INTEGRATED REPORT 2021

YOUR EXPORT RISK PARTNER

CONTENTS

REFERENCE INFORMATION

Business and Registered Address

Registered name	Export Credit Insurance Corporation of South Africa SOC Ltd
Registration number	Registered Financial Services Provider FSP No 30656
Founded 2 July 2001	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 2191, Johannesburg, South Africa
Banking details	First National Bank, Fehrsen Street, Steven House, Brooklyn 0181, Pretoria, South Africa
Company Secretary	Charles Kgoale
Contact person for this report	Warren Koen, Manager: Office of the Chief Executive Officer +27 (0)12 471 3800 wkoen@ecic.co.za
Reporting period	Reporting period 1 April 2020 to 31 March 2021

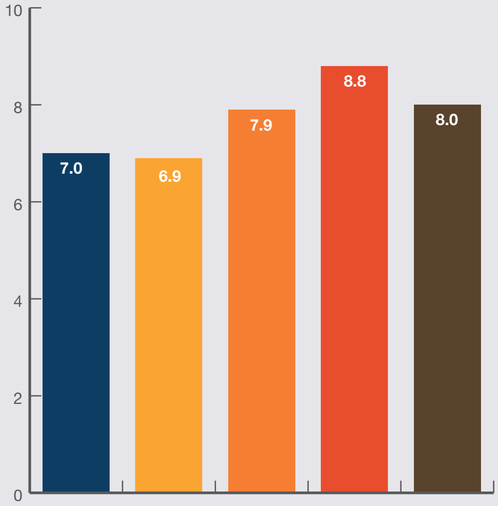
ACRONYMS AND ABBREVIATIONS

AfCFTA	African Continental Free Trade Agreement
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
FOMC	Federal Open Market Committee
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
MPC	The Monetary Policy Committee
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
OECD	Organisation for Economic Cooperation and Development
PA	Prudential Authority
PCE	Personal Consumption Expenditure
PFMA	Public Finance Management Act, 1 of 1999
SAA	Strategic Asset Allocation
SCR	Solvency Capital Required
the dtic	Department of Trade, Industry and Competition
USA	United States of America

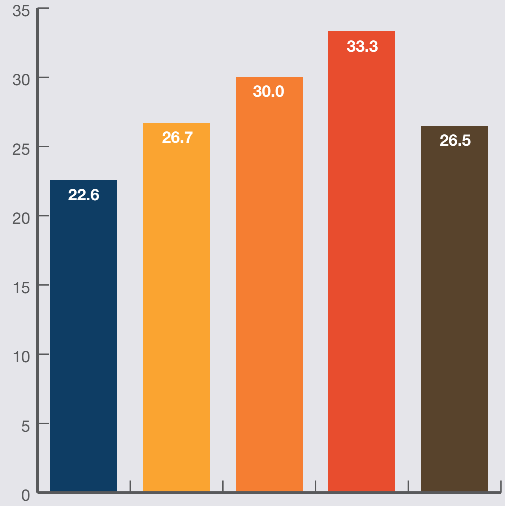
AT A GLANCE

LEVEL 2
B-BBEE
CONTRIBUTOR

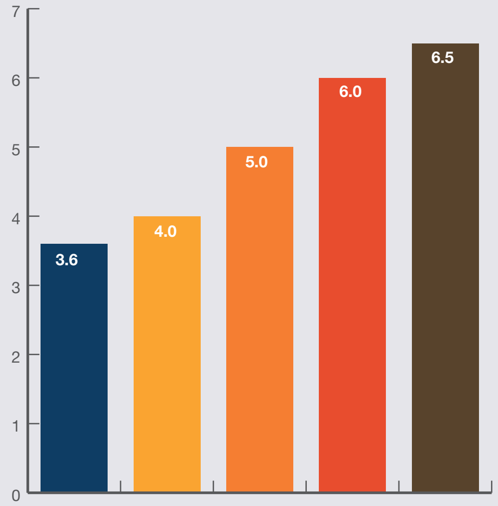
2017 2018 2019 2020 2021



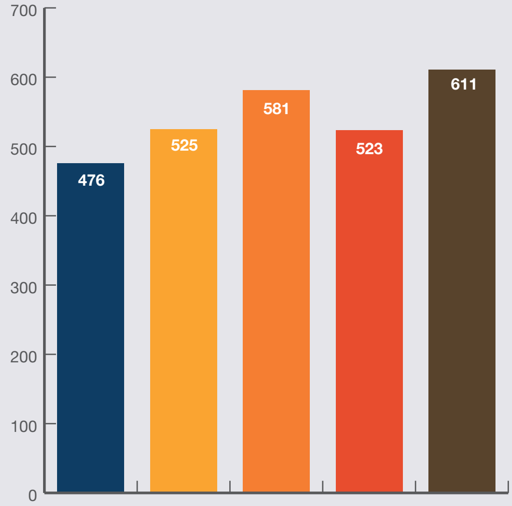
Financial assets (R'billion)



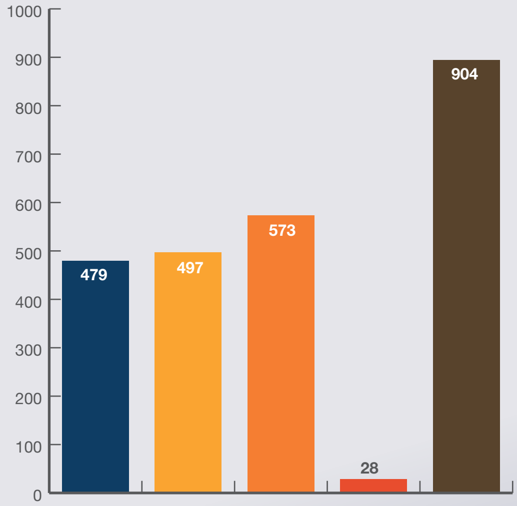
Total insured value (R'billion)



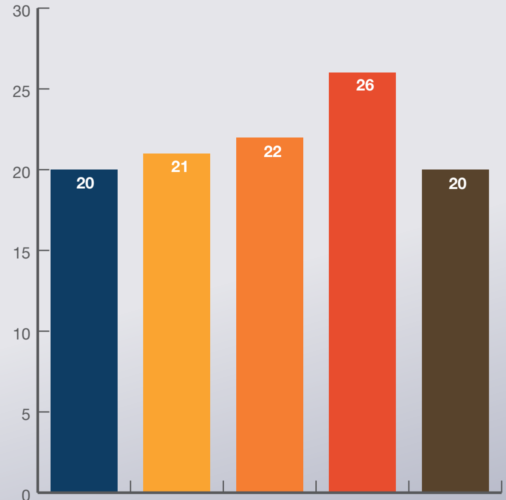
Total equity (R'billion)



Net Insurance premium revenue (R'million)



Transactions approved (USD'million)



Cost to income ratio (Percent)

ECONOMIC IMPACT ANALYSIS 2011/12-2020/21

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 past 10 years, ECIC has grown considerably in terms of business activity, supporting 57 export-led and investment related projects across the African continent and other emerging economies. Over the period 2011 – 2021, the aggregate nominal value of supported projects is almost R40 billion.

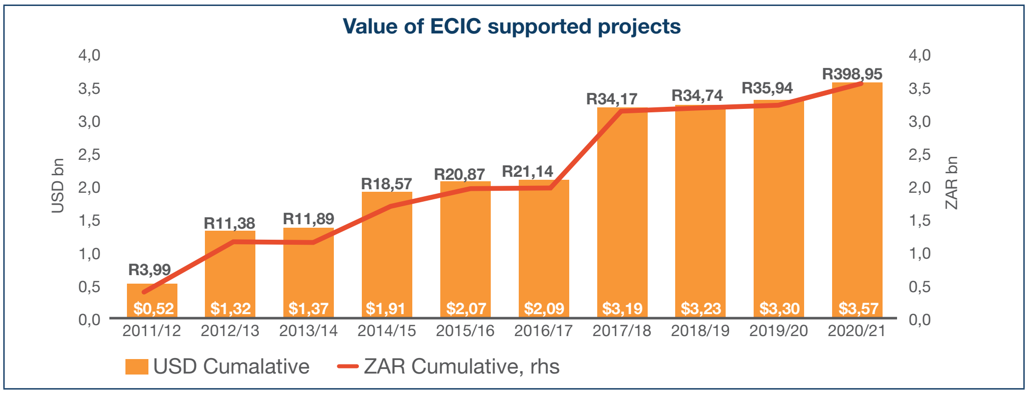


Figure 4: Value of ECIC supported projects

VALUE ADDED TO SA ECONOMY

- R 16.3 billion is estimated to have been added to the South African GDP from 2011 to 2021.

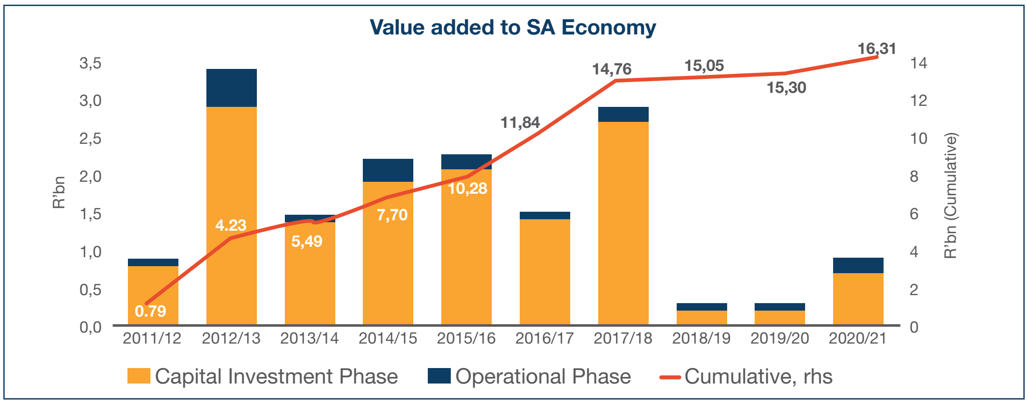


Figure 5: Value added to SA Economy

EMPLOYMENT IMPACT IN SOUTH AFRICA

- ECIC's involvement has been instrumental in facilitating the generation and sustainability of an estimated 63,900 job opportunities in South Africa as a result of insured export transactions over the past 10 years.

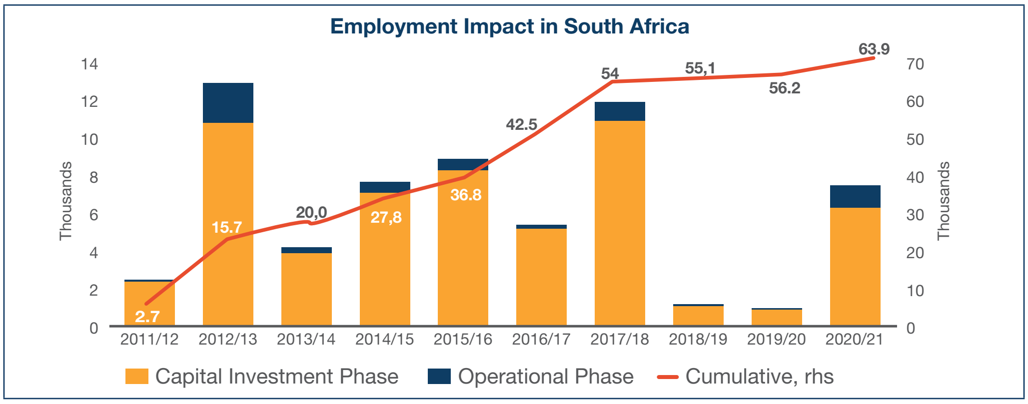


Figure 6: Employment Impact in South Africa

FOREWORD BY THE MINISTER OF TRADE, INDUSTRY AND COMPETITION

Mr Ebrahim Patel

This Annual Report of the Export Credit Insurance Corporation (ECIC) sets out the work of this important agency for financial year 2020/21 and is tabled in Parliament and is available to the public.

Its work is critical to expanding South Africa's industrialisation and export drive. To support local industry to export, the mandate of the ECIC was amended from 1 June this year to permit it to provide risk cover for a range of industrial products.

Last year, we secured a trade surplus of R270bn, the largest on record, mainly due to a decrease in import levels; and exports to the US increased in absolute terms. Agricultural exports have grown; and so too the export of manufactured products such as catalytic converters used to reduce carbon emissions in cars and trucks, mining equipment, and cosmetics.

The Covid-19 created significant damage to the economy. As SA recovered from the first waves of Covid-19, the focus has shifted to economic recovery, in line with the Economic Reconstruction and Recovery Plan (ERRP). In the new financial year ending March 2022, every agency of **the dtic** has been requested to report on its contribution to South Africa's national development goals, with a focus on seven key areas, which are termed 'joint indicators'. In this way, the combined efforts of all public entities will begin to be aligned to the national priorities in a more explicit manner.

These cover the following areas, which will be reported on in future Annual Reports:

- Joint Indicator 1: Integrated Support to Drive Industrialisation (which includes the work on localisation and sector master plans as well as efforts to support beneficiation)
- 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 to enable the impact of all public sector work to be measured and integrated at district level
- 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 respect of building a capable state, 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.

I thank the ECIC Board, management team and employees for their dedication during this challenging year and extend condolences to the families and friends of all who lost loved ones during this period.

Mr Ebrahim Patel

Minister of Trade, Industry and Competition

Mozambique LNG, Mozambique, Mining and Quarrying

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 2021 provides material information about our strategy and business model, operating context, material risks and opportunities, stakeholder interests, performance, prospects and governance. The scope and boundaries of the report are similar materially to those of the previous financial year.

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

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

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

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

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

Responsibility and assurance

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

The Board believes that the report provides the South African government, as the single ECIC shareholder and key stakeholders with an accurate summary of its financial and sustainability performance and a balanced appraisal of the material issues that affected its business value during the 2020/21 financial period.

The Board approved the report on 30 July 2021 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 authorize 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 African Continental Free Trade Agreement. 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 ithis into account and includes 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

A number of initiatives will be undertaken in the new financial year to set the base for future success in this market.

The 2021/22 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 2021/22:

1. Steel Sector – Downstream Activities

   The steel sector, with a contribution to GDP of 1.5% and accounting for about 190 000 jobs, is one of the most important sectors in the South African economy.

   According to the World Steel Association, South African steel manufacturers produced 5.7 million metric tons of crude steel in 2019, second only to Egypt on the continent.

2. Automotive sector and transport equipment

   The sector is an important part of the South African economy, contributing 6.8% to GDP and accounting for 14% of exports.

3. Plastic sector

   South Africa has a well-developed and highly sophisticated chemicals sector, which produces basic inputs for many industries including the plastic industry. 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.

   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.

4. Small and Medium Enterprises (SMEs) – as engine of growth and employment

   SMEs play an important role in Africa's growth and development, accounting for about 90% of all businesses and represent 38% of Africa's GDP. SMEs play a particularly important role in creating around 80% of the continent's employment which is a key instrument in poverty reduction, especially since Africa has the highest rate of population growth, projected to double by 2050.

5. Short-term insurance products

   The expanded mandate empowers the ECIC to support South African businesses within and beyond key priority sectors, as African countries prepare for increased trade and industrialisation following the signing of the AfCFTA.

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 downgrade 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 measures in place to deal with the COVID-19 pandemic and related restrictions. During the period the number of projects requiring payment deferrals and restructuring plans, were limited to four projects with no new cases reported to date.

At this stage no claims are expected. By ensuring that these projects continue, the related SA content and associated jobs will still be realised.

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.

Marriott Hotel, Ghana, Construction

MESSAGE FROM THE CHAIRMAN

Mr Dheven Dharmalingam

Time to RESET

The past year has been unusual to say the least. This is true for ECIC, South Africa and the World. The COVID-19 pandemic has impacted all of us in ways that we that we will only really understand and fathom in years to come. The jolting experience of an ongoing global pandemic that currently sees no end to the economic, political and social uncertainty, served ECIC as a year of reassessing our purpose, how we operate, our social compact and welfare of our staff. The learnings from this traumatic experience must not be wasted as we RESET our company purpose and the role we play in South Africa and the African Continent.

Our 2021 Integrated Report details the highlights, milestones, economic recovery, and lessons learned in supporting and achieving our vision of being a world-class export credit agency in facilitating South African export trade and investment globally.

