828 | 6 | 180 268 | 6 |
| Tanzania | 82 675 | 5 | 167 244 | 5 |
| Swaziland | 121 611 | 5 | 191 102 | 5 |
| Democratic Republic of Congo | 247 028 | 6 | 172 481 | 6 |
| Mauritius | - | - | 65 598 | 3 |
| Republic of Congo Brazaville | 48 304 | 6 | 49 527 | 6 |
| South Africa* | 117 000 | 4 | - | - |
| Cote d' Ivoire | 37 027 | 5 | 37 965 | 5 |
| Botswana | 29 260 | 3 | - | - |
| | **20 759 177** | | **26 540 989** | |

* *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 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, 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:

| | 2022 R'000 | 2021 R000 |
|---|---|---|
| **Sum insured per sector** | | |
| Accomodation & Catering | 960 725 | 944 210 |
| Cement Plant / (Manufacture of Cement) | 175 817 | 180 268 |
| Construction | 2 615 439 | 3 622 771 |
| Construction of Civil engineering structure | 2 735 758 | - |
| Gas Distribution (Pipeline Transport) | 270 000 | 270 000 |
| Infrastructure | - | 5 363 415 |
| Mining | 974 977 | 1 569 961 |
| Power (Electricity) | 6 408 041 | 7 188 103 |
| Transportation (Water transport) | 117 000 | - |
| Transport & Storage (Air Transport & Services) | 211 500 | 243 588 |
| Transportation (Land Transport) | 61 600 | 96 282 |
| Telecommunication | 6 201 188 | 7 016 026 |
| Water collection, treatment & supply | 27 132 | 46 365 |
| | **20 759 177** | **26 540 989** |
| | | |
| **Sum insured by product type** | | |
| Credit insurance-medium to long term | 11 749 316 | 16 443 201 |
| Credit insurance-short term | 117 000 | - |
| Investment guarantee | 8 892 861 | 10 097 788 |
| | **20 759 177** | **26 540 989** |

### 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 no payment has been made at year-end.

For more information pertaining to the sensitivity analysis and change in assumptions on the insurance liabilities refer to note 14.4.

# 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:

| | 2022 R'000 | | 2021 R'000 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets at fair value | 4 578 311 | 4 578 311 | 4 303 165 | 4 303 165 |
| Listed equities | 918 780 | 918 780 | 1 231 248 | 1 231 248 |
| Collective investments | 183 540 | 183 540 | - | - |
| Money market | 151 633 | 151 633 | 117 339 | 117 339 |
| Unlisted equities | 575 140 | 575 140 | 586 158 | 586 158 |
| Listed bonds | 2 749 218 | 2 749 218 | 2 368 420 | 2 368 420 |
| Trade and other receivables | 1 000 755 | 1 000 755 | 1 798 269 | 1 798 269 |
| Cash and cash equivalents | 4 487 620 | 4 487 620 | 4 084 701 | 4 084 701 |
| Trade and other payables | (128 440) | (128 440) | (70 047) | (70 047) |
| Lease liability | (140) | (140) | (3 396) | (3 396) |
| Liability for interest make-up | (564 706) | (564 706) | (749 801) | (749 801) |
| | **9 373 400** | **9 373 400** | **9 362 891** | **9 362 891** |

# 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 fluctuation 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:

| | 2022<br>R'000 | 2021<br>R'000 |
|---|---|---|
| Cash and cash equivalents | 180 677 | 150 583 |
| Financial assets at fair value | 2 587 404 | 2 248 355 |
| Trade and other receivables | 4 800 | 17 204 |
| Insurance contract liabilities | (5 463) | (7 187) |
| Lease liability | (140) | (3 396) |
| Trade and other payables | (46 582) | (37 203) |
| | **2 720 696** | **2 368 356** |
| 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 | 14,4705 | 14,8369 |
| Average rate | 14,8540 | 16,3617 |

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 |
| **2022** | **(247 856)** | **305 528** | **390 713** | **(390 713)** |
| 2021 | (226 745) | 278 163 | 418 745 | (418 745) |

### *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 |
| **2022** | **(52 536)** | **51 037** | **(52 536)** | **51 037** |
| 2021 | (31 083) | 29 925 | (31 083) | 29 925 |

### *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.

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| Basic resources | - | 373 117 |
| Industrials | 23 973 | 62 070 |
| Consumer goods | - | 97 445 |
| Telecommunications | - | 13 984 |
| Financials | 726 628 | 816 911 |
| Health | 4 884 | 37 708 |
| Consumer services | - | 257 862 |
| Technology | - | 5 686 |
| Consumer Staples | 53 758 | - |
| Materials | 353 749 | - |
| Collective Investment Scheme | 183 540 | - |
| Energy | 16 267 | - |
| Real estate | 90 152 | 152 623 |
| Utilities | 269 | - |
| Consumer Discretionary | 189 905 | - |
| Communication services | 34 335 | - |
| **Note 9 (listed equities, unlisted equities and collective investment scheme only)** | **1 677 460** | **1 817 406** |

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 |
| **2022** | **34 675** | **(34 675)** | **57 220** | **(57 220)** |
| 2021 | 59 696 | (59 696) | 82 439 | (82 439) |

# 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:

| 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** |

| 2021 | 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 | 1 843 815 | 1 145 901 | 1 313 449 | 4 303 165 |
| Trade and other receivables | 414 719 | 931 085 | 452 465 | 1 798 269 |
| Cash and cash equivalents | 4 084 701 | - | - | 4 084 701 |
| Reinsurance contract assets | 2 803 | 6 964 | 933 | 10 700 |
| | **6 346 038** | **2 083 950** | **1 766 847** | **10 196 835** |
| **Financial liabilities** | | | | |
| Trade and other payables | 68 937 | 807 | 303 | 70 047 |
| Insurance contract liabilities | 412 529 | 1 260 392 | 1 135 835 | 2 808 756 |
| Lease liability | 3 323 | 145 | - | 3 468 |
| Liability for interest make-up | 115 727 | 509 356 | 192 123 | 817 206 |
| Deferred acquisition cost | 431 | 1 073 | 144 | 1 648 |
| | **600 947** | **1 771 773** | **1 328 405** | **3 701 125** |

# 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; 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. 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.

| 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** |

| 2021 | 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 | 2 462 044 | 606 758 | 3 115 | 1 231 248 | 4 303 165 |
| Trade and other receivables | - | - | - | 1 798 269 | 1 798 269 |
| Cash and cash equivalents | 4 084 701 | - | - | - | 4 084 701 |
| | **6 546 745** | **606 758** | **3 115** | **3 029 517** | **10 186 135** |

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:

| 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 |

| 2021 | 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 | 1 685 009 | 113 241 | 236 | (217) | 1 798 269 |