I commend the ECIC team for being agile and proactive in managing the business in these difficult times with accountability and a positive mindset. The energy and enthusiasm with which the ECIC team have adapted to remote working is palpable, and I have no doubt that it has played a major part in our achievements in the year under review. Your commitment and dedication to the Corporation is invaluable. Going forward, the Board is acutely mindful that the Corporation find an optimal balance in in-person interaction which we believe is an important component in maintaining morale, workplace chemistry and productivity whilst maintaining the culture of the organization. Work-home life balance is certainly a key attribute of success.

This annual integrated report provides a comprehensive overview of the Corporations key projects, campaigns and capabilities in an unfolding narrative that reflects the strategies and priorities of the Corporation's strategic goals. There are summaries of ongoing efforts including critical information on the internal infrastructure and an annual snapshot of our financial condition and our social compact.

Risks and opportunities

The Board has fully committed to the embedding of Own Risk and Solvency Assessment ("ORSA"), which is integral to the Corporations risk governance system. ORSA is used to assess all risks and opportunities , based on an approved risk appetite , which drives capital management and ensures the sustainability of the Corporation. The current impact of the COVID-19 pandemic on our current and future insurance book has been evaluated by our ORSA system, with indicates that we exceed the minimum statutory and board approved solvency capital requirements.

The highlight for the year was the approval of the $800 million cover on the Total Mozambique LNG project , which is expected to result in at least $400 million of SA exports with a potential of 29 246 job opportunities (man-hours). The project has been impacted by civil unrest but is expected to resume in the next 12 months.

The year also saw the Corporations commitment to transforming the export sector in pursuing the development of the AfCFTA. The role and impact the ECIC will play has been assisted with the Minister approving a significant change to our mandate as more fully described in the Materiality (page 9) and Outlook (page 104) sections.

Although the operating environment plagued with uncertainty will remain tough for the foreseeable future, ECIC has the management team and resources to drive our mandate to support SA exporters, take advantage of the opportunities from AfCFTA, and partner with Afreximbank and our SA Banking institutions. I therefore look forward to the further implementation of our solutions to enhance our strategy and create value for SA Incs.

Governance and ethical business conduct

ECIC's purpose to facilitate export trade by providing commercial and political risk insurance to South African exporters of capital 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 education programme under the Enterprise and Socio-Economic Development 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. As such, we invest in projects that improve their social and financial circumstances, focusing specifically on tertiary and consumer education, and supplier and enterprise development.

During the past year our country faced many challenges. South Africa's fiscal and external funding vulnerabilities, which are now significantly more pronounced in light of the sovereign credit rating downgrade.

Economic growth has essentially come to a standstill and the South African Reserve Bank predicted a consumer price inflation forecast average of 3.3% in 2020 and is lower than previously forecast at 4% in 2021 and at 4.4% in 2022. Consumer and Business confidence are at low levels, the disposable income of consumers remains under pressure in an environment where inflation is expected to increase, and unemployment remains stubbornly high. In this challenging environment ECIC demonstrates remarkable resilience. The Corporation remains committed to contribute to broad-based value creation in all aspects and will continue to contribute to the collaborative efforts between government, business and labour.

In light of the impact of COVID-19 on projects the Corporation has monitored the market movements in these aspects, and we have certainly observed a significant decline in optimism in regard to African economies specifically given the commodity price cycles yet this doesn't deter the Corporation in any way from backing projects in these countries. The diversification in most of these countries are equally resilient in the context of mining energy renewables, hydro, transportation, rail infrastructure and the Corporation continues facilitating export trade across South African borders.

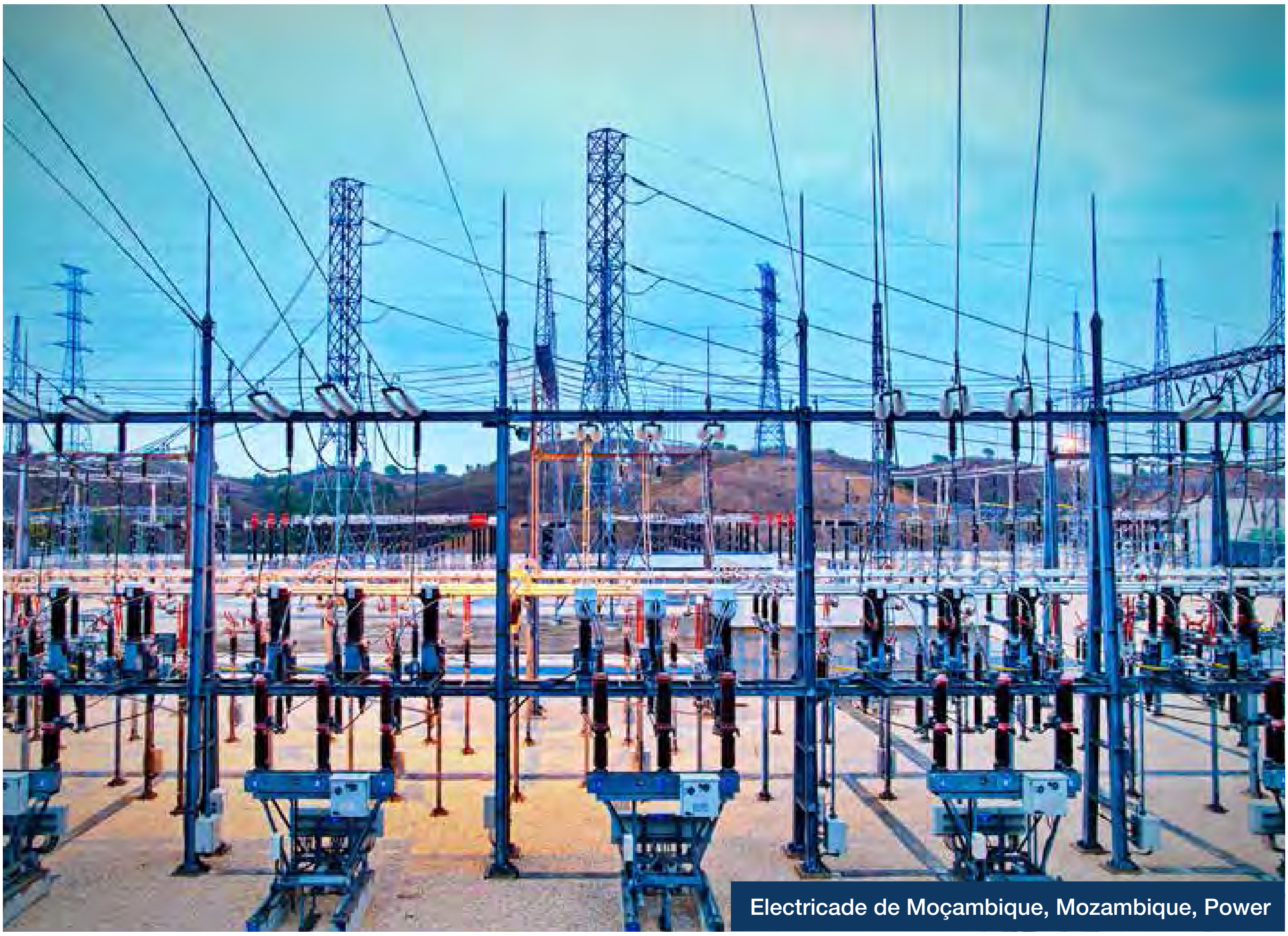
The strategic objective, which depicts advanced economic research aims to accelerate the growth of the Corporation, and also shows significant results in combatting threats and excelling on strengths. These are but a few of the notable achievements for this past year.

Partnerships and stakeholder relations

For 20 years, ECIC has developed a culture embedded in values that empower and create opportunities for all.

I am particularly encouraged by our progress in the journey of creating a superior client experience. ECIC CEO Kutoane Kutoane recently won the Africa CEO of the year award showcasing expert and excellent leadership and progress even in difficult times. We will continue in our resolve to facilitate business in a profound and professional manner, which I believe will support the realisation of the Corporations financial aspirations.

After 20 years in operation the Corporation has been effective in meeting targets year on year and performing its functions on a sound financial footing. Inevitably, to keep pace with changing circumstances we must be proactive in thinking ahead and being at the forefront of the digital age as certain legislative amendments



Electricade de Moçambique, Mozambique, Power may become necessary especially in light of the expanded ECIC mandate. As more doors open to us, we acknowledge that we have been instrumental in establishing and maintaining political and commercial risk to do business in unchartered territories. As the industry matures, we must guard against complacency as it is paramount now more than ever to remain agile in these unprecedented times.

Appreciation

My sincere gratitude extends to our shareholder, **the dtic,** for their excellent work in supporting the Corporation to deliver on its mandate and objectives – particularly in the past few months with the challenges of different modes of working that resulted from the COVID-19 pandemic.

I am grateful for an outstanding board and executive management team for their valuable insight. Without their dedication, ECIC would not be the world class export credit agency that it is. I am also proud of the ECIC employees who underpin and champion the work and success of the Corporation with their exceptional and unwavering commitment, and the tremendous flexibility they have shown and to the ECIC Board sub-committees for their valuable and considerable contribution in providing strategic oversight into key work areas.

The Board remains firm in its commitment to provide governance and financial oversight and leadership that ensures the Corporation's effective and efficient management. It is a privilege to serve on ECIC's board as the Chairperson.

This has been an extraordinary year. I deeply thank all those who supported and worked with us, stakeholders that cheered us on and our customers and partners for continuing to place their trust in us and enabling our successful collaborations. At the same time, I reflect on a very good fiscal year 2020/21 overall as we emerge from this global crisis stronger than ever.

A future view

The ability to adapt, be flexible, learn new things and apply your own core strengths all go hand in hand. And the resilience we have established have already begun to bear fruit. We will pursue these in order to continue bolstering the Corporations ability to adapt to change.

We experienced the dejection that such a major blow like the COVID-19 pandemic can have on our economy. The Corporation has accelerated in working diligently in increasing the digital realm. And perhaps this pandemic has given us the push we needed to consistently deploy digital methods throughout the Corporation. We have certainly picked up the pace and will continue to power ahead – with digital topics, digital solutions, products, remote services, and web-based communication formats that will take us into the future.

Of course, it is still difficult to predict the full economic impact that the COVID-19 pandemic will have on the Corporation given our clear strategic alignment, as set out in the strategic plan, and a portfolio guided by a global footprint the entire ECIC Board and I have every reason to be optimistic about the future.

At the same time, 2021 is a cause for celebration as we commend the foundations that were built 20 years ago and look forward to a grand 20-year anniversary in the coming year proving time and again that ECIC can excel through its innovative strength and certainly think outside the box.

Dheven Dharmalingam

Chairman

30 July 2021

OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

Mr Kutoane Kutoane

ECIC has come to be widely recognized in South Africa and beyond as a key player in the facilitation of trade and cross-border investment by South African companies. The Corporation prides itself for being the oldest official export credit agency in the Continent and being considered a go-to political and commercial risks insurer by the banks and other financial institutions considering financing export of goods and services from South Africa. This prominence has been achieved in an era of increased digitization and heightened need to embrace and integrate the environmental, social and governance imperatives in our programmes.

This past year has been a time of tremendous change for both the ECIC and the South African economy alike and one in which, in many respects, had the eyes of the world focused on survival from the COVID-19 onslaught. Despite these trying times, 2021 started on a positive note with the official commencement of trading under the rules of AfCFTA.

COVID-19 infections continued to rise, crossing over the one million mark with many deaths occurring during 2020/21. Global infections surpassed 180 million by the end of June 2021 with nearly 4 million deaths. The severity of the impact of COVID-19 has differed from country to country, with new strains posing more challenges. However, the global recovery rate remained at just over 90%, with expectations that vaccines will reduce the spread of the virus and prevent the severity of related illnesses and death.

ECIC has undertaken a series of measures pertaining to employee wellbeing and business continuity to the greatest possible extent, and support of projects that aim to shore up the Corporation's resilience in the event of an economic downturn. These measures as shown throughout this Integrated Report have proven their worth in the current unusual circumstances demonstrating strength and agility in combating the economic impact of the pandemic and leveraging the market opportunities that arise from the current changes.

Despite the challenges, it is noteworthy that the Corporation managed to achieve 100% of its strategic objectives, set several months before the existence COVID-19. The Performance section on page 78 details the value-adding highlights we were able to contribute to achieving, and in areas overachieving, our targets.

The importance of making a difference in South Africa becomes even clearer, considering the current headwinds in our country. The macroeconomic and socio-political environment remained challenging over the past year. Internationally, economic growth performance continued to be mixed. Emerging Markets, which had contributed significantly to economic growth in previous years, are currently experiencing a slowdown. This has become more evident in the case of commodity exporters and those countries, like South Africa, with fiscal and external funding vulnerabilities. Prolonged and generally challenging economic realities, combined with widening inequalities, have given rise to mounting socio- and geo-political risk and instability. However, even in these difficult times, there is still hope on the horizon.

Highlights and significant developments

The key highlight for the year was the approval of $800 million cover towards the $23 billion Total Moz LNG project in April 2020. This is the culmination of work that started in July 2014 and highlights the ECIC standing as a world class export credit agency in facilitating South African export trade and investment globally.

The South African Minister of Finance presented a budget with a great focus on economic reconstruction and fiscal consolidation through expenditure reduction. The February 2021 budget presented a much more optimistic outlook than the previous budget; this was due to better expected economic recovery. 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 AfCFTA. Through the current ECIC insurance activities, the Corporation directly contributes to the implementation of the AfCFTA.

Prices of gold, platinum and copper are reaching record highs in 2021. Rising commodity prices are offering a glimmer of hope to commodity dependent countries on the continent, which are still weathering the impacts of the COVID-19 pandemic.

Challenges

With the Prudential Authority approving the ECIC licence conversion, a challenge has emerged regarding ECIC's ability to provide insurance cover for non-South African financing institutions. Expanded access to funding by South African exporters is crucial to the implementation of the AfCFTA and South Africa's Economic Recovery and Reconstruction Plan.

The new Addendum to the 2016 Agreement between the Minister and ECIC was signed on 31 May 2021 to expand the transactions that are eligible for ECIC support while the ECIC founding legislation is awaiting amendments to specifically enable ECIC to provide cover for non-South African banks. The Corporation is engaging with several stakeholders pursuant to the change in its mandate and is reviewing its internal processes to take advantage of the opportunities presented by this expanded mandate.

Although the Corporation retains a very high client trust thanks to consistently high standards, it needs to retain innovation in order to maintain its dynamism. Currently, the South African environment, and in particular the poorly performing economy, presents multiple challenges for growth. The emphasis going forward will be focused on inclusive growth and growing the ECIC footprint on the continent.

The current challenging economic landscape is likely to prevail for some time. In these circumstances, more than ever, I believe ECICs strategy and investment has the capability to succeed in the new normal. Together with our industry peers we have been subjected to a tough and uncertain environment during 2020, however I remain confident that our people will ensure that we navigate through this cycle successfully.

Stakeholder engagement

The Corporation is instinctively responsive to the nature, needs and direction of the export credit fraternity within which we operate. This balance and integration are the core of our commitment, and it is indispensable to realising the aspirations reflected in our vision to be a world class export credit agency in facilitating South African export trade and investment globally.

The cornerstone of our success has been an unwavering commitment to our core values and responsible operations as we consistently work towards achieving our goals through integrated initiatives that place a high priority on moving us forward simultaneously on multiple fronts and managing our total impact as an export credit agency providing risk insurance cover in a highly regulated sector.

Financial Performance

PREMIUMS, CLAIMS AND UNDERWRITING PROFIT SUMMARY

2016/17 to 2020/21 (R'000)

	2020/21	% Movement 2020/21	2019/20	2018/19	2017/18	2016/17
Insurance premium revenue	701,331	228	213,930	154,278	886,948	144,262
Net insurance revenue	611,453	17	523,290	580,843	525,036	475,955
Underwriting profit	556,718	23	453,596	623,402	388,496	584,199
Claims paid	-	100	(373,787)	(206,469)	(19,968)	-
Investment income	822,981	572	122,549	320,224	259,570	135,374

ASSET GROWTH

2016/17 to 2020/21 (R'000)

	2020/21	% Movement 2020/21	2019/20	2018/19	2017/18	2016/17
Total financial assets (including cash and debtors)	8,413,288	-4	8,797,567	7,908,271	6,878,281	6,976,955
Total assets	10,204,214	-5	10,784,073	9,734,640	8,652,052	8,560,482
Total equity	6,504,738	8	6,049,617	5,013,602	4,030,045	3,569,876

The Corporation had an exceptional financial performance for the financial year with investment income of R823 million, as markets recovered from the initial COVID-19 knock in February 2020, contributing to a profit before taxation of R1,7 billion. The improvement of the Rand throughout the year, however, reduced the total assets by 5%.

The Financial Overview section on page 88 details these results, and the associated management of financial capital and the insurance portfolio.

Reinsurance and new projects

The financial year saw the first ever ECIC reinsurance policy on a sovereign loan to the Government of Ghana. The Afreximbank Moz LNG Guarantee Facility of $270 million and private reinsurance of $100 million was also secured on the Moz LNG project.

Through the implementation of reinsurance, the Corporation is able to manage single obligor exposure and country concentration risk while being able to higher levels of South African content with a reduced capital-at-risk. This is vital to the ever-increasing impact of the ECIC mandate while giving confidence to our shareholder and clients.

Besides the Moz LNG transaction, the Board approved cover on the €64,4 million Amandi Ghana Railway construction project in March as well as €21,5 million of the $190 million Amandi Ghana Hospital project in the new financial year.

The ECIC deal pipeline includes projects in the following sectors:

- Infrastructure
- Mining
- Electricity
- Telecoms
- Equipment supply

Acknowledgements

This Integrated Report represents collective inputs and a wide array of contributions and thoughts from the shareholder down to the management and employees of the Corporation. Once again, we owe credit to many stakeholders who have helped us achieve these results, either through their direct engagement, or through investments.

To our shareholder, **the dtic,** ECIC Board, and the executive management team, your strategic guidance remains invaluable in moving the Corporation forward.

I also extend my gratitude to our phenomenal employees for your hard work, dedication, and loyalty as well all our stakeholders for their contribution and commitment to ECIC during this period.

The past year required on-going commitment and resilience, and our board, management team and employees rose to the occasion. I look forward to journey together towards a new and exciting world.

Way forward

The implementation of AfCFTA is considered a strategic imperative by our shareholder and Board. The opportunities for the continued growth of the Corporation are at hand and we are well-placed to be an important partner in this regard.

We will continue to invest in our socio-economic initiatives with the intention of making a positive contribution to the economy. ECICs mission is to provide export credit and investment insurance solutions in support of South African capital goods and services by applying best practice risk management principles. This purpose is not only about making a difference in our clients' lives, but also the communities where they live and where we operate.

2 July 2021 marks the 20th anniversary of the Corporation. The success that ECIC has achieved thus far came with great efforts, resulting in being recognized in the market as the export risk partner of choice, which drives its business through knowledge, expertise, hard work and focus on customer service. The Corporation will undertake several stakeholder engagements during 2021 in celebrating this occasion and collaborating for the continued success of the ECIC.

Mr Kutoane Kutoane

Chief Executive Officer

30 July 2021

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 through 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 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 is a self-sustaining company and a Schedule 3B entity under the Public Finance Management Act, 1999 (as amended).

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 capital 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 foreign buyers and 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.

Liqhobong, Lesotho, Mining

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 capital 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 Statement are published on our website 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.

Paladin (Africa) Ltd, Malawi, Construction

WHERE WE OPERATE

OUR FOOTPRINT

The Corporation remains committed to increasing its footprint on the African continent.

Countries where ECIC has exposure		
Countries	**Value (ZAR)**	**Exposure (%)**
Ghana	6 760 million	25,47%
Iran	6 677 million	25,16%
Mozambique	5 045 million	19,01%
Zimbabwe	3 172 million	11,95%
Malawi	2 080 million	7,84%
Lesotho	996 million	3,75%
Liberia	574 million	2,16%
Uganda	373 million	1,40%
Swaziland	191 million	0,72%
Ethiopia	180 million	0,68%
Other countries	493 million	1,86%
TOTAL	**26 541 million**	**100,00%**

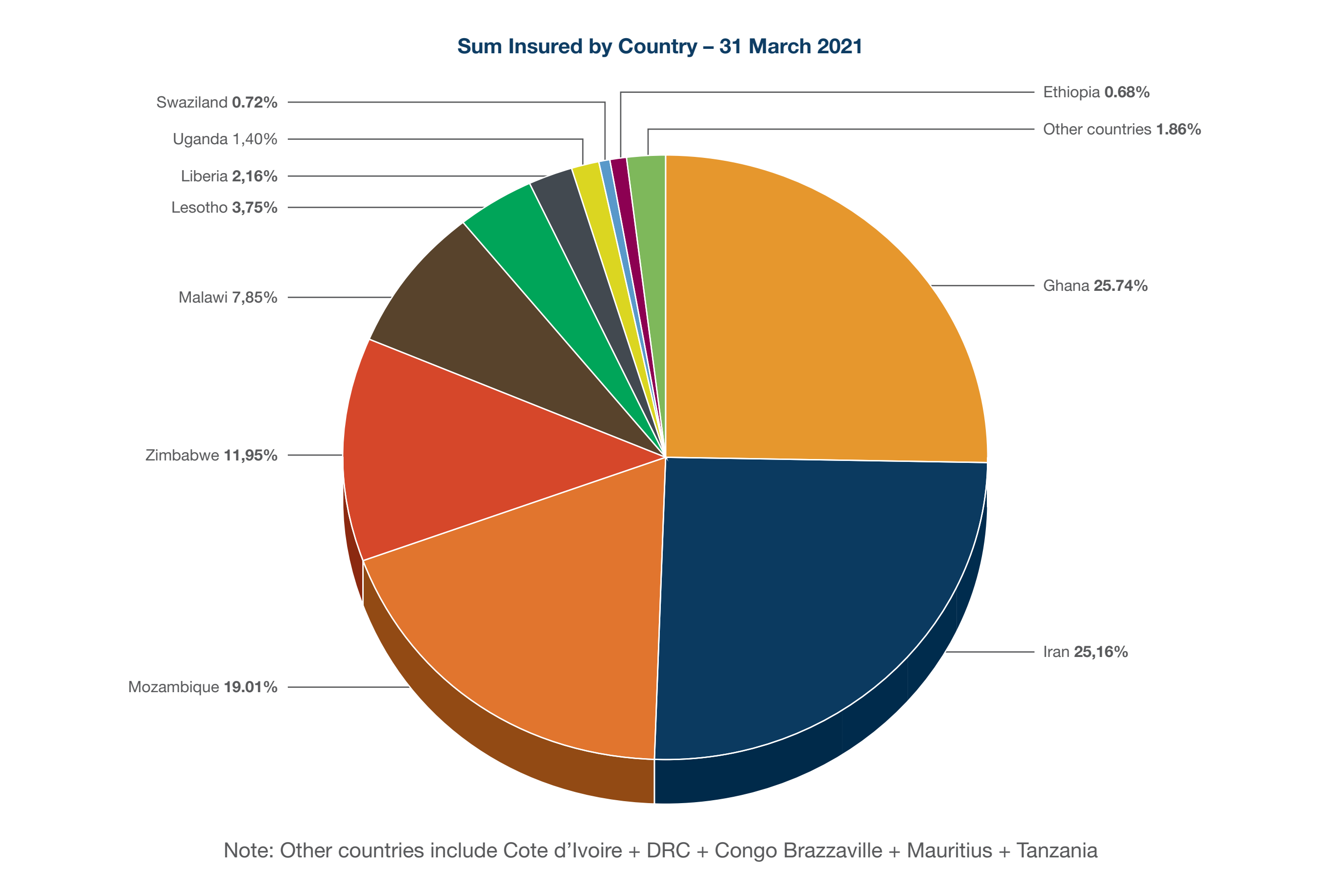


Figure 1: Impact of sums insured by country

The top 3 countries in the insurance portfolio remain Ghana (25,47%), Iran (25,16%), and Mozambique (19,01%).

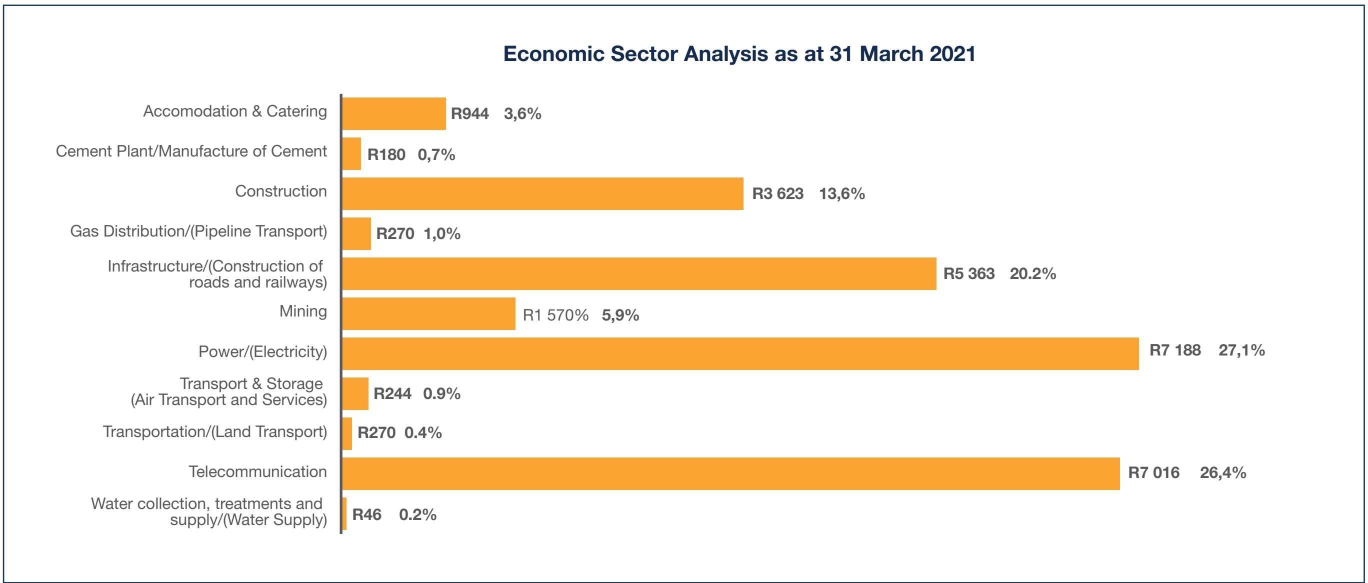
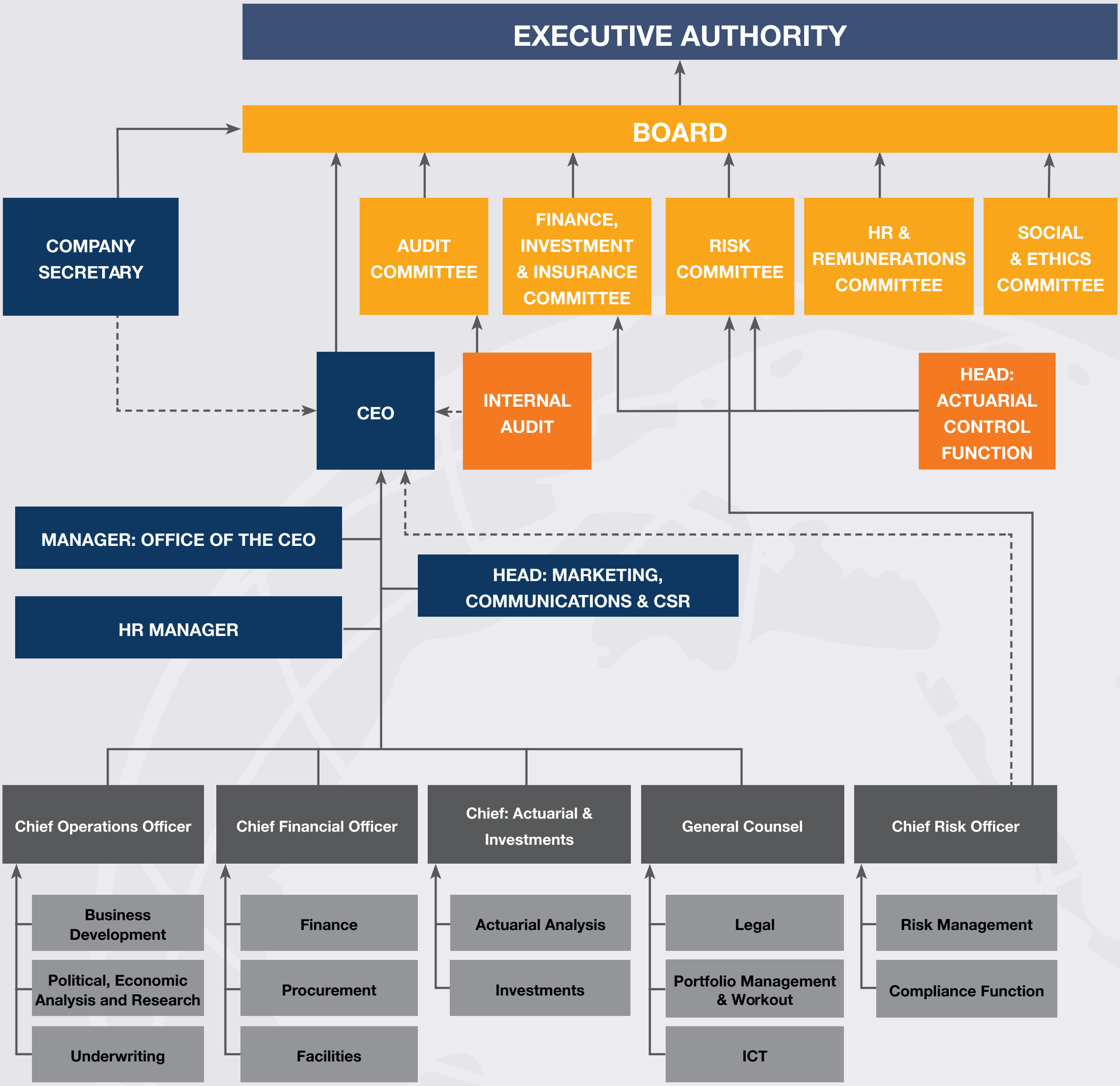


Figure 2: Economic Sector Analysis

The three largest sectors in the portfolio, which represent 74% (US$1,3 billion) of the total exposure, are power and energy (27,08%), telecoms (26,43%), and infrastructure (20.21%).

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,** as shareholder, and help the Board to fulfil its roles.

Dheven Dharmalingam, Chairperson

Age: 55

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

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

Kutoane Kutoane, Executive Director

Age: 52

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

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

Position on other boards: None

Years of service: 8 years

Vuyelwa Matsiliza, Independent Non-Executive Director

Age: 54

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: 34

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: Executive Director of companies with personal investments

Years of service: 8 years

Sisa Mayekiso, Independent, Non-Executive Director

Age: 38

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

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

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

Years of service: 3 years

Lerato Mothae, Independent Non-Executive Director

Age: 44

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, Independent Non-Executive Director

Age: 38

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: 42

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

Areas of expertise: Strategy, Trade and Investment

Position on other boards: None

Years of service: 3 years

Charles Jaarman Kgoale, Company Secretary

Age: 41

Qualifications: LLB, Management Development Programme, Post Graduate Diploma Programme and Project Management

Areas of expertise: Compliance and Corporate Governance

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

Years of service: 3 years

Veecraft Marine CC, Nigeria, Marine

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.

Kutoane Kutoane, Chief Executive Officer

Age: 52

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

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

Positions on other boards: None

Years of service: 8 years

Noluthando Mkhathazo, Chief Financial Officer

Age: 39

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: 53

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

Mandisi Nkuhlu, Chief Operations Officer

Age: 53

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

Ntshengedzeni Gilbert Maphula, General Counsel

Age: 49

Qualifications: BPROC (UNIVEN), LLB (UP), LLM (UP), LLM (UNISA)

Areas of expertise: Cross Boarder Financing, Export Credit Insurance, Political Risk, International Trade and Foreign Investments Project Finance and Sovereign Lending

Position on other boards: None

Years of service: 15 years

Sias Esterhuizen, Chief Actuarial & Investments

Age: 41

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 global economic outlook is masked by high uncertainty due to the enduring effects of the pandemic and uncertainty around containment measures, including vaccine rollouts and efficacy against emerging variants of the virus.

After more than a year of living with the COVID-19 pandemic, the world's pursuit of instruments to fight against the virus has finally gone beyond just the utilisation of national lockdowns – vaccines have been developed and approved. . However, the news on the discovery of new virus-variants have somewhat delayed this process as the different manufacturers produced their vaccines before the discovery of the new virus-variants.