### 5.3.3 Age analysis of trade and other receivables and premium debtors that are past due but not impaired

| 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 |

| 2021 | <30 days R'000 | 31- 90 R'000 | 91-120 R'000 | Greater than 120 R'000 | Total R'000 |
|---|---|---|---|---|---|
| Trade and other receivables | 91 616 | 1 | - | 21 624 | 113 241 |

### 5.3.4 Reconciliation of the provision for doubtful debt

| 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) |

| 2021 | Opening balance R'000 | Additions R'000 | Recovered/ reversed R'000 | Write-off R'000 | Closing balance R'000 |
|---|---|---|---|---|---|
| Provision for doubtful debt | (389) | (66) | 115 | 123 | (217) |

### 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

| | 2022 Cost R'000 | 2022 Accumulated amortisation R'000 | 2022 Carrying value R'000 | 2021 Cost R'000 | 2021 Accumulated amortisation R'000 | 2021 Carrying value R'000 |
|---|---|---|---|---|---|---|
| Computer software and models | 5 479 | (5 194) | 285 | 5 618 | (4 501) | 1 117 |

**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 |

**Reconciliation of intangible assets – 2021**

| | Opening balance R'000 | Amortisation R'000 | Translation effect R'000 | Closing balance R'000 |
|---|---|---|---|---|
| Computer software and models | 2 606 | (868) | (621) | 1 117 |

**Pledged as security**

None of the intangible assets are pledged as security for liabilities.

## 7. Property plant and equipment

| | 2022 Cost R'000 | 2022 Accumulated depreciation R'000 | 2022 Carrying value R'000 | 2021 Cost R'000 | 2021 Accumulated depreciation R'000 | 2021 Carrying value R'000 |
|---|---|---|---|---|---|---|
| **Owned assets** | | | | | | |
| Furniture and fittings | 8 957 | (8 631) | 326 | 9 184 | (8 414) | 770 |
| Motor vehicles | 191 | (191) | - | 196 | (196) | - |
| Office equipment | 2 325 | (1 956) | 369 | 3 584 | (2 715) | 869 |
| Computer equipment | 4 879 | (3 023) | 1 856 | 5 257 | (3 671) | 1 586 |
| | **16 352** | **(13 801)** | **2 551** | **18 221** | **(14 996)** | **3 225** |
| **Leased assets** | | | | | | |
| Building | - | - | - | 10 908 | (8 174) | 2 734 |
| Computer equipment | 454 | (327) | 127 | 569 | (266) | 303 |
| | **454** | **(327)** | **127** | **11 477** | **(8 440)** | **3 037** |
| **Total** | **16 806** | **(14 128)** | **2 678** | **29 698** | **(23 436)** | **6 262** |

# Notes to the Financial Statements

**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** |

**Reconciliation of property and equipment – 2021**

| | Opening balance R'000 | Additions R'000 | Depreciation R'000 | Translation effect R'000 | Closing balance R'000 |
|---|---|---|---|---|---|
| **Owned assets** | | | | | |
| Furniture and fittings | 1 759 | 17 | (497) | (509) | 770 |
| Office equipment | 1 253 | 99 | (169) | (314) | 869 |
| Computer equipment | 1 444 | 930 | (395) | (393) | 1 586 |
| | **4 456** | **1 046** | **(1 061)** | **(1 216)** | **3 225** |
| **Leased assets** | | | | | |
| Building | 9 925 | - | (5 594) | (1 597) | 2 734 |
| Computer equipment | 607 | - | (196) | (108) | 303 |
| | **10 532** | **-** | **(5 790)** | **(1 705)** | **3 037** |
| | **14 988** | **1 046** | **(6 851)** | **(2 921)** | **6 262** |

The office building lease contract and one lease contract for the printers (office equipment) came to an end during the current financial year, the leased assets have since been derecognised on expiry of these lease contracts.

**Pledged as security**

None of the property and equipment is pledged as security for liabilities.

# Notes to the Financial Statements

## 8. Deferred tax

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| Deferred tax asset/(liability) | 50 755 | (3 838) |
| **Reconciliation of deferred tax asset/(liability)** | | |
| **Deferred tax through the statement of comprehensive income** | | |
| Provisions | 7 763 | 6 891 |
| Fair value gain on financial assets | (736) | (7 892) |
| Unrealised foreign exchange gain on equities | (7 924) | (11 460) |
| Payments received in advance | 82 | 152 |
| Prepayments | (497) | (437) |
| Property and equipment | (189) | 263 |
| Unused tax losses | 44 667 | - |
| | **43 166** | **(12 483)** |
| **Deferred tax through other comprehensive income** | | |
| Fair value on financial assets through other comprehensive income | 7 589 | 8 645 |
| | **50 755** | **(3 838)** |

**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) | 7 128 | - | 27 | - | (736) |
| Financial assets available for sale | (2 815) | 3 242 | (775) | 293 | (281) | (335) |
| Prepayments | (437) | (79) | - | 18 | - | (497) |
| Unused tax losses | - | 46 321 | - | (1 654) | - | 44 667 |
| **Liabilities** | | | | | | |
| Provisions | 6 891 | 1 159 | - | (288) | - | 7 763 |
| Payments received in advance | 152 | (67) | - | (3) | - | 82 |
| | **(3 838)** | **57 247** | **(775)** | **(1 599)** | **(281)** | **50 755** |

# Notes to the Financial Statements

**Reconciliation of deferred tax asset/(liability) – 2021**

| | Opening balance R'000 | Recognised in profit or loss R'000 | Recognised in other comprehensive income R'000 | Closing balance R'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Property and equipment | 249 | 14 | - | 263 |
| Financial assets at fair value through profit or loss | 34 067 | (41 959) | - | (7 892) |
| Financial assets available for sale | (21 040) | 26 153 | (7 928) | (2 815) |
| Prepayments | (577) | 140 | - | (437) |
| **Liabilities** | | | | |
| Provisions | 9 548 | (2 657) | - | 6 891 |
| Payments received in advance | 160 | (8) | - | 152 |
| | **22 407** | **(18 317)** | **(7 928)** | **(3 838)** |

**Recognition of deferred tax asset**

A deferred tax asset of R45 million has been recognised for the tax losses reported in the current financial year of R165 million as a result of the IBNR raised. The tax loss reported is a once off event 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 2023 financial year onwards. The deferred tax asset is expected to be utilised within the next two years.This is demonstrated in the Corporation's forecast and strategic plan for 2022/23 to 2026/27 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% in 2022 (2021: 28%). For other assets the expected manner of recovery is through indefinite use and the normal tax rate of 27% in 2022 (2021: 28%) is applied.

# Notes to the Financial Statements

## 9. Financial assets at fair value

| | 2022<br>R'000 | 2021<br>R'000 |
|---|---|---|
| **Through profit or loss** | | |
| Listed equities | 918 780 | 1 231 248 |
| Bonds | 2 749 218 | 2 368 420 |
| Money market | 151 633 | 117 339 |
| Collective investment scheme | 183 540 | - |
| | **4 003 171** | **3 717 007** |
| **Available for sale** | | |
| Unlisted equities* | 575 140 | 586 158 |
| **Total financial assets** | **4 578 311** | **4 303 165** |

**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.

### 9.2 Maturity profile of financial assets

| 2022 | Within 1 year<br>R'000 | 1 to 5 years<br>R'000 | Greater than 5 years<br>R'000 | Total<br>R'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Bonds | 603 962 | 1 161 219 | 984 037 | 2 749 218 |
| Unlisted equities | - | - | 575 140 | 575 140 |
| Money market | 151 633 | - | - | 151 633 |
| Listed equities | 918 780 | - | - | 918 780 |
| Collective investment scheme | 183 540 | - | - | 183 540 |
| | **1 857 915** | **1 161 219** | **1 559 177** | **4 578 311** |

| 2021 | Within 1 year<br>R'000 | 1 to 5 years<br>R'000 | Greater than 5 years<br>R'000 | Total<br>R'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Bonds | 495 228 | 1 145 901 | 727 291 | 2 368 420 |
| Unlisted equities | - | - | 586 158 | 586 158 |
| Money market | 117 339 | - | - | 117 339 |
| Listed equities | 1 231 248 | - | - | 1 231 248 |
| | **1 843 815** | **1 145 901** | **1 313 449** | **4 303 165** |

# Notes to the Financial Statements

**Fair-value hierarchy of financial assets at fair value through profit or loss**

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **Level 1** | | |
| Listed equities | 918 780 | 1 231 248 |
| Bonds | 2 716 432 | 2 368 420 |
| | **3 635 212** | **3 599 668** |
| **Level 2** | | |
| Bonds | 32 786 | - |
| Money market | 151 633 | 117 339 |
| Collective investment scheme | 183 540 | - |
| | **367 959** | **117 339** |
| | **4 003 171** | **3 717 007** |

Included in the level 1 category are financial assets that are measured in whole or in part 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.

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.

**Reconciliation of financial assets at fair-value through profit or loss**

| 2022 | Opening balance R'000 | Interest and dividends net of management fees and other costs R'000 | Total gain in statement of comprehen-sive 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** |

| 2021 | Opening balance R'000 | Interest and dividends net of management fees and other costs R'000 | Total gain in statement of comprehen-sive income R'000 | Net sales R'000 | Foreign exchange loss and currency translation R'000 | Closing balance R'000 |
|---|---|---|---|---|---|---|
| Financial assets | 7 604 463 | 184 593 | 589 558 | (3 704 823) | (956 784) | 3 717 007 |

# Notes to the Financial Statements

**Fair-value hierarchy of financial assets available for sale**

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **Level 3** | | |
| Unlisted equities | 575 140 | 586 158 |

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:

| 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 |

| 2021 | Total value R'000 | Change % |
|---|---|---|
| Reported value | 586 158 | |
| Mid-point discount rate of 8,28% – higher by 1% | 478 798 | (18,32) |
| Mid-point discount rate of 8,28% – lower by 1% | 756 619 | 29,08 |
| Terminal Growth rate of 3,86% – higher by 0,5% | 648 767 | 10,68 |
| Terminal Growth rate of 3,86% – lower by 0,5% | 536 258 | (8,51) |
| Minority discount of 15,5% – higher by 1% | 577 663 | (1,45) |
| Minority discount of 15,5% – lower by 1% | 594 653 | 1,45 |
| Marketability discount of 15,5% – higher by 1% | 577 663 | (1,45) |
| Marketability discount of 15,5% – lower by 1% | 594 653 | 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.

# Notes to the Financial Statements

**Reconciliation of financial assets available for sale**

| 2022 | Opening balance R'000 | Dividend income R'000 | Total profit in statement of other comprehensive income R'000 | Dividends received 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 |

| 2021 | 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 | 667 520 | 20 226 | 35 395 | (20 226) | (116 757) | 586 158 |

**The dividend receivable was transferred to trade and other receivables as the Corporation did not select to re-invest the dividends.*

## 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.

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| Balance at beginning of year | 10 700 | - |
| Premium ceded to reinsurers | - | 15 097 |
| Amount transferred to the statement of comprehensive income | (2 778) | (1 753) |
| Foreign currency translation loss | (225) | (2 644) |
| **Balance at end of year** | **7 697** | **10 700** |

**Maturity profile**

| | Within 1 year R'000 | 1 to 5 years R'000 | Greater than 5 years R'000 | Total R'000 |
|---|---|---|---|---|
| 2022 | 2 317 | 4 470 | 910 | 7 697 |
| 2021 | 2 802 | 6 964 | 933 | 10 700 |

The movement reflected in note 28 is comprised of premiums ceded to reinsurers and the amount transferred to the statement of comprehensive income.

**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 which reflects the risk profile of the contract. The risk profile of the contract 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.

# Notes to the Financial Statements

### 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.

| 2022 | Total value R'000 | Change % |
|---|---|---|
| Reported value | 7 697 | |
| Depreciation of USD/ZAR exchange rate by 10% | 8 466 | 10 |
| Appreciation of USD/ZAR exchange rate by 10% | 6 927 | (10) |
| Increase in implied Probability of Default by adjusting the country rating | 7 703 | 0,1 |

| 2021 | Total value R'000 | Change % |
|---|---|---|
| Reported value | 10 700 | |
| Depreciation of USD/ZAR exchange rate by 10% | 11 770 | 10,0 |
| Appreciation of USD/ZAR exchange rate by 10% | 9 630 | (10,0) |
| Increase in implied Probability of Default by adjusting the country rating | 10 826 | 1,2 |

## 11. Trade and other receivables

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **Insurance receivables** | | |
| Premium receivables | 876 099 | 1 660 575 |
| Salvages receivable | 68 585 | 69 614 |
| Trade receivable due from related parties | 23 066 | 33 870 |
| | **967 750** | **1 764 059** |
| **Non-Insurance receivables** | | |
| Trade and other receivables due from related parties | - | 2 726 |
| Unsettled investments trades and accrued income | 32 926 | 5 108 |
| Other receivables (mainly dividends, prepayments, sundry debtors, staff debtors and travel cost recoveries receivables) | 6 343 | 26 376 |
| | **39 269** | **34 210** |
| | | |
| | **1 007 019** | **1 798 269** |

# Notes to the Financial Statements

During the current financial year, one of the projects prepaid its insured loan resulting into the derecognition of the premuim receivable of R423 million for the unexpired risk. The related unearned premium reserve was also reversed, refer to note 14.1 for the detailed disclosure.

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 mentioned above, unsettled investment trades, foreign exchange movements and translation effect on the trade and other receivables balance. The total of these exclusions is R419 million (2021: R308 million).