Nonetheless, efforts to fight the pandemic broadly remain progressive – this is in terms of higher global recovery rates, lower fatality rates and vaccine rollouts. Although the COVID-19 linked death toll continued to rise, reaching almost 3 million by the end of March 2021, the daily average has declined significantly. Noteworthy, the global rollout of the vaccines has become the most important variable in making both economic and political forecasts. The distribution in Africa is expected to be the slowest as most African economies rely on the World Health Organisation (WHO)-led COVAX initiative to access vaccines. Many Sub-Saharan countries are expected to only achieve full vaccination coverage from 2023 and beyond. This is due to low financing capabilities and heightens the risk that new variants of COVID-19 will emerge that may prove resistant to the current vaccines in circulation.

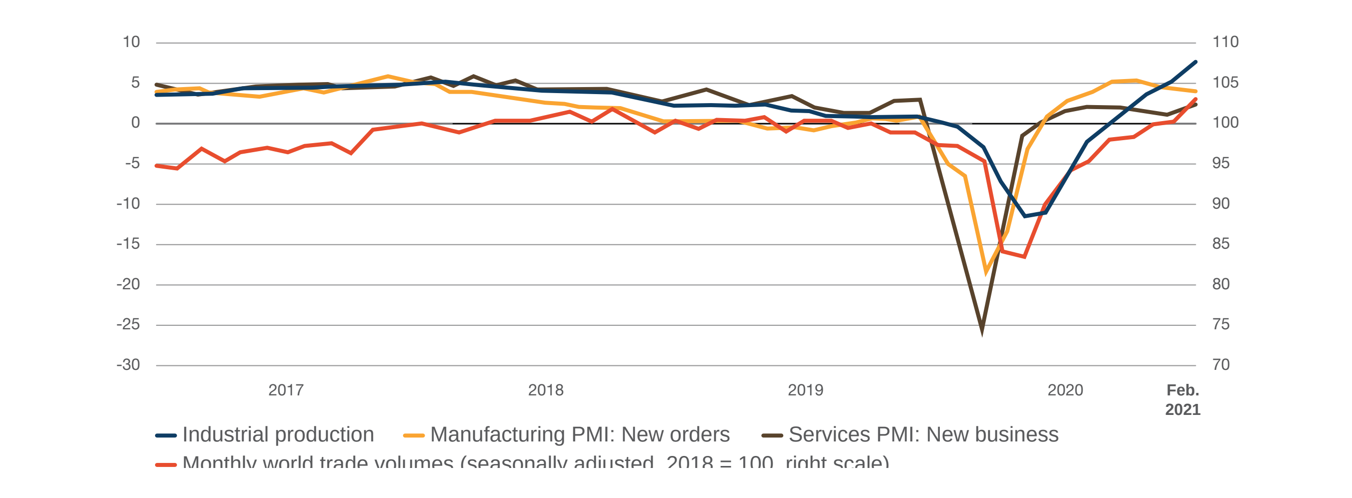
It is estimtated that growth for 2020 was -3.3 percent which is better than the expected -4.4 percent. The improved 2020 growth numbers are attributable to a stronger than expected performance in the second half of 2020 as most regions implemented less restrictive lockdown measures and economies adapted to new coping measures in terms of work. Economic growth for 2021 is projected to reach 6 percent which is an improvement of 0.8 percent on the December 2020 projections. The improved growth sentiment is predicated on incremental fiscal support from leading economies such as the United States amongst others, as well as projected stronger vaccine powered recovery in the second half of 2021. Growth projection is expected to moderate to 4.4 percent in 2022, and the medium-term growth projection is estimated at 3.3 percent which is a downward revision from the initial 3.5 percent projection. The revised projection takes into account projected damage to supply potential as well as factors that were present pre-pandemic such as ageing labour force in advanced economies and some emerging markets.

The rate of global recovery will be divergent across regions and sectors depending on pandemic containment measures, policy actions and the evolution of financial conditions and commodity prices. The advanced economies of USA, Japan and the EU have all unveiled fiscal support measures that will shore up demand in their respective economies. In contrast, the emerging and developing economies (EMDEs) have seen limited fiscal support. On the positive side, fiscal deficits are expected to decline on the back of revenue improvement and crisis-induced expenditures unwind with the projected economic recovery. The projected asynchronous economic recovery with the developed economies leading the way whilst the emerging economies lag the recovery, pose a risk to EM economies if the developed economies' recovery is coupled with tightening monetary policies that would inevitably raise the cost of borrowing for EM countries.

The Fed's Federal Open Market Committee's (FOMC) meeting held over two days (June 15th, - 16th) made observations regarding the rapid pace of inflation growth in the 12-months to April 2021. The total personal consumption expenditure (PCE) rose by 3.6 percent, whilst the core PCE that excludes energy rose by 3.1 percent in the period under review. Unemployment rate in the US has come down from 6.2 percent in March to 5.8 percent, albeit still above pre-pandemic levels. Following the high inflation print and the discussions at the meeting, the market interpretation of a somewhat hawkish stance emanated providing a boost to the US dollar at the expense of other EM currencies such as the rand. However, a follow up clarification by the

Fed Chairman restored the Fed's view coming into the meeting that reiterates the March forward guidance. The June meeting resolved to maintain the Fed fund's rate at between 0 to ¼ percent until the economy achieves levels consistent with the Committee's view of maximum employment and inflation reaching 2 percent and on track to moderately exceed 2 percent for some time. Similarly, the Fed reiterated its minimum monthly assets purchase at US$80 billion and US$40 billion for Treasury securities and agency MBS respectively.

Figure 3: High-frequency indicators suggest that manufacturing and trade are back to pre-pandemic levels, but there is still some way to go in the services sector



Source: IMF (WEO)

The Monetary Policy Committee (MPC) left rates unchanged in its March/April meeting. The repo rate was kept at 3.5% with the prime lending rate at 7%. In its press release, the Governor reiterated that if upward inflationary pressures persist, then the committee will have to increase rates in the two last quarters of 2021. The MPC projects GDP growth at 4.2 percent for 2021 (up from previous 3.8 percent projection).

Although the US-China trade war faded into the background when the COVID-19 pandemic hit, it endures and the tensions remain heightened. The US-China tensions is forecast to remain elevated, at least in the near term.

In the Middle East region, January 2021 marked exactly one year since the U.S. drone strike killed Iranian General Qasem Soleimani and nine others. He was the country's most powerful military figure. There have been threats and attacks coming from both sides. Tensions in this region should continue to increase, as both the US and Iran officials have refused to negotiate back to the 2015-deal that constrains Tehran's nuclear facilities in exchange for sanctions relief.

In Africa, unrest in some parts of the continent escalated in the last quarter of the year. In Mozambique, the pace and scale of violent attacks by Islamist insurgents increased notably in late-March 2021, resulting in death of dozens of civilians including foreigners in Palma, near the major Liquified Natural Gas (LNG) project. In Ethiopia, although the government had declared the war in the country's Tigray region to be over, the fighting continued in February and March of this year. The above-mentioned attacks on parts of Africa are not new, thus the possibility of recurring in the future cannot be ruled out. Nonetheless, the intervention from international organizations such as the UN, and Regional Economic Communities should at least provide some glimmer of hope. On a sad note, the president of Tanzania, John Magufuli and Congo's main opposition candidate Guy-Brice Parfait Kolela passed away. No civil unrest or business disruptions have been recorded in these two countries despite the loss of their anchor-leaders.

No fewer than 10 presidential elections are planned for 2021 in Africa. The countries set to hold elections in 2021 include Benin, Cape Verde, Chad, Gambia, Ethiopia, Somalia, and Zambia, just to name a few. South Sudan, Uganda and Zambia will hold general elections, both presidential and parliamentary.

The South African economy continued to recover, growing by 6.3% in the fourth quarter supported by further easing of lockdown restrictions. The Finance Minister presented a budget with a great focus on economic reconstruction and fiscal consolidation through expenditure reduction. The February 2021 budget presented a much more optimistic outlook than the previous budget, this is due to better expected economic recovery. Going forward, the South African economy should continue to improve gearing towards reaching pre-crisis levels, at least by 2022. On a further positive note, South Africa's COVID-19 recovery rate improved to 95%.

The Corporation's strategic focus on the African continent and other emerging markets remains robust. Our risk appetite for the continent attracts investors who need additional project funding despite the relatively expensive financing in South Africa. Mobilising capital on a global scale by attracting those with a risk appetite for transactions in Africa is a niche market for the Corporation. Our ability to provide political and commercial risk bodes well for our continued relevance despite current challenges.

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.

Judicious project selection supported by effective due diligence have always been key success factors for the Corporation. Certainly, continuous attention to revising our risk appetite and preserving our balance sheet remain paramount. This also enhances our ability to continue playing a counter-cyclical role to help resuscitate the South Africa economy. This ability is bolstered by trade links with the rest of the continent and the effective use of our commercial risk instrument to crowd in our banks to finance transactions that will stimulate economic growth locally and across the continent. The Corporation's partnership with Afreximbank will further contribute to driving intra-Africa trade initiatives through the AfCFTA.

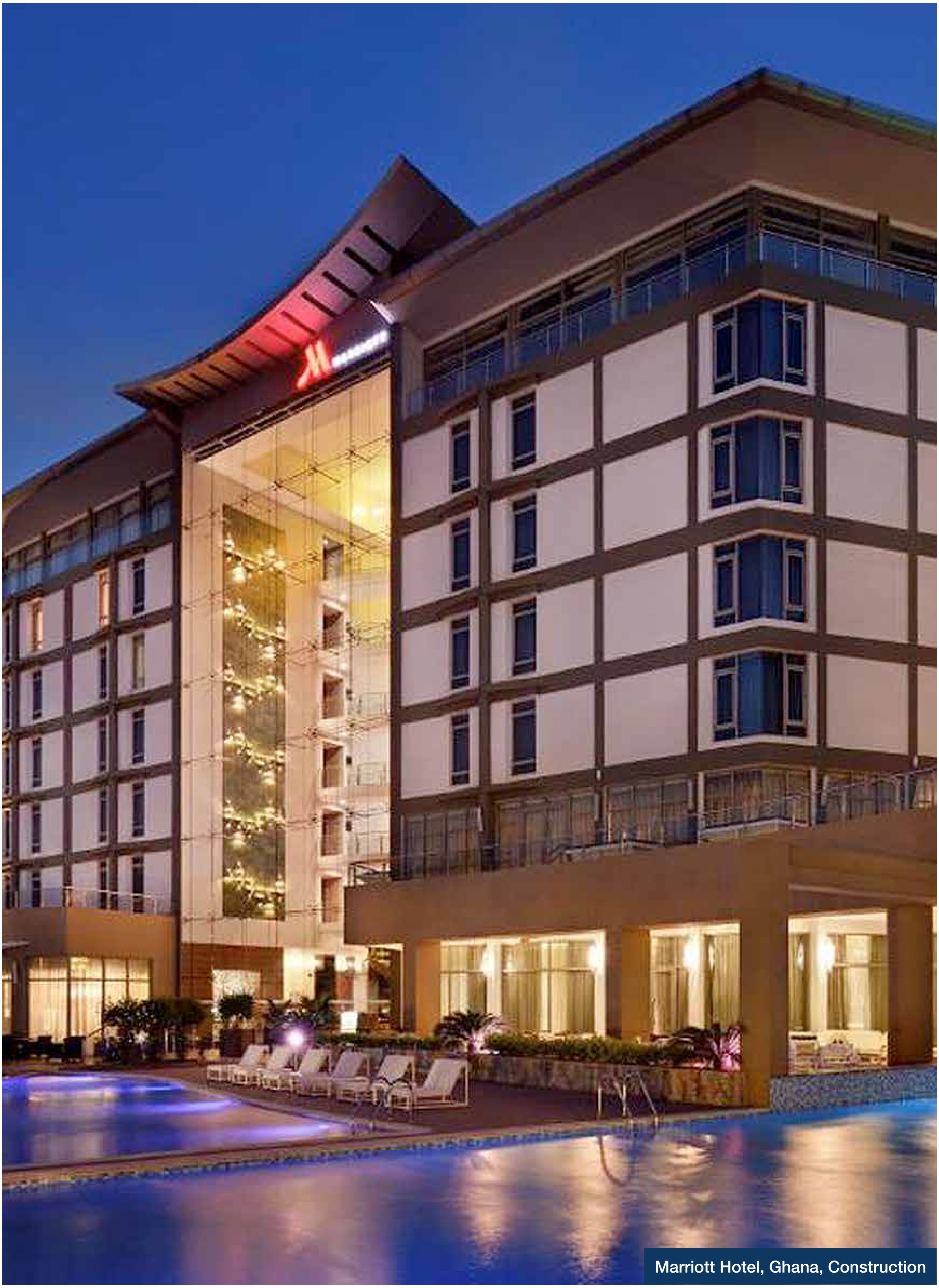
Market Positioning

While some issues need resolution during the forthcoming period, there are also opportunities to explore and risks to mitigate. We need to resolve our authorisation to support international banks since this will provide South African exporters with more cost-effective financing from overseas. We will continue to ride the waves of revenue fluctuations due to the medium- to long-term nature of our projects but also explore opportunities to provide reinsurance support in the short-term insurance market where, in the wake of COVID-19 and a marked decrease in short-term transactions, we could enhance the capacity of existing short-term insurers, especially in opportunities to pursue intra-Africa trade. This resonates with our role to complement and not compete with the private sector insurance market in South Arica.

We are also resolute in our determination to adhere to prudent capital management to retain our credit standing and the trust of our key stakeholders in our ability to remain financially sustainable and not become a burden on the fiscus, especially in light of the enormous pressure on National Treasury currently to divert resources to dealing with the fall-out from COVID-19.

The Corporation has always set out to add value. Our financial performance attests to continued profitability based on our underwriting results. We manage risk through responsible lending and recover from claims to generate underwriting profits. We also contribute to government's ability to fund national priority projects, such a job creation to reduce poverty, by honouring our tax liability to the fiscus.

Certainly, the next three to five years will be challenging but we are ready to reposition the company to meet these challenges and more importantly, pursue the opportunities to support exports from South Africa and cross-border investments.



Marriott Hotel, Ghana, Construction

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 2 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 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.