## 12. Cash and cash equivalents

| | 2022<br>R'000 | 2021<br>R'000 |
|---|---|---|
| Cash at bank and on hand | 166 075 | 3 926 869 |
| Short-term deposits | 4 321 545 | 157 832 |
| | **4 487 620** | **4 084 701** |

The aggregate interest rate on cash at bank and on hand at the reporting date was 0.185% (2021: 0.056%). Included in the short term deposits is foreign currency surplus funds of R4.2 billion invested in fixed deposits with the financial institutions.

## 13. Share capital and share premium

| | 2022<br>R'000 | 2021<br>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 |

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

| | 2022<br>R'000 | 2021<br>R'000 |
|---|---|---|
| Balance at beginning of year | 2 428 106 | 2 744 083 |
| Amount transferred (to)/from the statement of comprehensive income | (401 748) | 132 902 |
| Premium cancellation | (423 384) | - |
| Foreign exchange gain | (283) | (390) |
| Foreign currency translation gain | (63 621) | (448 489) |
| **Balance at end of year** | **1 539 070** | **2 428 106** |

| **Maturity profile** | Within 1 year<br>R'000 | 1 to 5 years<br>R'000 | Greater than 5 years<br>R'000 | Total<br>R'000 |
|---|---|---|---|---|
| 2022 | 318 487 | 711 120 | 509 463 | 1 539 070 |
| 2021 | 412 529 | 1 260 392 | 755 185 | 2 428 106 |

# Notes to the Financial Statements

### 14.2 Provision for unexpired risks

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| Balance at beginning of year | 380 650 | 505 005 |
| Amount transferred from/(to) the statement of comprehensive income | 82 606 | (44 777) |
| Foreign exchange (gain)/loss | (432) | 1 384 |
| Foreign currency translation gain | (5 442) | (80 962) |
| **Balance at end of year** | **457 382** | **380 650** |

Due to the nature of the gross provision for unexpired risks, no maturity profile is presented.

### 14.3 Provision for claims reserves

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| Balance at beginning of year | - | - |
| Outstanding claims reserve | - | - |
| Incurred but not reported claims reserve | - | - |
| Amount transferred to the statement of comprehensive income | 753 750 | - |
| New claims incurred | 753 750 | - |
| Outstanding claims reserve | 2 185 | - |
| Incurred but not reported claims reserve | 751 565 | - |
| Foreign exchange loss | 141 | - |
| Outstanding claims reserve | 141 | - |
| Incurred but not reported claims reserve | - | - |
| Foreign currency translation loss /(gain) | 16 828 | - |
| Outstanding claims reserve | (141) | - |
| Incurred but not reported claims reserve | 16 969 | - |
| Balance at end of the year | 770 719 | - |
| Outstanding claims reserve | 2 185 | - |
| Incurred but not reported claims reserve | 768 534 | - |

| **Maturity profile** | Within 1 year R'000 | 1 to 5 years R'000 | Greater than 5 years R'000 | Total R'000 |
|---|---|---|---|---|
| 2022 | 770 719 | - | - | 770 719 |
| 2021 | - | - | - | - |

For one of the projects affected by COVID-19; historically it experienced challenges in respect of poor quality and quantity of the reserves, which were exacerbated by COVID-19. COVID-19 resulted in a low demand for its product and unsustainable low market price. In the current year, the Corporation entered into discussions to restructure the debt (which included a potential claim payment in the next financial year). As at year end, there was no default event. However, an IBNR was raised given a high probability of default in the next financial year. Subsequent to year-end, a claim was received and paid as reflected in note 36 Events after reporting period.

# Notes to the Financial Statements

The Corporation received two related claims under the relevant ECIC insurance policies in the previous financial year. It is ECIC's view that the policyholder does not have valid claims and as a result the claims were rejected. For this reason, a claims reserve has not been raised. These claims are currently under litigation.

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:

| 2022 | Total value R'000 | Change % |
|---|---|---|
| Reported value | 2 767 171 | |
| | | |
| CRR LGD at 90% | 2 719 814 | (1,7) |
| Depreciation of USD/ZAR exchange rate by 10% | 3 042 429 | 9,9 |
| Appreciation of USD/ZAR exchange rate by 10% | 2 491 914 | (9,9) |
| 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 |

# Notes to the Financial Statements

| 2021 | Total value R'000 | Change % |
|---|---|---|
| Reported value | 2 808 756 | |
| CRR LGD at 90% | 2 771 075 | (1,3) |
| Depreciation of USD/ZAR exchange rate by 10% | 3 088 407 | 10,0 |
| Appreciation of USD/ZAR exchange rate by 10% | 2 529 104 | (10,0) |
| IBNR "Upwards" stress | 2 808 756 | - |
| IBNR "Downwards" stress | 2 808 756 | - |
| Increase in implied Probability of Default by adjusting the country rating | 2 813 471 | 0,17 |

IBNR has been raised for one of the projects affected by COVID-19, refer to note 14.1 for the detailed disclosure.

The Corporation has no insurance exposure in the countries directly impacted by the Russia/Ukraine conflict. The Russia/Ukraine conflict has no direct impact on the operations of the Corporation.

No explicit or additional allowance has been made in the reserves in terms of premium sufficiency for the uncertainty around COVID-19 and Russia/Ukraine conflict and the delivery of projects or payment of performance bonds and any trade credit default in the reserves.

## 15. Employee benefit liability

| 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** |

| 2021 | Opening balance R'000 | Additions R'000 | Utilisation/ reversal R'000 | Paid R'000 | Closing balance R'000 |
|---|---|---|---|---|---|
| Bonus provision | 27 389 | 20 262 | (6 125) | (21 264) | 20 262 |
| Leave provision | 3 764 | 6 668 | (4 017) | (1 861) | 4 554 |
| | **31 153** | **26 930** | **(10 142)** | **(23 125)** | **24 816** |

In the current year, the bonus provision was reclassified from trade and other payable. The prior year has since been adjusted for this change.

## 16. Trade and other payables

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| Sundry creditors and accruals | 14 549 | 14 362 |
| VAT | 615 | 19 778 |
| Unsettled investment trades and accrued expenses | 112 810 | 54 373 |
| Reinsurance premium payables | 1 082 | 1 312 |
| | **129 056** | **89 825** |

Included in the trade and other payables balance is unsettled investment trades and foreign exchange movements and other non cash adjustments of R113 million (2021: R51 million) which have been adjusted for in note 28.

# Notes to the Financial Statements

## 17. 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 Corporation is bound to the lease-term of the lease without cancellation during the lease-term or any exercised renewal with an option to renew the lease agreement before the termination date.

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 office buildings and some of the printers expired during the financial year. The right of use asset and the related lease liabilty was derecognised on expiry of the lease contracts. The Corporation is in a process of procuring another lease for the office building and in the interim has entered into a short-term lease which is accounted for as an operating lease (see note 23).The remaining lease term for the printers is 10 months. 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 7.5%.

There were no modification to leases in the current financial year, as a result the lease term remained unchanged.