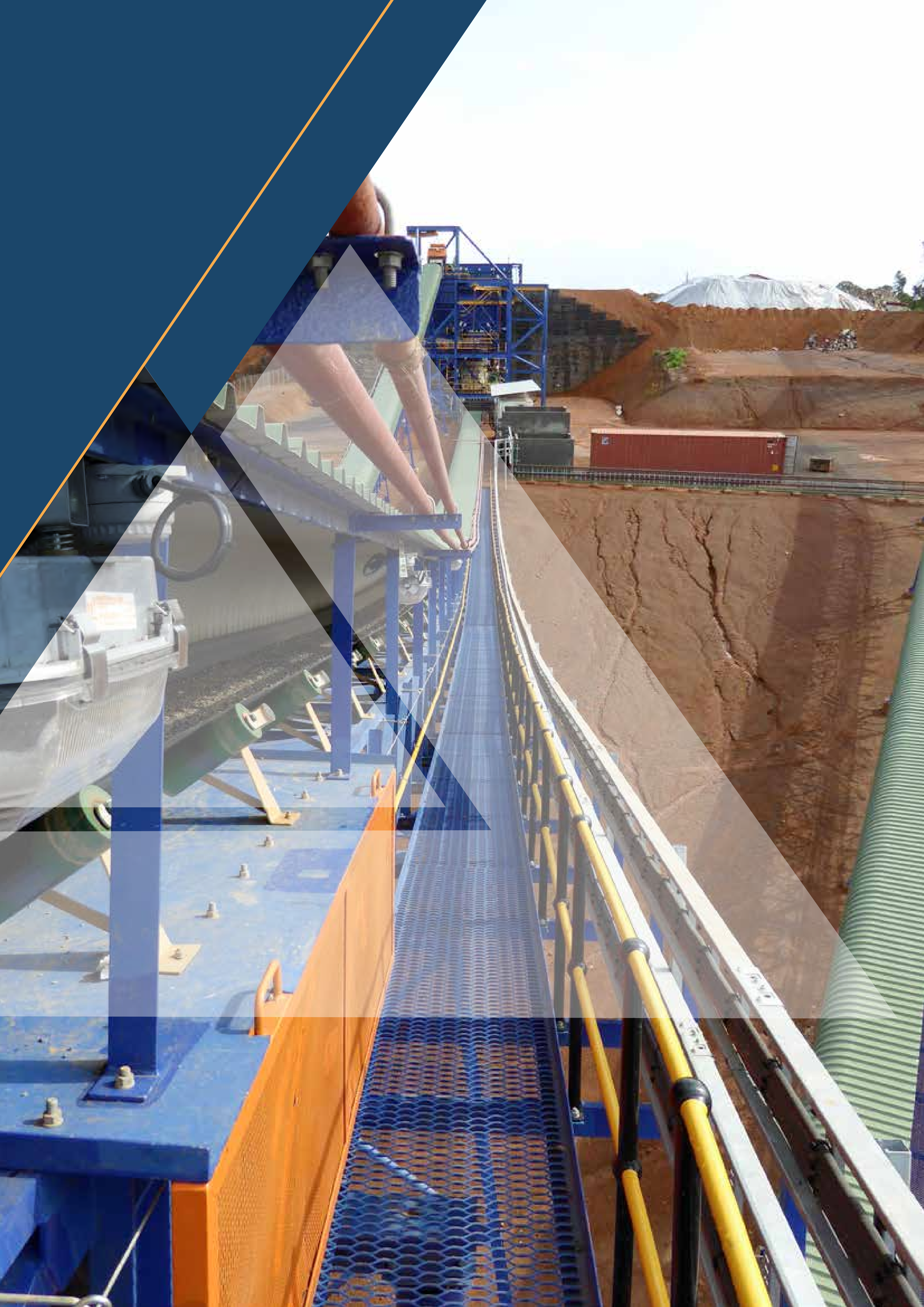
OUR VALUE CREATING BUSINESS MODEL

	Inputs	Outputs	Risks	Stakeholders affected	Strategic objective	Key performance indicator	Outcomes
Financial capital	Underwriting profit R557 million (2020: R461 million) Investment income R823 million (2019: R123 million)	• Equity R6,5 billion (2020:R6,0 billion) • Financial assets R8,4 billion (2020: R8,6 billion)	• Uncertain macro-economic outlook • Regulatory/ legislative changes • Recession in the US • SA credit downgrade • Competition	• Customers • Suppliers • SA Revenue Services • Employees • Regulatory bodies • Shareholder	• Increase capital base • Contribute to trade facilitation	• Increase in equity 17% (2020: 10%) • Transaction values approved $894 million (2020: $27 million)	• Self-funded • Financially stable • Helps to grow, develop and transform local exporters • Increased shareholder value • Total sum insured R26,5 billion (2020: R33,3 billion)
Human capital	Employee costs R92 million (2020: R96 million Training R2,9 million (2020: R3,6 million)	• Staff complement of 88 (2020: 83)	• Insufficient capacity • Insufficiently skilled capacity	• Employees • Industry bodies	• Improve knowledge and skills • Improve stakeholder satisfaction	• Implementation of training plan 93% (2020: 90%)	• Met strategic business objectives • Quality-rich and performance-driven organisational culture • Talent acquisition • Employment equity • Retention of diverse talent • Transformation and capacity building • Work-engaged employees • Positive impact on skills shortage and job creation

	Inputs	Outputs	Risks	Stakeholders affected	Strategic objective	Key performance indicator	Outcomes
Social and relationship capital	• Marketing and Communications Plan • Employee Engagement Plan • Socio-Economic Development R26 million (2020: R40 million)	• Increased brand awareness • Contribution to education and training • Contribution to transformation • Improved knowledge of ECIC products and African markets • Claims paid R NIL (2019: R374 million)	• Competition • Damage to reputation/ brand • Negative social impacts that are linked to insured projects	• Customers • Industry bodies • Regulatory bodies • Media • Shareholder • Our customers' employees • Businesses and communities related to our investment projects	• Advance transformation • Build and leverage strategic partnerships • Improve communication • Improve stakeholder satisfaction	• B-BBEE Level 2 (2020: Level 1) • Implement Strategic Partnership Plan: 100% (2020: 80%) • Implement Stakeholder Engagement Plan: 88% (2020: 89%) • Implement Customer Engagement Plan: 100% (2020: 80%) • Implement Employee Engagement Plan 88% (2020: Employee Satisfaction Survey conducted)	• Protection from reputational damage • Brand and social relevance elevated • Improved customer satisfaction and increased revenue • Positive impact on skills shortage and job creation • Relationship with key stakeholders improved • Long-term sustainability • Evolving business model to meet stakeholder needs
Intellectual capital	• Additions of computer software and models: R NIL (2020: R100 000) • Amortisation / Usage of computer software and models: R868 000 (2020: R1,1 million)	• Improved knowledge of ECIC products and African markets • Research reports on trade and investment opportunities • Carrying value of intangible assets R1,1 billion (2020: R2,6 billion)	• Business recovery • ICT risk • Regulatory/ Legislative changes	• Customers • Employees • Industry bodies • Media	• Improve business processes and systems • Contribute to trade facilitation • Improve communication	• Research reports produced: 3 (2020: 3) • Implement Marketing & Communication Plan: 98% (2020: 4 campaigns)	• Improved customer satisfaction and increased revenue • Financial stability • Loyal employees

	Inputs	Outputs	Risks	Stakeholders affected	Strategic objective	Key performance indicator	Outcomes
Manufactured capital	• Additions of property and equipment: R1,0 million (2020: R11,8 million) • Depreciation / Usage of property and equipment: R6,9 million (2020: R3,7 million)	• Carrying value of property and equipment: R6,3 million (2020: R15 million)	• Business recovery • ICT risk • Regulatory/ Legislative changes	• Customers • Employees	• N/A		• Working environment conducive to delivering mandate in light of Industry 4.0
Natural capital	• Cost of printing and stationery R165 870 (2020: R549 400)[1] • Cost of water and electricity R145 120 (R358 730) • Travel costs R15 150 (2020: R3,1 million) • Financing projects that impact natural resources	• Zero fines/ penalties related to environmental impacts • Insured projects comply with the World Bank Equator Principles • Monitoring of projects Environmental and Social Management Plans	• Business recovery • ICT risk • Regulatory/ Legislative changes • Regulatory compliance and environmental impacts around insured projects	• Customers • Employees • Environmental impacts for communities that are linked to insured projects		• From the 2021/22 financial year the Corporation has a target for the implementation of a 5-year Business Process Automation Plan. • At 31 March 2021 30% of the 5-year Business Process Automation Plan has been implemented.	• Working environment conducive to delivering on mandate in light of Industry 4.0 • Paperless environment

[1]Printing, consumables and stationery excluding rent for machines as the machine itself does not cause the damage to the environment but the usage



GOVERNANCE

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 non-compliance.

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.

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 resignation of Mr. L Radikeledi effective 1 August 2020), 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's** Policy Framework and the Procedures on Oversight and Governance of Public Entities and Statutory Institutions. Board vacancies are publicly advertised, and candidates are subject to security clearance. The policy provides a generic set of principles, procedures and processes that promote good corporate governance and strengthen **the dtic's** oversight responsibilities over its group of entities.

The shareholder appoints the directors (and CEO) to, typically, serve for the prescribed term. At the end of the term, a director may be reappointed at the shareholder's discretion for another term of office, to the limit of only two terms.

Board meetings

The Board through the office of the Company Secretary, develops an annual work plan that covers its mandate and sets meeting dates and agendas. Meetings are scheduled a year in advance and special meetings are convened as required on notice. Directors who cannot physically attend meetings can participate 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 8 times during the 2021 financial year, being on 30 April 2020, 30 July 2020, 08 Sept 2020 (Special), 23 Sept 2020 (Special), 29 Oct 2020, 28 Jan 2021, 11 Feb 2021 (Special) and 17 March 2021 (Special).

Table 1: Board members, committees and meeting attendance from 1 April 2020 to 31 March 2021

Board Members (Directors)	Board and Board Committee Meetings and Attendance					
	Board (8)	Audit (8)	Risk (4)	Finance, Investment & Insurance (5)	HR & Remunera-tion (2)	Social & Ethics (2)
Non-Executive Directors						
D Dharmalingam (Chair)	8	-	4	-	2	2
V Matsiliza	7	8		5	2 (C)	-
S O'Mahony	8	7	4 (C)	-	2	-
S Mayekiso	8	8	-	5 (C)	2	-
L Mothae	5	7(C)	-		-	2
D Subbiah	8	-	4	5	-	2 (C)
Shareholder representative: L Mataboge* S Botes**	8	-	-	5	-	-
Executive Directors						
K Kutoane	7	6	3	4	2	2

Notes to the table

(C) = Chairperson of Board Committee

* Shareholder (**the dtic**) representative

** Alternate to shareholder 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/or the relative skills mix and other considerations for effectiveness. The Board submits its evaluation and progress report annually to **the dtic**.

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

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 eight (8) times during 2020/21 on 28 April 2020, 22 July 2020, 23 July 2020, 4 September 2020, 23 September 2020, 22 October 2020, 21 January 2021 and 17 March 2021. 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).

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 28 April 2020, 16 July 2020, 15 October 2020 and 20 January 2021.

Activities in 2020/21

The committee:

- 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 five (5) times during the year under review on 23 April 2020, 23 July 2020, 22 October 2020 ,21 January 2021 and 12 March 2021.

Activities in 2020/21

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. Two (2) meetings were held during the year on 21 April 2020 and 16 July 2020.

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 2020/21

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 2019/20 short-term incentive pay-outs;
- reviewing the Corporation's remuneration policies and monitoring their implementation and effectiveness;
- developing the year's human resources strategic plan;
- reviewing the performance of the CEO and members of the Executive Management Committee.

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 2019/20 financial year. The committee met two (2) times during the year on 21 April 2020 and 15 October 2020.

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 2020/21

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

- confirmation that the ECIC's business conduct is aligned with the applicable UN Global Compact Principles and OECD Recommendations Against Corruption regarding human rights, labour standards, the environment and anti-corruption;
- the corporate social investment programme;
- progress against the ECIC's employment equity plans;

- consumer relationships to ensure that industry-specific consumer protection legislation and policies (ie FAIS, Short-Term Insurance Act) are in place and compliance managed
  - o performance against **the dtic**'s generic Broad-based Black Economic Empowerment scorecard to achieve the highest rating possible.
  - o The committee focused specifically on:
  - o stakeholder engagement (pages 68-69 of this report)
  - o marketing and communication initiatives (page 70 of this report)
  - o CSR initiatives (page 82 of this report)
  - o 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 2021/22

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, Manager 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 2020/21

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

- developing the Corporation's strategy and budget for Board consideration and approval;
- ensuring effective day-to-day operations in accordance with approved strategies, policies and procedures;

- evaluating insurance cover applications and considering amendments, waivers or consents;
- monitoring the status, salvage and claims of projects;
- monitoring and reviewing employee development such as staff training, personal development and management development;
- identifying, mitigating, monitoring and reporting on enterprise-wide risks
- overseeing stakeholder relationship;
- overseeing the effective management of ICT resources;
- approving corporate social investment and funding for enterprise supplier development;
- projects monitoring progress against Corporate performance targets.


Lake Trans, Mozambique, Transportation

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 events of the financial year ending March 2021 were unprecedented. The COVID-19 pandemic and subsequent lockdowns restrictions had negative effects on our stakeholders, that is, clients, employees and service providers. The Corporation made concerted efforts to mitigate disengagement risks, which could affect productivity, enterprise sustainability and employee wellness;
- Throughout the period, the Human Resources & Remunerations Committee monitored the impact of the pandemic on the employees and ensured that remuneration practices remained relevant; attracted and retained talented individuals; and reinforced value adding behaviours;
- In discharging its responsibilities set out in the committee's terms of reference, the following were key focus areas for the year under review;
- Considered the Remote Working Survey Results;
- Considered the adequacy of management actions regarding COVID-19 response plans and support provided to employees during the period;
- Considered the chief executive and divisional executives performance contracts as a function of 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 2022 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
- Initiated a review of the Corporations performance management system.

Business performance and the impact on remuneration

During 2021, the Corporation's focused on ensuring that employees are safe, equipped and fully productive while working remotely.

Despite the difficult operating environment, the Corporation's performance improved resulting in a weighted corporate performance score of 4.00 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 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 two meetings in 2021, with attendance set out in the table below.

Table 2: Human Resources & Remuneration Committee attendance record, 2020/21

Members	Meeting Attended
Dheven Dharmalingam	2/2
Vuyelwa Matsiliza	2/2
Siobhain O'Mahony	2/2
Sisa Mayekiso	2/2
Lerato Mothae	2/2

Shareholder engagement

In line with the requirements of the King Code and the Companies Act, annually the remuneration policy and the remuneration implementation reports are tabled to the shareholder for a non-binding advisory vote at the AGM. The shareholder considered and supported the remunerations policy and implementation report.

Key focus areas for the 2021/22 FY

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

- Continue to review remuneration practices and adjust as required;
- Ensure incentive schemes attract, retain and reward top talent;
- Review and implement changes to the performance management system to ensure that it monitors and rewards value adding behaviours.

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

2. Remuneration Philosophy and Policy

ECIC's remuneration philosophy is to remunerate and reward our 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. We consequently remunerate, recognise and reward our employees in line with the norms prevailing in the competitive market. Our total remuneration approach includes a competitive mix of base salary, variable pay, employee benefits and recognition awards.

2.1 Executive 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.

Growing the business and ensuring that it is managed in a sustainable way are key performance drivers for short term incentives. 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 pre-approved 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 they are compensated for all costs incurred in carrying out their ECIC duties.

Section 3: Implementation report of remuneration policy for 2021

The implementation report details the outcomes of implementing the approved policy detailed in part 2 of this report and reward decisions taken in 2021.

3.1 Total remuneration

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

Attached below is the table disclosing the remuneration of prescribed officers:

Table 3: Executive remuneration

2021 R'000	Basic salary	Bonus paid	Provident fund	Cellphone 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 and 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**

2020 R'000	Basic salary	Bonus paid	Provident fund	Cellphone allowance	Acting allowance	Other benefits*	Total
K Kutoane - Chief Executive Officer (Director)	3 651	2 216	-	35	-	43	5 945
C Kgoale - Company Secretary	1 208	597	119	19	-	41	1 984
M Nkuhlu - Chief Operations Officer	2 430	1 371	231	30	-	82	4 144
B Fugah - Acting Chief Operations Officer	-	-	-	-	73	-	73
N Mkhathazo - Chief Financial Officer	1 865	1 096	301	30	-	29	3 321
S Esterhuizen- Chief Actuarial & Investment (Executive from 07 June 2019)	1 853	1 144	241	20	-	2	3 260
N Maphula - General Counsel	1 697	992	251	30	-	37	3 007
J Omollo - Chief Risk Officer	1 708	992	275	30	-	2	3 007
W Koen - Acting Chief Financial Officer (from 20 August 2019)	-	-	-	-	148	-	148
	14 412	**8 408**	**1 418**	**194**	**221**	**236**	**24 889**

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

3.2 Remuneration Amendments implemented

3.2.1 Short term incentives

Consistent with our Performance Linked Short Term Incentive Policy, the Board made discretionary adjustment to the 2021 STI pool. This led to a reduced short term incentive pool created and distributed to eligible employees. The adjustment was informed by several factors including the unknown short to long term impact of the COVID-19 pandemic, economic recession, concerning fiscal constraints, increasing inequalities, and rising unemployment.

3.2.2 Salary increases for 2021

The salary increase process for 2021 was concluded, providing an average increase of 4.5% across the Corporation. This process was based on and informed by several factors, such as inflation and affordability. Increases of senior management remained lower than those of the general employees.

3.2.3 COVID-19 impact and remuneration actions in respect of our employees

To help employees manage the impact of COVID-19, connectivity allowances were approved, enabling employees to work remotely.

3.3 Disclosure of director's Remuneration

Payments to directors for the year ended 31 March 2021 for services rendered are as follows:

	2021 R'000	2020 R'000
Non-executive		
D Dharmalingam	235	324
S Mayekiso	243	308
S O'Mahony	249	178
V Matsiliza	250	285
L Mothae	200	237
D Subbiah	219	238
	1 396	**1 570**

In the 2020 financial year remuneration included the retainers payable for the 2020 and 2019 financial years.

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

3.4 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.

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.

COVID-19 IMPACT RESPONSE

The Corporation has been operating in compliance with Government regulations since the hard lockdown was lifted. Weekly lockdown meetings were held in the first 2 quarters of the financial year to address the new challenges of remote working as management reviewed measures to be put in place to continue the business operations while ensuring the health and safety of employees.

Business travel remains suspended until further notice. Lessons learnt from the COVID-19 pandemic will be used to review business process and business operations. Staff have been provided with a monthly data allowance which enabled a successful transition to the new working environment with no interruptions to external stakeholders.

The COVID-19 lockdown and move to remote working has given the Corporation an opportunity to reconsider the office building tender (size, open plan vs office, hot desk setup), organisational design (realignment of corporate structure and roles to optimize staff efficiency and achievement of goals), and the drafting of a Flexible Working Arrangements and Remote Working Policy (set of criteria that management and their direct reports can use to gauge whether flexible working arrangements and/or remote working is appropriate and supportable).

Management followed up on projects to assess the impact of COVID-19 on the ECIC portfolio and four projects had payment deferrals approved and have been restructured. The insureds and/or projects/ borrowers were asked to provide feedback to ECIC on the following:

- Impact of COVID-19 on the relevant project (including lockdown period);

- Measures being implemented by the insured debtor/ borrower in managing the impact of COVID-19 on business operations;
  - Impact on supply or value chains and possible mitigation measures;
  - Impact on revenue generation, probability of payment default, and possible mitigation measures.

STRATEGIC THEMES

Stakeholder management

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

Strategic partnerships

Build and leverage a local and international network of strategic partnerships in the public and private sectors to advance our business reach.

Grow the business

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

Operational excellence

Invest continuously in effective and efficient integrated systems and processes and in our human capital, build knowledge and skills and a culture of professionalism and focus on innovation and team work to enhance organisational capacity and operational excellence.

Development impacts and transformation

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

STRATEGIC OBJECTIVES

Improve knowledge & skills

Develop a competent and competitive workforce that can implement the business strategy and achieve our objectives.

Build and leverage strategic partnerships

Improve our business through collaboration and by leveraging our local and international public and private sector partnership networks to advance our business and our reach.

Advance transformation

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

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.

Contribute to trade facilitation

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

Improve communication

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

Increase capital base

Increase the capital base of the Corporation to support sustainable business growth and fulfil our mandate of facilitating export trade and cross-border investments.

Improve stakeholder satisfaction

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

SWOT ANALYSIS

Internal strengths and weaknesses

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

External opportunities and threats

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

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.

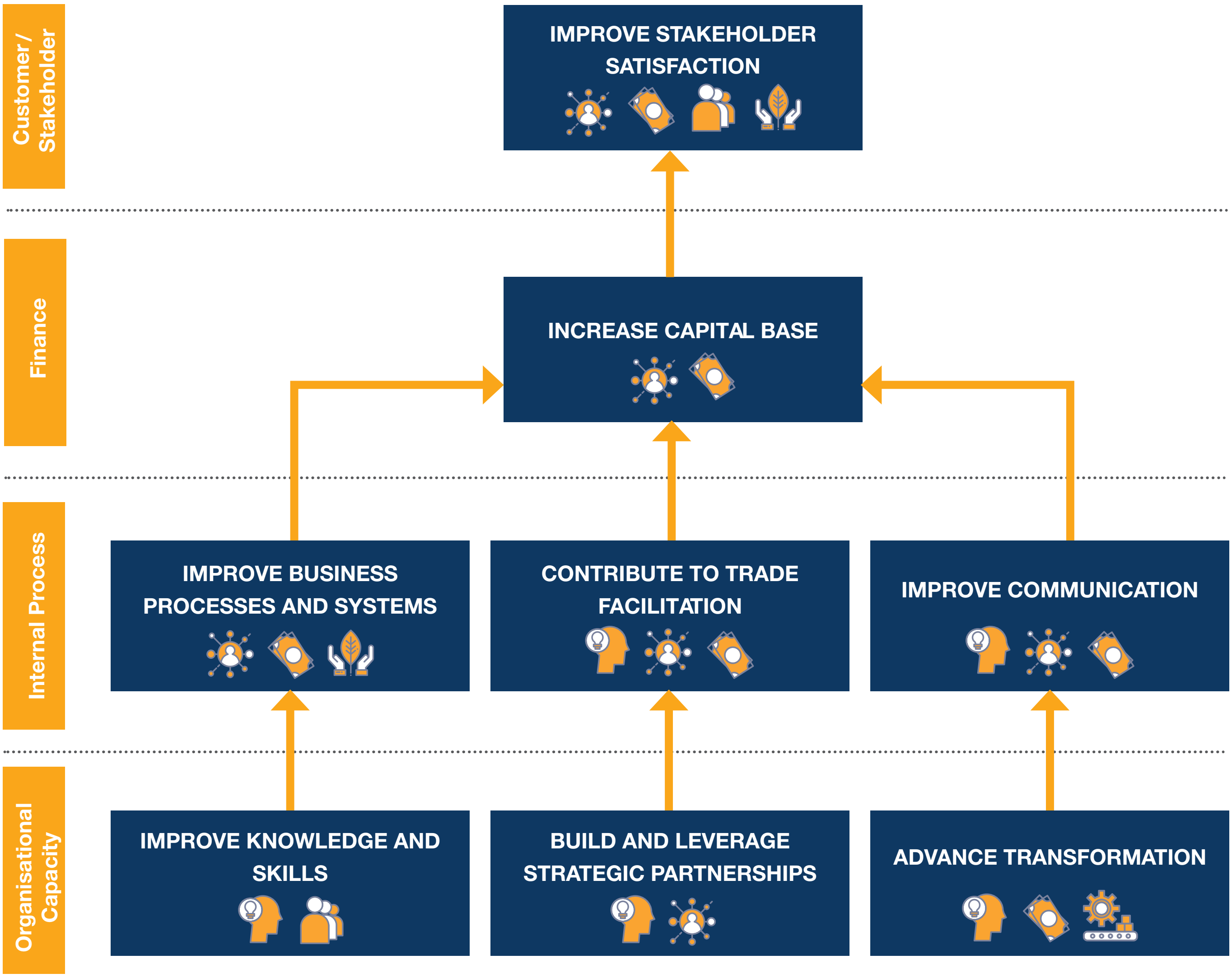
ALIGNMENT TO GOVERNMENT PRIORITIES

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

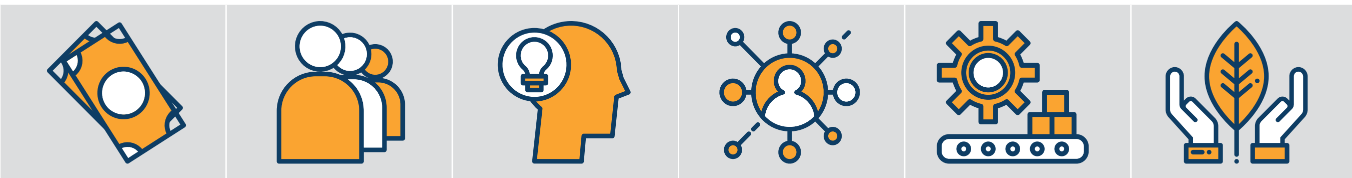
The ECIC mandate falls within the IPAP transversal focus area of "African integration and industrial development", which doesn't have targeted outcomes and key milestones. Regarding the Nine Point Plan, the ECIC mandate addresses the initiative of "Encouraging private sector investment". All the strategic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

MTSF Priorities	MTSF Target	The dti Strategic Focus Areas	ECIC Goal/ Outcome	ECIC Initiative	Responsible Programme
Economic Transformation and Job Creation	Improve overall ranking on World Bank Doing Business ranking to within the top 50 countries. Also, achieve top 50 ranking on Trading Across Border indicator. Improve access to affordable finance for SMMEs with at least 50% of national and provincial DFI financing to SMMEs.	Support improved industrial performance, dynamism and competitiveness for local companies Promote economic inclusion	Proactively attract business from new and existing customers to facilitate more exports and cross border investments Proactively attract business from new and existing customers to facilitate more exports and cross border investments	Improve business development initiatives to grow the business Research and identify new Export and investment opportunities Improve business development initiatives to grow the business Establishment of SA EXIM Bank	**Contribute to Trade Facilitation**
	Expand government preferential procurement spend with minimum targets of 40% for Women, 30% for Youth and 7% for Persons with disabilities.	Promote economic inclusion	Advance black economic empowerment and to be ultimately rated a B-BBEE level 1 contributor or performer.	Implement Transformation Strategy to achieve a level 1 B-BBEE score	**Advance Transformation**
A better Africa and World	Increased Foreign Direct Investment (FDI) into South Africa of R1.4 trillion.	Improve the levels of fixed investment in the economy	Proactively attract business from new and existing customers to facilitate more exports and cross border investments	Improve business development initiatives to grow the business Research and identify new Export and investment opportunities	**Contribute to Trade Facilitation**
	R3 billion annual value of exports facilitated through the Export Marketing and Investment Assistance Scheme (EMIA) fund in sectors and destinations targeted for diversification.	Promote economic inclusion	Proactively attract business from new and existing customers to facilitate more exports and cross border investments	Improve business development initiatives to grow the business Research and identify new Export and investment opportunities	**Contribute to Trade Facilitation**
	Implementation of the African Continental Free Trade Agreement (AfCFTA) and other trade agreements in order to grow intra-Africa trade.	Expand markets for our products and facilitate entry to those markets	Leverage our strategic partnerships, their resources and knowledge base to form sustainable collaborations that will enable ECIC to access new markets and remove existing constraints.	Implementation of annual strategic partnership plan, especially with Afreximbank on several deals	**Build and leverage strategic partnerships**

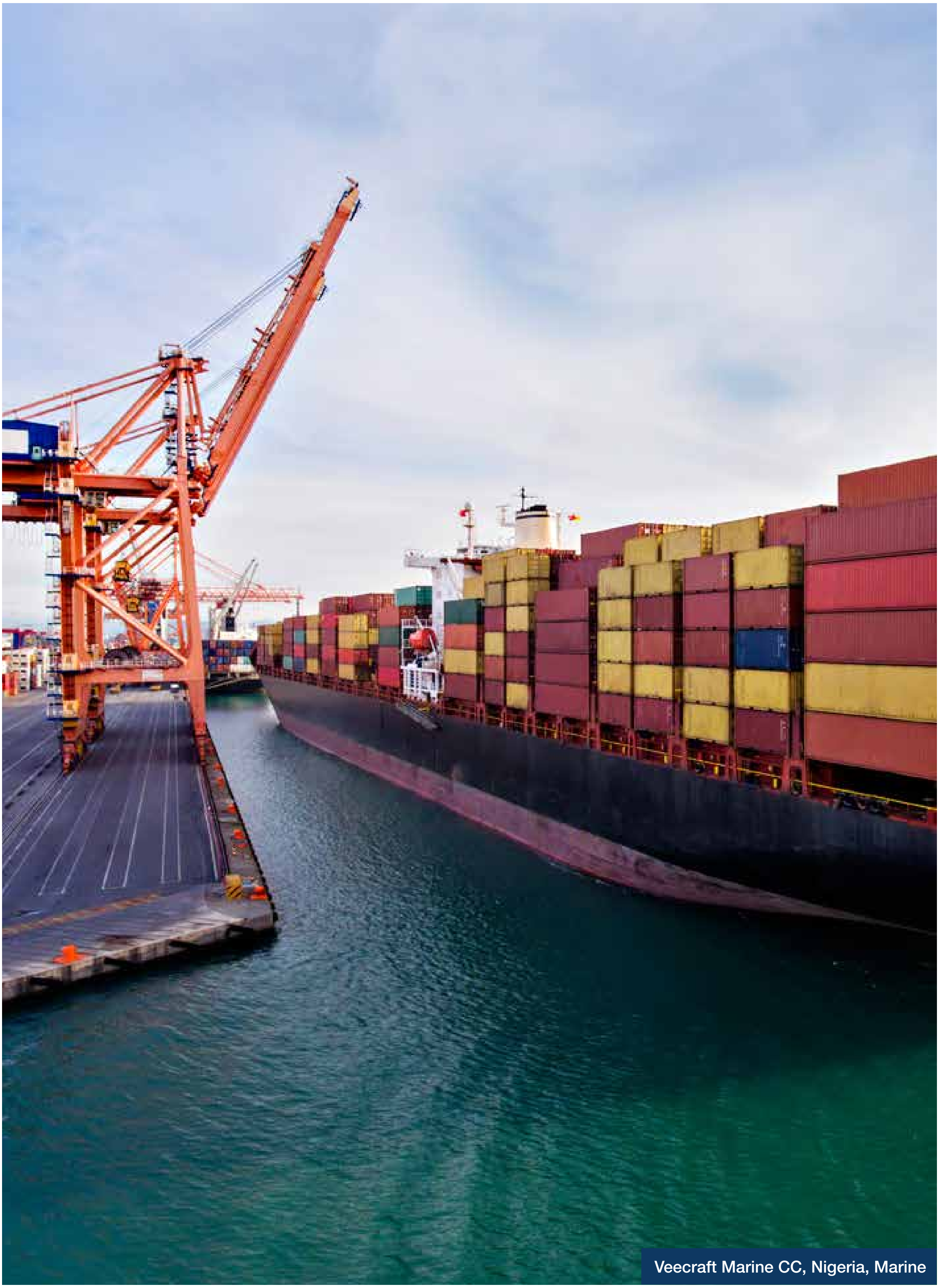
ECIC TIER-ONE STRATEGY MAP



CAPITALS					
Financial	Human	Intellectual	Social and Relationship	Manufactured	Natural



100% of the 2020/21 targets have been achieved as reflected in the Performance setion on page 78.



Veecraft Marine CC, Nigeria, Marine

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;
- 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;
- 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

The results of the Stakeholder Survey, sent to stakeholders not addressed in the 2018/19 Brand, Reputation & Customer Satisfaction Survey, were finalised during the first quarter with the following conclusions:

- Strengths
  - o Perceptions that ECIC adds value to the South African economy;
  - o ECIC is seen to understand the complex operating environments (including market developments and cultural dynamics);
  - o ECIC uses sound business practices, acts with integrity (including ethical conduct) and creates environments of mutual trust; and
  - o ECIC provides a swift response to requests for information.
- Challenges
  - o Communication of successful projects;
  - o Presenting "one face" to stakeholders even if different ECIC staff interact with the same stakeholder;
  - o Improve transparency of communication and effectiveness of information sharing initiatives;
  - o Identification of potential business opportunities; and
  - o Management of risk.

The results of the survey and the outcomes from stakeholder engagements during the 2019/20 financial year were considered for the annual review of the Stakeholder Management Framework and the 2020/21 Stakeholder Engagement Plan.

The implementation of the Stakeholder Engagement Plan involved:

- Newsletters to keep stakeholders updated on important information about ECIC;
- Timely responses to all Parliamentary questions;
- Meetings with oversight teams from **the dtic** and National Treasury to discuss the ECIC performance, strategy and challenges;
- Interactions with the Minister regarding the ECIC legislation and mandate;
- Engagement with National Treasury on the Afreximbank shareholding;
- Attendance of and participation in the activities of the Berne Union Spring meetings and AGM;
- Regular communication to staff regarding COVID-19 measures implemented;
- Finalisation of the Prudential Authority Licence Conversion and related approvals.

The highlight of the year was the hosting of the first virtual CEO Engagement Session on 4 November 2020 with 55 attendees from existing and potential customers. The CEO and COO presented on the role and impact of ECIC in facilitating South African export trade with a special focus on the AfCFTA opportunity, and the importance of public and private sector collaboration in advancing export trade. This was followed by an interactive discussion where matters for consideration in various ECIC plans and future strategy were enquired about. This virtual event will be a fixture on the ECIC calendar going forward.

CUSTOMER ENGAGEMENT PLAN

For many years ECIC had positioned itself as an insurer of last resort and focused on filling the market gap by servicing the needs of those clients that cannot be serviced by the private market. The notion of an insurer of last resort tended to foster a more laidback culture to customer engagement.

Whilst ECIC seeks to complement the private market in facilitating export trade, increased competition among the export credit agencies from various countries, the need to broaden access to its products and the desire to improve the quality of customer service necessitated a re-orientation in the manner in which ECIC engages with its clients. In this regard, over past three years ECIC has pursued a more proactive and deeper engagement with its customers.

The importance of customer engagement recognizes that whilst we interact with our customers through various touch points and know that customers matter, through an effective customer engagement plan, we can connect with our customers much better and deepen the relationship with mutually beneficial outcomes. The broad goal of the customer engagement plan is to seek to improve customer service, ensure fair treatment of our customers and attain customer satisfaction.

In response to the 2018/19 Brand, Reputation & Customer Satisfaction Survey, a two-year Customer Engagement Plan was developed during the 2019/20 financial year. In this, the second year of the Plan, the implementation involved:

- Inclusion of the customer service turnaround times in the performance contracts of the Underwriting team (in order to improve customer service);
- Inclusion of the economic impact of ECIC (for the past ten years) in the Integrated Report covering the 2019/20 financial year;
- Client engagement sessions on:
    - Overview of ECIC and its products;
    - ECIC Investment Insurance products; and
- Staff workshops on:
    - ECIC Value Proposition and Economic Impact;
    - Overview of ECIC Credit Insurance Products.