The lease liabilities are secured by the related underlying assets. Future minimum lease liability repayments at 31 March 2022 were as follows:

| | 2022<br>R'000 | 2021<br>R'000 |
|---|---|---|
| **Minimum lease payments due** | | |
| – within one year | 145 | 3 323 |
| – in one to two years inclusive | - | 145 |
| | 145 | 3 468 |
| less: future finance charges | (5) | (72) |
| **Present value of minimum lease payments** | **140** | **3 396** |
| | | |
| **Reconciliation of the lease liability** | | |
| Opening balance | 3 396 | 9 169 |
| Finance charges | 67 | 475 |
| Lease liability payments | (3 323) | (6 248) |
| **Closing balance** | **140** | **3 396** |

# Notes to the Financial Statements

## 18. Liability for interest make-up

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.

| | 2022<br>R'000 | 2021<br>R'000 |
|---|---|---|
| Opening balance | 749 801 | 1 181 056 |
| Fair value movements on interest make-up liability | (39 489) | 64 375 |
| Payments | (130 487) | (322 185) |
| Foreign exchange gain and currency translation | (15 119) | (173 446) |
| **Closing balance** | **564 706** | **749 801** |

The contractual amount to be paid is R 673 422 000 (2021: R 817 206 000) which is R 108 716 000 (2021: R 67 405 000) 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:

| 2022 | Total value<br>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) |

| 2021 | Total value<br>R'000 | Change % |
|---|---|---|
| Reported value | 749 801 | |
| Increase discount rates by 10% | 748 064 | (0,2) |
| Decrease discount rates by 10% | 751 551 | 0,2 |
| Depreciation of USD/ZAR Exchange rate by 10% | 824 781 | 10,0 |
| Appreciation of USD/ZAR Exchange rate by 10% | 674 821 | (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**

| 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 |

| 2021 | 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 | 1 181 056 | 64 375 | (322 185) | (173 445) | 749 801 |

**Reconciliation of the liability for interest make-up**

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| Liability taken over | 2 032 445 | 2 032 445 |
| Total claims paid | (1 666 446) | (1 535 959) |
| Fair value movements on interest-make up liability | 130 613 | 170 102 |
| Foreign exchange movements | 68 094 | 83 213 |
| **Closing balance** | **564 706** | **749 801** |

# Notes to the Financial Statements

## 19. Categories of assets and liabilities

| 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** | | | | | | | | |
| Intangible assets | 6 | - | - | - | 285 | 285 | - | 285 |
| Property and equipment | 7 | - | - | - | 2 678 | 2 678 | - | 2 678 |
| Deferred tax | 8 | - | - | - | 50 755 | 50 755 | - | 50 755 |
| 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 | - |
| 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 | - |
| Reinsurance deferred acquisition cost | | - | - | - | 1 185 | 1 185 | 357 | 828 |
| Employee benefit liability | 15 | - | - | - | 27 459 | 27 459 | 27 459 | - |
| Trade and other payables | 16 | - | - | 127 359 | 1 697 | 129 056 | 128 170 | 886 |
| Lease liability | 17 | - | - | - | 140 | 140 | 140 | - |
| Liability for interest make-up | 18 | 564 706 | - | - | - | 564 706 | 134 009 | 430 697 |
| | | **564 706** | **-** | **127 359** | **2 797 652** | **3 489 717** | **1 379 341** | **2 110 376** |

# Notes to the Financial Statements

| Categories of assets and liabilities – 2021 | 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** | | | | | | | | |
| Intangible assets | 6 | - | - | - | 1 117 | 1 117 | - | 1 117 |
| Property and equipment | 7 | - | - | - | 6 262 | 6 262 | - | 6 262 |
| Financial assets at fair value | 9 | 3 717 007 | 586 158 | - | - | 4 303 165 | 1 843 815 | 2 459 350 |
| Reinsurance contract assets | 10 | - | - | - | 10 700 | 10 700 | 2 803 | 7 897 |
| Trade and other receivables | 11 | - | - | 25 422 | 1 772 847 | 1 798 269 | 414 719 | 1 383 550 |
| Cash and cash equivalents | 12 | - | - | 4 084 701 | - | 4 084 701 | 4 084 701 | - |
| | | **3 717 007** | **586 158** | **4 110 123** | **1 790 926** | **10 204 214** | **6 346 038** | **3 858 176** |
| **Liabilities** | | | | | | | | |
| Provision for unearned premiums | 14.1 | - | - | - | 2 428 106 | 2 428 106 | 412 529 | 2 015 577 |
| Provision for unexpired risks | 14.2 | - | - | - | 380 650 | 380 650 | - | 380 650 |
| Reinsurance deferred acquisition cost | | - | - | - | 1 648 | 1 648 | 431 | 1 217 |
| Deferred tax | 8 | - | - | - | 3 838 | 3 838 | - | 3 838 |
| Employee benefit liability | 15 | - | - | - | 24 816 | 24 816 | 24 816 | - |
| Trade and other payables | 16 | - | - | 68 735 | 21 090 | 89 825 | 88 715 | 1 110 |
| Lease liability | 17 | - | - | - | 3 396 | 3 396 | 3 256 | 140 |
| Liability for interest make-up | 18 | 749 801 | - | - | - | 749 801 | 114 611 | 635 190 |
| Current tax payable | 29 | - | - | - | 17 396 | 17 396 | 17 396 | - |
| | | **749 801** | **-** | **68 735** | **2 880 940** | **3 699 476** | **661 754** | **3 037 722** |

# Notes to the Financial Statements

## 20. Insurance premium revenue

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| Credit insurance – medium to long term | 70 995 | 551 256 |
| Credit insurance – short term | 936 | - |
| Investment guarantee | 124 359 | 150 075 |
| | **196 290** | **701 331** |

## 21. Net investment income

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **Dividend income** | | |
| Dividends income – Foreign | 19 150 | 20 226 |
| Dividends income – Local | 40 481 | 51 524 |
| | **59 631** | **71 750** |
| **Other investment income** | | |
| Interest income | 141 985 | 161 321 |
| Realised gain on disposal of financial assets | 132 600 | 369 729 |
| Change in fair value of financial assets | (37 088) | 219 829 |
| Interest received on cash and cash equivalents | 325 | 352 |
| | **237 822** | **751 231** |
| | **297 453** | **822 981** |

The strong absolute performance in the prior year is largely due to the market recovery following losses incurred during the onset of COVID-19 in the 2020 financial year.

Included in the dividend income is net accrued income of R1.2 million (2021: R22 million) which is expected to be settled in the next financial year.

Included in the interest income is net accrued income of R86K (2021: -R420K) 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.

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| Opening accumulated foreign exchange rate movements on assets and liabilities | 1 237 844 | 1 117 549 |
| Foreign exchange loss on monetary assets and liabilities (excluding cash and cash equivalents) | (846 088) | (2 166 491) |
| Gross unearned premium reserve | (175) | 2 374 |
| Property, equipment and intangible assets | 525 | (3 543) |
| Payments in advance | 12 | (671) |
| Movements on Insurance contract liabilities | 25 743 | (37 600) |
| Foreign exchange loss on cash and cash equivalents | (223 093) | (151 303) |
| | **194 768** | **(1 239 685)** |

# Notes to the Financial Statements

## 23. Net operating expenses

| | 2022<br>R'000 | 2021<br>R'000 |
|---|---|---|
| Net operating expenses are arrived at after taking into account: | | |
| **External auditors' remuneration** | | |
| Audit fees for the current year | 2 115 | 2 295 |
| | **2 115** | **2 295** |
| Internal auditors' remuneration | 634 | 582 |
| **Depreciation, amortisation, write-off and disposal of assets** | | |
| Equipment | 1 223 | 1 257 |
| Intangible assets | 691 | 868 |
| Building | 2 805 | 5 594 |
| Loss on sale of equipment | 8 | - |
| Equipment written-off | 217 | - |
| | **4 944** | **7 719** |
| **Directors' emoluments** | | |
| Remuneration paid to executive director | 5 583 | 5 671 |
| Remuneration paid/payable to non-executive directors | 1 658 | 1 396 |
| | **7 241** | **7 067** |
| **Employee costs** | | |
| Salaries | 77 373 | 74 340 |
| Prior year over provision for bonus | (656) | (6 125) |
| Provision for bonus for current year | 21 080 | 18 489 |
| | **97 797** | **86 704** |
| **Short-term leases/Operating leases** | | |
| Equipment | 76 | - |
| Property rental | 2 077 | - |
| | **2 153** | **-** |
| **Remuneration to non-employees** | | |
| Actuarial services | 191 | 1 125 |
| Consulting services | 5 114 | 3 145 |
| Legal services | 587 | 640 |
| | **5 892** | **4 910** |
| General administrative expenses | 27 393 | 20 840 |
| **Total operating expenses (excluding portfolio fees)** | **148 169** | **130 117** |
| Investment portfolio management fee | 12 866 | 19 107 |
| **Total operating expenses** | **161 035** | **149 224** |

# Notes to the Financial Statements

### 23.1 Disclosure as required by section 55 of PFMA

**Fruitless and wasteful expenditure**

No fruitless and wasteful expenditure was incurred in the reporting period (2021: R317.66). The expenditure incurred in the prior year was as a result of interest on late payment of the employees tax to SARS. The full amount was recovered in the prior year and monthly payments are closely monitored to ensure they are made on time.

No disciplinary steps were taken as a consequence of the fruitless and wasteful expenditure as the funds were subsequently recovered from the employee involved. Further, no criminal steps were taken as this did not involve criminal activities.

| | 2022<br>R'000 | 2021<br>R'000 |
|---|---|---|
| **Irregular expenditure** | | |
| Opening balance | 10 | - |
| Add: Irregular expenditure – relating to current year | - | 10 |
| Condoned | (10) | - |
| **Closing balance** | **-** | **10** |

The irregular expenditure incurred in the prior 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.

The irregular expenditure incurred in the prior year was condoned by National Treasury during the current financial year.

## 24. Interest expense

| | 2022<br>R'000 | 2021<br>R'000 |
|---|---|---|
| Leases liability | 67 | 475 |
| Interest on other | - | 1 |
| | **67** | **476** |

## 25. Profit/(Loss) on foreign exchange differences

The foreign exchange differences arise as a result of revaluing Rand monetary net assets from historic rates to closing rate.

| | 2022<br>R'000 | 2021<br>R'000 |
|---|---|---|
| Cash and cash equivalents | 4 615 | 30 148 |
| Net assets (excluding insurance contract liabilities and cash and cash equivalents) | (5 738) | (1 388) |
| Financial assets at fair value | 65 980 | 380 988 |
| Insurance contract liabilities | 574 | (994) |
| | **65 431** | **408 754** |

# Notes to the Financial Statements

## 26. SED & ESD contributions

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| Education | 2 580 | 11 109 |
| Enterprise development | 2 726 | 4 623 |
| Supplier development | 8 595 | 9 156 |
| Other costs* | - | 1 110 |
| | **13 901** | **25 998** |

*Other costs in the prior year relate to administration costs which include management fees to agencies and travel costs. These costs in the prior year formed part of the mandatory allocated budget for SED & ESD programmes, in the current year the mandatory allocated budget for SED & ESD programmes excludes administration costs. The administration costs incurred form part of operating expenses.*

## 27. Taxation

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **Major components of the tax expense /(income)** | | |
| **Current** | | |
| Local income tax – current period | - | 142 365 |
| Withholding tax – current period | 31 | 7 750 |
| | **31** | **150 115** |
| **Deferred** | | |
| Changes in tax rates | 1 599 | - |
| Deferred tax – current year | (57 247) | 18 317 |
| | **(55 648)** | **18 317** |
| | **(55 617)** | **168 432** |
| **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 | (19,97)% | 8,75 % |
| Disallowable fair value movements on interest make-up liability | 13,11 % | (3,02)% |
| Translation effect | (46,03)% | 18,12 % |
| Exempt IMU grant income* | 69,10 % | -% |
| Exempt income – other** | 12,13 % | 2,43 % |
| Disallowable expenses – other*** | (3,65)% | (2,37)% |
| Change of tax rate | (1,89)% | -% |
| Other**** | 5,20 % | 4,09 % |
| | **28,00 %** | **28,00 %** |

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 SED & ESD contributions and 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. The tax rate applicable for deferred tax was reduced from 28% to 27%.*

# Notes to the Financial Statements

## 28. Cash generated from operations

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| Profit before taxation | 278 725 | 1 835 771 |
| **Adjustments for:** | | |
| Equipment written-off | 217 | - |
| Interest income | (142 320) | (161 705) |
| IMU grant received | (208 078) | (162 710) |
| Interest expense | 67 | 476 |
| Dividends income | (59 631) | (71 750) |
| Reinsurance commission income | (429) | (347) |
| Depreciation and amortisation | 4 719 | 7 719 |
| Loss on sale of equipment | 8 | - |
| Movements in provision for reinsurance unearned premiums | 2 778 | (13 344) |
| Fair value loss/(gain) on financial assets | 37 088 | (219 829) |
| Realised gain on disposal of financial assets | (132 600) | (369 729) |
| Profit on foreign exchange differences | (65 431) | (408 754) |
| Movements in provision for unearned premiums | (401 748) | 132 902 |
| Movements in provision for unexpired risks | 82 606 | (44 777) |
| Movements in provision for outstanding claims | 753 750 | - |
| Fair value movements on interest make-up liability | (39 489) | 64 375 |
| Movements in trade and other receivables | 371 972 | 34 279 |
| Movements in trade and other payables | (73 488) | (213 923) |
| Movements in employee benefit liability | 2 642 | (6 339) |
| | **411 358** | **402 315** |

## 29. Taxation paid

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| Balance at beginning of the year | (17 396) | (11 093) |
| Current tax for the year recognised in the statement of comprehensive income | (31) | (150 115) |
| Balance at end of the year | (2 066) | 17 396 |
| | **(19 493)** | **(143 812)** |

# 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.

| | 2022<br>R'000 | 2021<br>R'000 |
|---|---|---|
| The total contribution for the year | 7 483 | 6 982 |

## 31. Commitments

### Operating leases

| | 2022<br>R'000 | 2021<br>R'000 |
|---|---|---|
| **Minimum lease payments due** | | |
| – within one year | 3 516 | - |

The lease payments are exclusive of VAT.