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 communication channels.

The implementation of the Plan involved:

- Completion of the new ECIC Corporate Profile and revision of the Overview Booklet. Both documents are available on the website;
- Production and publication of research reports, publications, brochures, and other relevant marketing collateral;
- International media campaign with a focus on Intra-Africa trade themed "Providing credit support for buyers of South African capital goods and services";
- 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:;
    - Buying goods from foreign countries;
    - The COVID-19 ripple has affected the Container Industry;
- Website management and the finalization of the new website design and site map with the aim of building a site that would be sustainable, versatile and user friendly in this new digital age. The new site was launched and went live on 31 March 2021;
- 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 staff;
- 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 2020/21 financial year:
    - African Utility Week;
    - Africa House B2B Virtual Event;
    - African B2B Virtual Business Matchmaking;
    - Africa Rail Virtual Conference;
    - GTR Africa Virtual Conference;
    - TXF World Fair Virtual Conference;
    - Zambian Development Agency Impex Virtual Conference;
    - Manufacturing Indaba;
    - Africa Energy Indaba.

INVESTING IN OUR PEOPLE

Adapting to new circumstances

The first priority at the onset of the COVID-19 pandemic was to ensure the health, safety and wellbeing of our employees, and by extension their loved ones and our clients.

The Corporation's employees were enabled to work from home as business continuity plans were seamlessly activated with the ongoing support of our ICT team. Linked to working from home, we conducted a remote working survey to determine whether our people were adapting to their new working conditions and to understand how we could better support them. The vast majority of responses indicated that they were adapting well and would appreciate it if our work-from-home practices will continue into the future.

Investing in our people assesses how the Corporation has performed in developing in keeping its people safe, healthy and productive amid the COVID-19 pandemic.

Table 4: Investing in our people

	2020/21	2019/20
Number of full-time permanent employees	88	83
Salaries and benefits (Rm)	R75, 384 million	R69, 175 million
Women representation in Executive Committee (%)	17%	17%
Black representation in Executive Committee (%)	83%	83%
Total training spend (Rm)	**R2,9 million**	**R3,6 million**

Staff complement and employment equity

The Corporation continues to manage the growth of the workforce, in alignment with its cost structure. During the reporting period, staff complement consisted of 88 employees {2020: 83) including those on fixed-term contracts and graduate trainees.

Enhancing diversity and inclusion remains essential and forms part of our strategic priorities. The Corporation achieved its target of 90% for designated employees (excludes white males and foreign nationals). The number of employees with disabilities remained at 2.4% of its workforce.

Demographics

The Corporation regards gender diversity as an imperative and, as such, 52% of all employees are female and 48% are male, 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.

The Corporation is a young organisation with majority of the of employees being between the ages of 26 and 40 years. This indicates a young and vibrant organisation able to change and grow.

Employee attrition and retention

During the period under review, the voluntary turnover rate was 8% (2020:10%) and is within the market norm of 10 - 15%. The Corporation achieved a retention rate of 92% (2020:90%) against an internal target of 85%. While ECIC recognises the mobility of a millennial workforce, it expects its staff retention rate to remain at the same level for the foreseeable future.

Learning and development

The Corporation implemented its structured training plan resulting in training expenditure of R2,9 million (2020: R3,6 million). The decline in training expenditure is attributed to the Corporation implementing digital learning during the lockdown.

Learnerships

The Corporation offers learners the opportunity to participate in a learnership opportunity. In 2021 , five(5) learners benefited from the learnership programme.

Employee Wellness

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

Employee Engagement

During the year under review, we continued to implement the employee engagement plan achieving 88% implementation.

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 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 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 macro-economic 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.

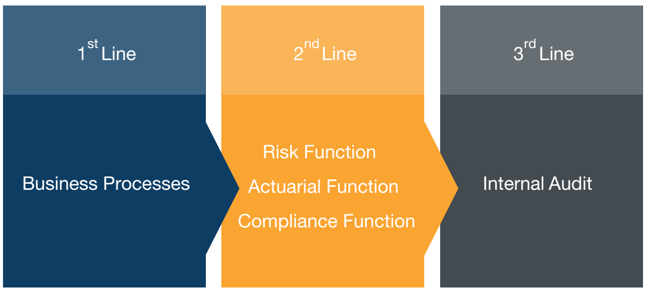


Figure 4: Integrated Assurance Model

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 authorization 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.	\$574 million loss (\$246 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.	\$574 million loss (\$246 million loss net of salvages)
Obligor concentration risk	The maximum loss (gross of claim salvages) of a single obligor/project.	\$166 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 57% i.e., 43% LGD as per weighted portfolio.

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

The risk on the uncertain macro-economic

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 2020/21 Risk Register:

Corporate Risk Register

Licence conversion

During the financial year, the Prudential Authority approved the ECIC insurance licence conversion in line with the Insurance Act, 18 of 2017. A gap analysis was performed and the new GOI standards were applied in the:

- review of the risk management strategy, policies, and related procedures;
- appointment of new outsourced internal auditors; and
- review of governance committee terms of reference.

PERFORMANCE

PERFORMANCE

2020/21 PERFORMANCE REPORT

Output	Performance Measure or Indicator	2020-21 Annual Target	Actual Achievement
IMPROVE KNOWLEDGE AND SKILLS			
Implementation of the Annual training plans	% of annual training plan implemented	80 – 100% implementation of training plan for 2020/21	Target achieved. 93% implemented.
BUILD AND LEVERAGE STRATEGIC PARTNERSHIPS			
Strategic partnerships plans implemented	Percentage (%) collaboration initiatives implementation as per the annual strategic partnership implementation plan	80 – 100% implementation of strategic partnership plan	Target achieved. 100% implemented.
ADVANCE TRANSFORMATION			
Transformation strategy implemented	B-BBEE score	Achieve a level 2 B-BBEE score	Target achieved. Level 2 B-BBEE score.
IMPROVE BUSINESS PROCESSES AND SYSTEMS			
Track cost to income ratio on a periodic basis	Cost to income ratio calculated as current operating costs (excluding investment and socio-economic development related costs) as a ratio of 3-year average income (earned premium, assessment fees and commission received less change in concentration risk reserve)	Cost to income ratio not exceeding 32%*	Target achieved. Cost to income ratio of 20%.
Business processes improvement plan implemented	% of Business processes improvement plan implemented	80 – 100% of business process improvement plan implemented	Target achieved. 100% implemented.
CONTRIBUTE TO TRADE FACILITATION			
Improve business development initiatives to grow the business	Value of approved transactions	USD 500m – USD600m	Target achieved. Projects approved: 1. Total MozLNG Project in Mozambique USD800 million 2. Lake Trans Tanzania and Mozambique USD2 million 3. Dark Fibre Africa in Zimbabwe USD3 million 4. Amandi Ghana €64,4 million
Research and identify new opportunities	Number of research reports to identify new opportunities	3 research projects to identify new opportunities	Target achieved. Research reports presented: 1. AfCFTA – Trade and investment opportunities for SA 2. Renewable energy in Africa 3. Trade and investment opportunities in transport infrastructure
IMPROVE COMMUNICATION			
Improve communication	Percentage implementation of marketing and communications plan	Implement 80- 100% of 2020/21 marketing and communications plan	Target achieved. 98% implemented.
INCREASE CAPITAL BASE			
Increase in capital base (excluding foreign exchange movements and related tax)	Percentage (%) increase in equity	5 – 10% in equity	Target achieved. 17% increase in equity*
IMPROVE STAKEHOLDER SATISFACTION			
Improved stakeholder satisfaction	Percentage (%) implementation of the annual stakeholder engagement plan	Implement 80 – 100% of annual stakeholder engagement plan	Target achieved. 88% implemented.
Improved customer satisfaction	Percentage (%) implementation of the annual customer engagement plan	Implement 80 – 100% of annual customer engagement plan	Target achieved. 100% implemented.
Improved stakeholder and customer satisfaction	Percentage (%) implementation of the annual employee engagement plan	Implement 80 – 100% of annual employee engagement plan	Target achieved. 88% implemented.

*The performance of this target is based on the South African Functional Currency financial statements in Note 40 on pages 72-73 of the Annual Financial Statements.

VALUE ADDING HIGHLIGHTS FOR 2020/21

THE SOCIO-ECONOMIC IMPACT OF THE ECIC SUPPORT SCHEME

The justification for the contribution of ECIC on local economic development is premised on the assumption that without the involvement of ECIC, certain export transactions out of South Africa would not have taken place.

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. It is important to note that the jobs created during the construction phase are mostly temporary in nature and are realized only for the construction period. However, the operational phase relates to the continuous operation of the project and the employment opportunities created during this phase are more permanent in nature.

Based on the drawn portion of export credit supported from the beginning of the financial year 2020/21 ending 31 March 2021, six projects with total drawdowns amounting to R1.1 billion have been facilitated (see table 5).

Table 5: Draws for the period 1 April 2020 to 31 March 2021

Project Description	Sector	Country	Drawn amounts (In R million)
Rehabilitation and upgrade of a national road	Construction	Swaziland	173,4
Installation of electricity prepaid meters	Electricity	DRC	70,5
Generation of electricity	Electricity	Mozambique	328,2
Construction of the Beitbridge border post in Zimbabwe	Construction (Civil engineering)	Zimbabwe	478,4
Manufacturing of fuel tankers and deck trailers	Manufacturing	Tanzania	12,2
Manufacturing of fuel tankers and deck trailers	Manufacturing	Mozambique	21,4

The estimated impact of the ECIC support scheme reflects the creation/sustainability of 2,473 job opportunities, of which a total of 1,996 job opportunities are estimated to be created/sustained during the construction phase, and an estimated 477 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 labour 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	-	20
Mining	-	2
Manufacturing	551	301
Water and Electricity	-	2
Trade & Accommodation	-	66
Transport & Communication	-	8
Financial & Business Services	1 445	25
Community & Social Services	-	53
TOTAL EMPLOYMENT IMPACT	**1 996**	**477**

PROJECTS SUPPORTED

Aligned to the ECIC mandate of making SA exporters attractive to international buyers, the Corporation approved support on projects to the value of $894 million during the financial year.

Total Mozambique Liquefied Natural Gas (LNG) Project

The key highlight for the year was the approval of $800 million cover towards the $23 billion Total Moz LNG project in April 2020. This is the culmination of work that started in July 2014 and highlights the ECIC standing as a world class export credit agency in facilitating South African export trade and investment globally. The project includes, without limitation:

- The development, design, construction, installation, ownership, financing, operation, maintenance and use of the Project Facilities;
- The marketing and sale of the Project Products (LNG, Condensate, and Domestic Gas); and
- The chartering of LNG Carriers for the transport and delivery to certain buyers of LNG.

The minimum SA content on the project is expected to result in at least $400 million worth of exports with at least 100 pre-approved South African companies identified as potential sub-contractors for the various work packages of the project. Key impact highlights, as measured by the ECIC Economic Impact Analysis Model, include the creation/sustaining of an estimated 29 246 job opportunities (man-hours); an estimated contribution to the GDP of R7,6 billion and an estimated contribution to the fiscal revenue of R2,1 billion.

The first drawdown under the facility was scheduled to occur on 14 April 2021, but the operator issued a notice to withdraw the drawdown request until the security situation in Mozambique had stabilized. It was envisaged that the draw stop would continue for up to 2 months, however Total's declaration of force majeure in late April is likely to delay the implementation of the Project. The project had achieved 25% (against 22% project plan) of its construction milestones before the attack covering engineering, procurement, and early construction work.

Amandi Ghana project

In March 2021 the ECIC Board approved cover over the €64,4 million loan ($89 million equivalent to be confirmed on drawdown) for the Amandi Ghana project.

The project entails the construction of sections of the western, central and ART railway line between the Takoradi port and Huni valley, including train stations, signalling system and the purchase of rolling stock. Railway development is a Government priority in Ghana and this Project forms part of the wider western rail projects and is one of the priority projects approved by Parliament in the 2020 financial year national budget. The Project assets will be owned and operated by the Ghana Railway Development Authority ("GRDA"). During the transition phase, the new railway line will be used mostly for freight traffic, and then gradually passenger traffic will be enhanced and developed. The Project constitutes the next phase of the wider western railway line development which commenced in 2017.

The SA content on this Project is expected to result in at least €32,2 million worth of exports with various South African exporters including Macsteel a prominent SA supplier on the project. The involvement of Macsteel in this Project will advance the objectives of the Steel Master Plan of the dtic. Key impact highlights, as measured by the ECIC Economic Impact Analysis Model, include the creation/sustaining of an estimated 1 357 job opportunities (man-hours); an estimated contribution to the GDP of R259 million and an estimated contribution to the fiscal revenue of R132 million.

Insurance Policies becoming effective during the year

The Zimborders transaction reached financial close in the third quarter. This is happening at a time when the African Continental Free Trade Agreement is ready to commence with implementation. The recent challenges experienced around the Beitbridge Border post highlight the significance of this new transaction as one of the initiatives to improve the infrastructure and efficient management of the movement of goods and people through this border post. It is heartening to learn that there are policy considerations in South Africa to create a One Stop Border Post (across many of the strategic border posts in the country) – including the Beitbridge Border Post.

The EDM transaction in Mozambique also reached financial close. This is a loan extended to EDM by DBSA and covered by ECIC to enable EDM to rehabilitate its power supply infrastructure in Maputo and in the northern provinces of Mozambique. With all the investment taking place in the northern part of Mozambique, improvement of the power supply in this region is critical for the industrial development initiatives and the burgeoning commercial activities.

Reinsurance as risk mitigation and expanding effective SA content

The use of reinsurance or guarantees on the ECIC-supported projects enables the Corporation to increase the actual size of the deals and exports supported, enhance the ECIC underwriting capacity and in managing potential concentration risk. This is a valuable part of the ECIC risk management tool kit for balance sheet management when dealing with matters such as concentration risk, enhancing or releasing underwriting capacity, helping to reduce the potential adverse impact of ECIC exposure on the government's contingent liability for State Owned Entities.

April 2020 saw the finalisation of the first ECIC reinsurance agreement on the sovereign loan that was extended by Citibank and Absa to the government of Ghana. The outstanding amount on this loan is around $77 million and ECIC concluded reinsurance for up to $12.5 million.

The pricing parameters between ECIC and Afreximbank (on the one hand) for the Moz LNG Guarantee Facility and between ECIC and the Re-insurance brokers for the private market re-insurance piece was approved in March 2021. Through this reinsurance and guarantee facility, ECIC is able to support the $400 million SA content while the net exposure to the project is reduced to $430 million.

Research Reports Produced

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

The production of the research reports finalised during the 2019/20 first quarter of the financial year were as follows:

- Côte d'Ivoire;
- Mozambique; and
- Maritime manufacturing industry.

As part of the 2020/21 strategic objectives, the following reports were finalised during the financial year:

- AfCFTA – Trade and investment opportunities for SA;
- Renewable energy in Africa; and
- Trade and investment opportunities in transport infrastructure.

For access to all Country and Sector reports visit the ECIC website @ www.ecic.co.za.

ECIC Social Economic Impact – Corporate Social Responsibility (CSR)

ECIC's Corporate Social Responsibility (CSR) provides strategic oversight and governance as well as play an advisory role regarding all CSR initiatives. The department deliberates on how funds are allocated with a distribution towards addressing the various social challenges of our country with the implementation of the CSR strategy of the Corporation.

Enterprise & Supplier Development

ECICs Enterprise and Supplier Development (ESD) programme is a development initiative with an objective of providing support to the qualifying enterprises with financial and non-financial support. The minimum qualifying criteria is that the applicant must be a 51% black owned entity, an Exempted Micro Enterprise or a Qualifying Small Enterprise as defined in **the dtic** Codes of Good Practice. Enterprise Development is facilitated in partnership with our implementation partners, Small Enterprise Development Agency (SEDA) and Tysys (Supplier Development). The ESD programme budget allocation amounted to 3% of net profit after tax for the 2020/21 financial year for its sub-programmes. Therefore, resulting in 1% of net profit after tax and 2% of net profit after tax respectively allocated to Supplier Development and Enterprise Development subprogrammes.