There are no material commitments entered into during the current financial year.

## 32. Related parties

### 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:

| | 2022<br>R'000 | 2021<br>R'000 |
|---|---|---|
| **Statement of comprehensive income effects:** | | |
| **Premium** | | |
| Industrial Development Corporation of South Africa SOC Ltd (IDC) | 3 339 | 4 117 |
| Development Bank of Southern Africa SOC Limited (DBSA) | 41 052 | 153 761 |
| | | |
| **IMU grant receipts** | | |
| Department of Trade, Industry and Competition (the dtic) | 208 078 | 162 710 |
| | | |
| **Other income (Interest)** | | |
| South African Revenue Services (SARS) | - | 3 |
| | | |
| **Other income (Reversal of provision for doubtful debts)** | | |
| Industrial Development Corporation SOC Ltd | - | 106 |
| 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) | 150 | 122 |
| | | |
| **Other operating expense** | | |
| Office of the Compensation Commissioner (OOTCC) | 47 | 70 |
| Financial Sector Conduct Authority (FSCA) | 495 | 480 |
| | | |
| **Taxation (Income tax)** | | |
| South African Revenue Services | - | 142 365 |
| | | |
| **Statement of financial position effects:** | | |
| **Assets** | | |
| **Financial assets** | | |
| Bonds – Parastatals | 26 885 | 18 322 |
| Bonds – National government | 1 187 281 | 731 561 |
| | | |
| **Taxation (Income Tax)** | | |
| South African Revenue Services | 2 066 | - |
| | | |
| **Trade and other receivables (excluding provision for doubtful debts)** | | |
| Development Bank of Southern Africa SOC Limited | 23 066 | 34 004 |
| Small Enterprise Development Agency (SEDA) | - | 2 726 |
| | | |
| **Provision for doubtful debts** | | |
| Development Bank of Southern Africa SOC Limited | - | 135 |
| **Total assets** | **1 239 298** | **786 748** |

# Notes to the Financial Statements

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **Liabilities** | | |
| **Trade and other payables** | | |
| Office of the Compensation Commissioner | 47 | 37 |
| Industrial Development Corporation SOC Ltd | - | 12 |
| South African Revenue Services (Value Added Tax) | 615 | 19 778 |
| | | |
| **Taxation (Income tax)** | | |
| South African Revenue Services | - | 17 396 |
| **Total liabilities** | **662** | **37 223** |

## 33. Directors' and executives' emoluments

**Non-executive remuneration**

| **2022** | Fees | Reimbursive Expense | Total |
|---|---|---|---|
| D Dharmalingam | 285 | - | 285 |
| S Mayekiso | 302 | 4 | 306 |
| S O'Mahony | 240 | 3 | 244 |
| V Matsiliza | 275 | 32 | 307 |
| L Mothae | 239 | - | 239 |
| D Subbiah | 255 | 18 | 273 |
| E Makhubela* | - | 4 | 4 |
| | **1 597** | **61** | **1 658** |

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

| **2021** | Fees | Reimbursive Expense | Total |
|---|---|---|---|
| D Dharmalingam | 235 | - | 235 |
| S Mayekiso | 243 | - | 243 |
| S O'Mahony | 249 | - | 249 |
| V Matsiliza | 232 | 18 | 250 |
| L Mothae | 200 | - | 200 |
| D Subbiah | 210 | 9 | 219 |
| | **1 368** | **27** | **1 396** |

**Executive remuneration**

| **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 (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.*

# Notes to the Financial Statements

| 2021 | Basic salary R'000 | Bonus paid R'000 | Provident fund R'000 | Cellphone allowance R'000 | Acting allowance R'000 | Other benefits* R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| K Kutoane – Chief Executive Officer (Director) | 3 793 | 1 773 | - | 45 | - | 60 | 5 671 |
| C Kgoale – Company Secretary | 1 257 | 471 | 121 | 23 | - | 53 | 1 925 |
| M Nkuhlu – Chief Operations Officer | 2 415 | 1 070 | 232 | 30 | 40 | 216 | 4 003 |
| N Mkhathazo – Chief Financial Officer | 1 948 | 851 | 302 | 30 | - | 42 | 3 173 |
| S Esterhuisen – Chief Actuarial & Investments | 2 329 | 1 013 | 292 | 27 | - | 10 | 3 671 |
| N Maphula – General Counsel | 1 626 | 793 | 251 | 30 | - | 197 | 2 897 |
| J Omollo – Chief Risk Officer | 1 787 | 775 | 277 | 30 | - | 10 | 2 879 |
| | **15 155** | **6 746** | **1 475** | **215** | **40** | **588** | **24 219** |

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

### 34. Contingent asset and liability

**Contingent asset**

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 R329 million. Included in this amount is the salvage of R9 million that did not meet the recognition criteria as at 31 March 2022 as a result of the challlenges encountered on the operations.

### 35. Capital management

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| Total equity | 6 646 714 | 6 504 738 |
| Adjustment unto regulatory basis | 344 037 | 870 106 |
| Available capital | 6 990 751 | 7 374 844 |
| Required Capital (Regulatory) | 2 328 541 | 2 642 166 |
| Required Capital (Economic) | 2 856 089 | 3 702 127 |
| Regulatory capital cover ratio | 300% | 279% |
| Economic capital cover ratio | 245% | 199% |

# Notes to the Financial Statements

### 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 regulatory solvency position, with the solvency capital requirement (SCR) cover ratio being above the 100% as required by the PA.

## 36. Events after the reporting period

One of the projects in the mining sector had experienced challenges in respect of the low quality of the diamonds mined and low quantity of the reserves, which were exacerbated by COVID-19 resulting into unsustainable low market price. The project had to be placed under care and maintenance. At reporting date, an IBNR reserve was raised for the project since there was no default event yet (refer to note 14 for the detailed disclosure). Post year-end, the Corporation received and paid a claim of $56 million excluding VAT which was fully provided for in the reporting period.

## 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, 2022, the Corporation had accumulated profit of R 4.1 billion and that the Corporation's total assets exceed its liabilities by R 6.6 billion.

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 disclosed under events after reporting period (note 36) 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 277%, which is above the regulatory cover of 100% as required by the PA.

# Notes to the Financial Statements

## 39. Underwriting results

| | Note(s) | 2022 R'000 | 2021 R'000 |
|---|---|---|---|
| Insurance premium revenue | 20 | 196 290 | 701 331 |
| Net change in unearned premiums | | 398 970 | (134 655) |
| Gross change in unearned premiums | 14.1 | 401 748 | (132 902) |
| Change in reinsurance unearned premiums | 10 | (2 778) | (1 753) |
| Change in unexpired risks | 14.2 | (82 606) | 44 777 |
| **Net insurance premium revenue** | | **512 654** | **611 453** |
| | | | |
| **Claims incurred** | | **(670 106)** | **69 331** |
| Claims paid net of salvages | | 83 644 | 69 331 |
| Claims paid | | - | - |
| Salvages income | | 83 644 | 69 331 |
| Change in claims reserves | | (753 750) | - |
| | | | |
| Assessment fees | | 435 | 271 |
| Reinsurance commission received | | 429 | 347 |
| Commission paid to intermediaries | | (195) | (193) |
| Operating expenses | | (141 252) | (124 491) |
| **Underwriting results** | | **(298 035)** | **556 718** |
| | | | |
| Net investment income | | 297 453 | 822 981 |
| Portfolio management fees including investment management operating expenditure | | (16 472) | (23 187) |
| Foreign exchange gain | | 65 431 | 408 754 |
| Other income | | 60 | 190 |
| IMU grant receipts | | 208 078 | 162 710 |
| Interest expense | | (67) | (476) |
| SED & ESD contributions including operating expenditure | | (17 212) | (27 544) |
| Fair value movements on interest make-up liability | | 39 489 | (64 375) |
| **Profit before taxation** | | **278 725** | **1 835 771** |
| Taxation | | 55 617 | (168 432) |
| **Profit for the year** | | **334 342** | **1 667 339** |
| | | | |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified to profit or loss:** | | | |
| Currency translation differences | | (194 768) | (1 239 685) |
| Fair value adjustments of financial assets | | 3 458 | 35 395 |
| Deferred tax on fair value of financial assets | | (1 056) | (7 928) |
| **Total items that may be reclassified to profit or loss** | | **(192 366)** | **(1 212 218)** |
| **Other comprehensive loss for the year net of taxation** | | **(192 366)** | **(1 212 218)** |
| **Total comprehensive income for the year** | | **141 976** | **455 121** |

# Notes to the Financial Statements

## 40. 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 | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **Assets** | | |
| Intangible assets | 253 | 944 |
| Property and equipment | 2 530 | 5 730 |
| Deferred tax | 50 755 | - |
| Financial assets at fair value | 4 578 311 | 4 303 165 |
| Reinsurance contract assets | 7 697 | 10 700 |
| Current tax receivable | 2 066 | - |
| Trade and other receivables | 1 007 152 | 1 798 389 |
| Cash and cash equivalents | 4 487 620 | 4 084 701 |
| **Total assets** | **10 136 384** | **10 203 629** |
| | | |
| **Equity and liabilities** | | |
| **Equity** | | |
| Share capital and share premium | 316 051 | 316 051 |
| Fair value adjustment through other comprehensive income reserve | (27 545) | (29 947) |
| Retained earnings | 6 358 179 | 6 218 242 |
| **Total equity** | **6 646 685** | **6 504 346** |
| | | |
| **Liabilities** | | |
| Insurance contract liabilities | 2 767 153 | 2 808 563 |
| Provision for unearned premiums | 1 539 052 | 2 427 913 |
| Provision for unexpired risks | 457 382 | 380 650 |
| Provision for outstanding claims | 770 719 | - |
| Reinsurance deferred acquisition cost | 1 185 | 1 648 |
| Deferred tax | - | 3 838 |
| Employee benefit liability | 27 459 | 24 816 |
| Trade and other payables | 129 056 | 89 825 |
| Lease liability | 140 | 3 396 |
| Liability for interest make-up | 564 706 | 749 801 |
| Current tax payable | - | 17 396 |
| **Total liabilities** | **3 489 699** | **3 699 283** |
| **Total equity and liabilities** | **10 136 384** | **10 203 629** |

# Notes to the Financial Statements

| Statement of comprehensive income | Note(s) | 2022 R'000 | 2021 R'000 |
|---|---|---|---|
| Insurance premium revenue | 20 | 196 290 | 701 331 |
| Net change in unearned premiums | | 397 965 | (130 619) |
| Gross change in unearned premiums | | 400 760 | (128 382) |
| Change in reinsurance unearned premiums | | (2 795) | (2 237) |
| Change in unexpired risks | | (82 706) | 45 714 |
| **Net insurance premium revenue** | | **511 549** | **616 426** |
| | | | |
| Assessment fees | | 435 | 271 |
| Reinsurance commission income | | 431 | 345 |
| Net investment income | 21 | 297 453 | 822 981 |
| IMU grant receipts | | 208 078 | 162 710 |
| Other income | | 60 | 190 |
| | | **1 018 006** | **1 602 923** |
| | | | |
| **Claims incurred** | | **(689 776)** | **69 331** |
| Claims paid net of salvages | | 83 644 | 69 331 |
| Claims paid | | - | - |
| Salvages income | | 83 644 | 69 331 |
| Change in claims reserves | | (773 420) | - |
| | | | |
| **Expenses** | | | |
| Commission paid to intermediaries | | (195) | (193) |
| Operating expenses | 23 | (161 035) | (149 224) |
| Interest expense | 24 | (67) | (476) |
| Loss on foreign exchange differences | | (108 202) | (834 060) |
| Fair value movements on interest make-up liability | | 39 489 | (64 375) |
| SED & ESD contributions | | (13 901) | (25 998) |
| | | | |
| **Profit before taxation** | | **84 319** | **597 928** |
| Taxation | 27 | 55 617 | (168 432) |
| **Profit for the year** | | **139 936** | **429 496** |
| | | | |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified to profit or loss:** | | | |
| Fair value adjustments of financial assets | | 3 458 | 35 395 |
| Deferred tax on fair value of financial assets | | (1 056) | (7 928) |
| **Total items that may be reclassified to profit or loss** | | **2 402** | **27 467** |
| **Other comprehensive income for the year net of taxation** | | **2 402** | **27 467** |
| **Total comprehensive income for the year** | | **142 338** | **456 963** |

# Notes

ECIC is a registered Financial Service Provider, regulated by the FSCA and Prudential Authority (FSP No: 30656).
Currently exempted in terms of FAIS Notice 78 of 2019.


**Physical address**
Block C7 & C8, Eco Origins Office Park
349 Witch Hazel Ave, Highveld Ext 79, Centurion

**Postal address**
P.O. Box 7075,Centurion, 0004
+27 12 471 3800
info@ecic.co.za
www.ecic.co.za



RP198/2022
ISBN: 978-0-621-50470-5