The primary mandate of the Enterprise and Supplier Development (ESD) programme is to ensure that the Corporation complies with B-BBEE legislation as per the BEE Financial Sector Charter and achieve the set goals:

- Empowering the Exempted Micro Enterprises (EMEs) and Qualifying Micro Enterprises (QSEs) through financial and financial support
- Supporting supplier diversity through strategic sourcing (preferential procurement)
- Empower the development of 51% Black-owned SMMEs (suppliers) into sustainable entities
- Develop export-orientated SMMEs (manufacturing) into competitive entities in line with ECIC's CSR-ESD policy framework and the Industrialisation policy of the Department of Trade, Industry and Competition (**the dtic**)

For the 2020/2021 financial year the ECIC approved Supplier Development support to 14 SMME's, while 20 SMMEs (including 9 newly identified entities) considered for Enterprise Development support. These initiatives include asset acquisition and training and development assistance. While the broader contribution by the Corporation through the CSR-ESD programme is to stimulate economies, diversify supplier chains and create new jobs, the small business growth provides additional benefits for the economy and society in general, especially during the current COVID-19 pandemic which has become South Africa's stubborn challenge.

With every rand invested by the ECIC as a state entity, ESD must result in concrete and tangible impacts that make for sustainable black-owned SMEs that genuinely and competitively participate in broader economy (including abroad). Based on the programme's monitoring and evaluation outcomes, the Corporation has made a positive impact through the developmental interventions towards sustaining and increasing jobs, offering procurement opportunities and strengthening business growth. The SED Policy supports the financial, development finance and export sectors. The bursary programme targets post-school level students from historically disadvantaged communities who are developing their skills to work in the export, manufacturing, insurance or development finance fields in Africa.

These tertiary education bursaries aim to shorten timelines and enhance access to employment opportunities as well as transform the industry talent pipeline.

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 2020/21 the SED budget of R11,3m representing the 1% Net Profit After Tax (NPAT), was spent on SED Initiatives which comprise of tertiary education bursaries and consumer education initiatives.

The R6,6m spend on bursaries includes tuition, accommodation, study materials, accommodation, and stipends. The bursary programme had 74 students of which 10 completed their studies during the period under review.

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

19 Actuarial Science students	Universities of Pretoria and Witwatersrand
9 Yacht and Boat-Building students	False Bay TVET College
23 Accounting students	Universities of Witwatersrand, Northwest, Free State, Cape Town, Pretoria and Nelson Mandela.
14 MPhil Development Finance students	University of Stellenbosch

R4,5 million was spent on Consumer Education initiatives which included a financial literacy programme for students at TVET colleges and universities.

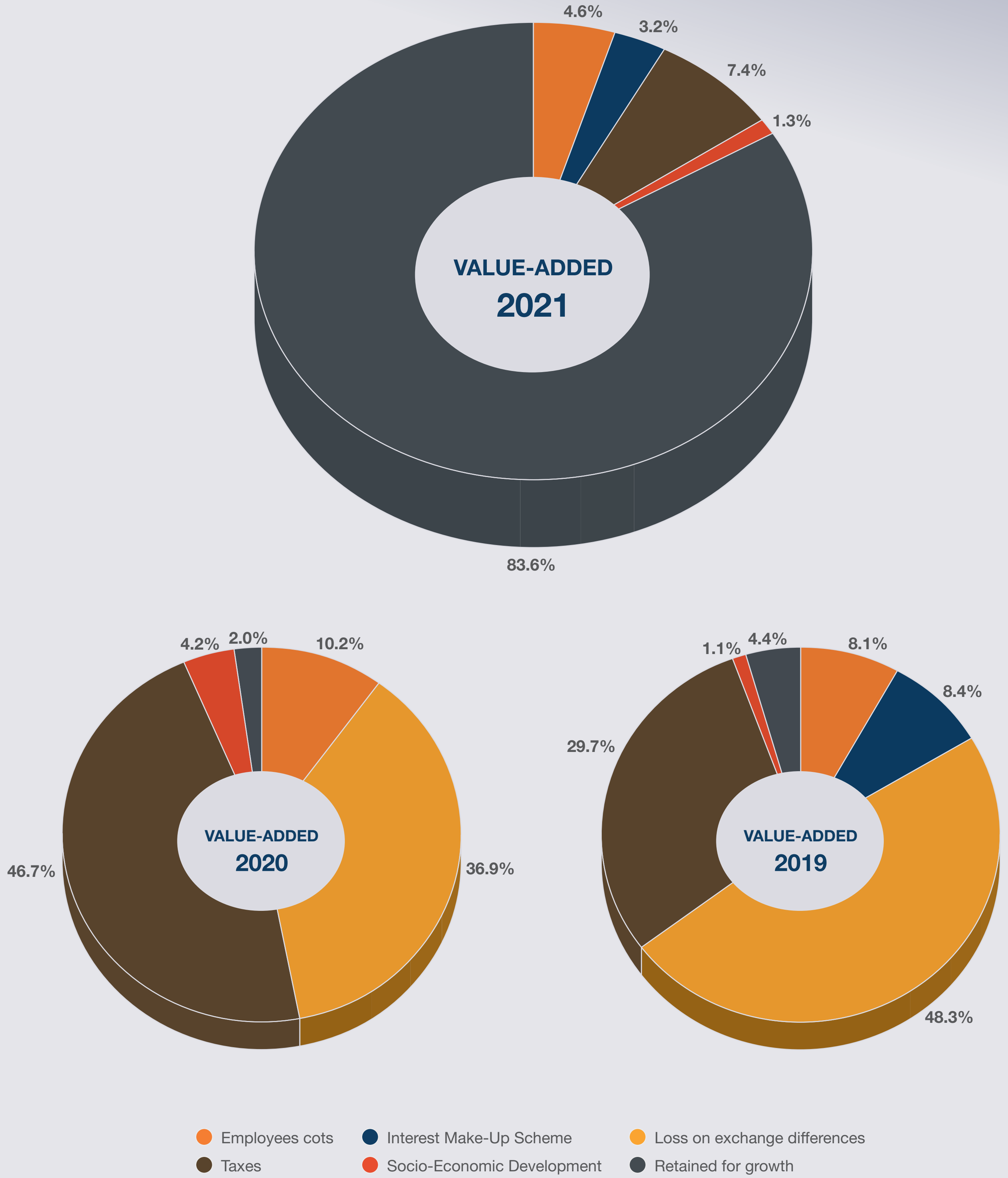
The Corporation also funded the University of Stellenbosch (USB) to have the Trade Policy and Finance course incorporated as part of the MPhil in Development Finance qualification. The course objectives include the development of in-depth knowledge and practical skills required to develop sound trade and finance policies.

VALUE CREATION

Value creation refers to the measure of the value created by the Corporation during the 2020/21 financial year in the use of its capital, employees and other resources. This statement shows the total value created and its distribution.

Value-added Statement		Note	2021 R'000	%	2020 R'000	%	2019 R'000	%
Wealth created								
Net income			1,597,952		879,696	*	1,085,004	
Profit on exchange differences			408,754		-		-	
Claims incurred			69,331		76,875		189,433	
Interest Make-Up Scheme (IMU)			-		34,704		-	
Deferred tax	a	26	-		20,278		-	
Paid to suppliers			(49,799)		(68,485)		(67,851)	
			2,026,238		**943,068**		**1,206,586**	
Distribution of wealth								
Employee costs		23	92,375	4.6%	96,320	10.2%	97,363	8.1%
Interest Make-Up Scheme (IMU)	a		64,375	3.2%	-	0.0%	101,527	8.4%
Loss on exchange differences			-	0.0%	347,899	36.9%	582,513	48.3%
Government								
Taxes		26	150,115	7.4%	440,089	46.7%	358,658	29.7%
Socio-Economic Development (SED)			25,998	1.3%	39,653	4.2%	13,355	1.1%
Retained for growth			1,693,375	83.6%	19,107	2.0%	53,170	4.4%
Depreciation and amortisation		23	7,719		4,762		2,792	
Deferred tax		26	18,317		-		34,393	
Profit for the year			1,667,339		14,345		15,985	
			2,026,238	**100%**	**943,068**	**100%**	**1,206,586**	**100%**

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


4.6%
3.2%
7.4%
1.3%
VALUE-ADDED
2021
83.6%
4.2%
2.0%
10.2%
VALUE-ADDED
2020
46.7%
36.9%
1.1%
4.4%
8.1%
8.4%
29.7%
VALUE-ADDED
2019
48.3%
Employees cots
Interest Make-Up Scheme
Loss on exchange differences
Taxes
Socio-Economic Development
Retained for growth

FINANCIAL OVERVIEW

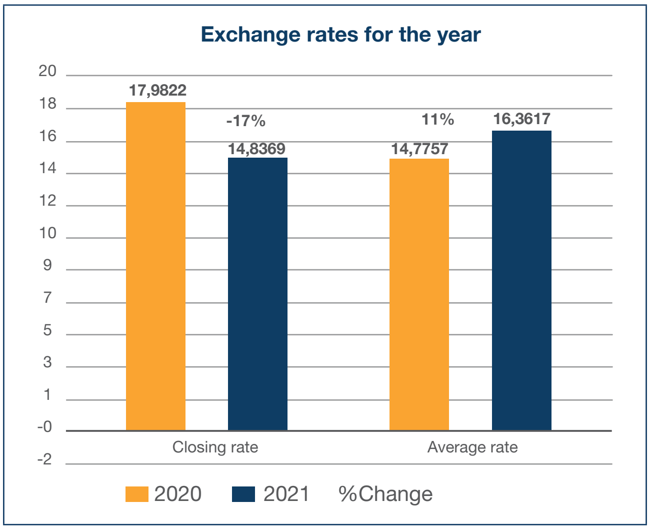
REFLECTIONS BY THE CHIEF FINANCIAL OFFICER

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.

Macro-Economic Environment

Exchange Rate Volatility



The ZAR/USD closing exchange rate appreciated by 17% compared to the prior year whilst the average exchange rate depreciated by 11%. 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

There has been no significant negative impact in the financial results reported; only four projects have been affected. At reporting date, a claims reserve has not been raised as there was no default event. The lenders had agreed to capital deferrals with further negotiations taking place.

For one of the projects affected by COVID-19, post year-end the Corporation entered into insurance claim settlement discussions which will result in ECIC paying a claim in the next financial year of a range between $50 million and $57 million (R742 million and R846 million as at 31 March 2021).

Following the COVID-19 lockdown the market recovered; as a result, the investment income earned increased by 569% to R823 million in the current year.

Financial Performance

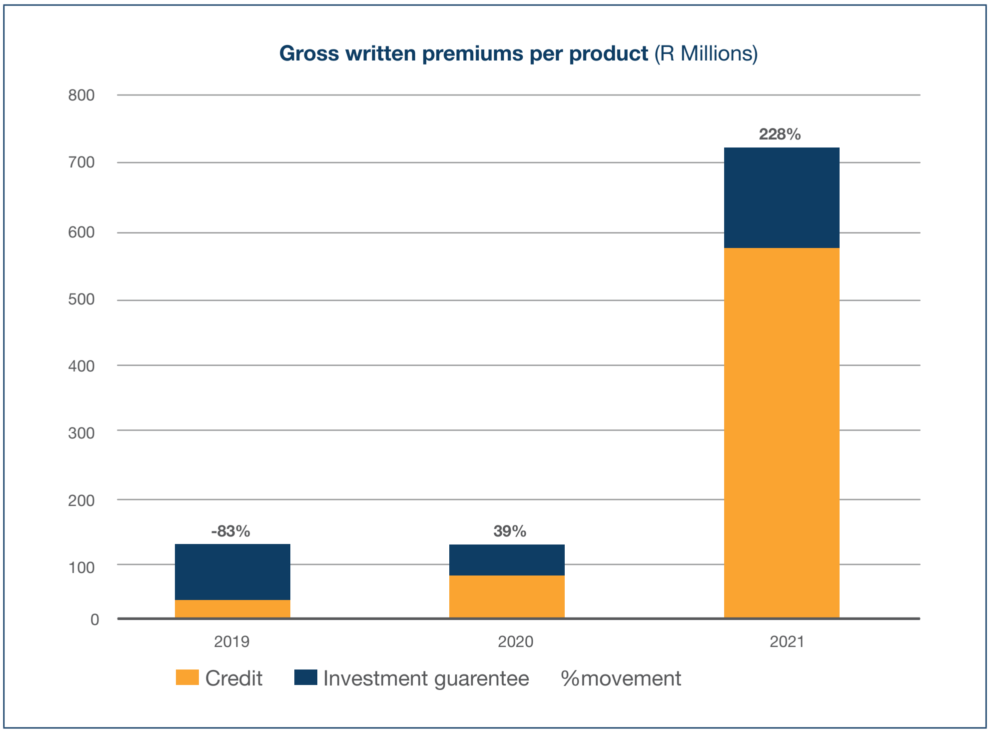


Figure 5: Financial Performance

Due to the nature of the business, which is to cover capital goods, premiums written tend to be lumpy and fluctuate when comparing to previous periods. Premiums from credit risk policies are all recognised on inception of the policy while premiums from investment guarantee are recognised on an annual basis. The 228% increase in written premiums is mainly due to the Zimborders policy which is a credit risk cover for the expansion, upgrading and improvement of the Beitbridge border post in Zimbabwe. Although the full premium is recognised in the current year, only a portion relating to the expired risk has been earned. A reserve has been created for the unearned portion as this portion it will only be earned in future years.

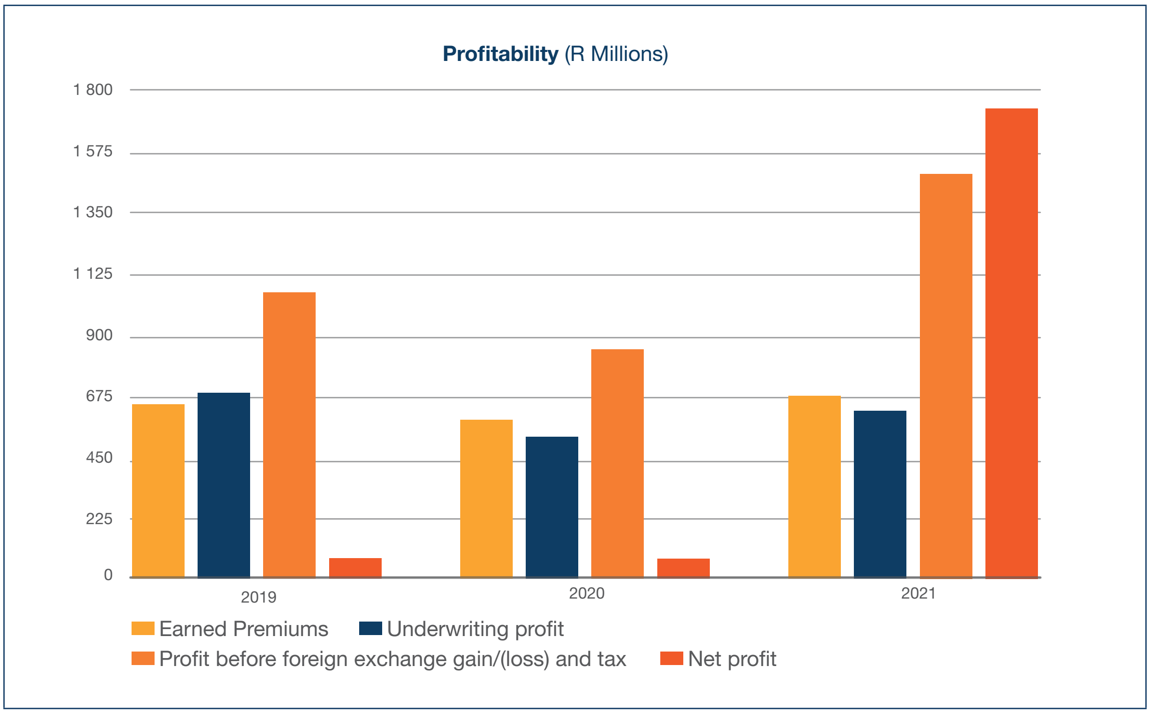


Figure 6: Financial Performance Profitability

The earned premiums increased by (R88 million) 17% from R523 million to R611 million mainly due to a release in Concentration Risk Reserve (CRR) as a result of the improved diversification in the portfolio. The inception of Zimborders policy added an additional sector in terms of commercial risk and improved the portfolio diversification.

Investment income earned substantially increased by 568% (R699 million) from R123 million to R822 million largely due to the market recovery following losses incurred during the onset of the coronavirus. This substantial increase in investment income resulted in the profit before foreign exchange gains /loss and tax increasing from R782 million to R1.4 billion.

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 2019 and 2021, the foreign exchange losses on the USD functional currency figures and tax expense significantly reduced the profits from R992 million to R16 million in 2019 and R782 million to R14 million in 2020. However, in 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.

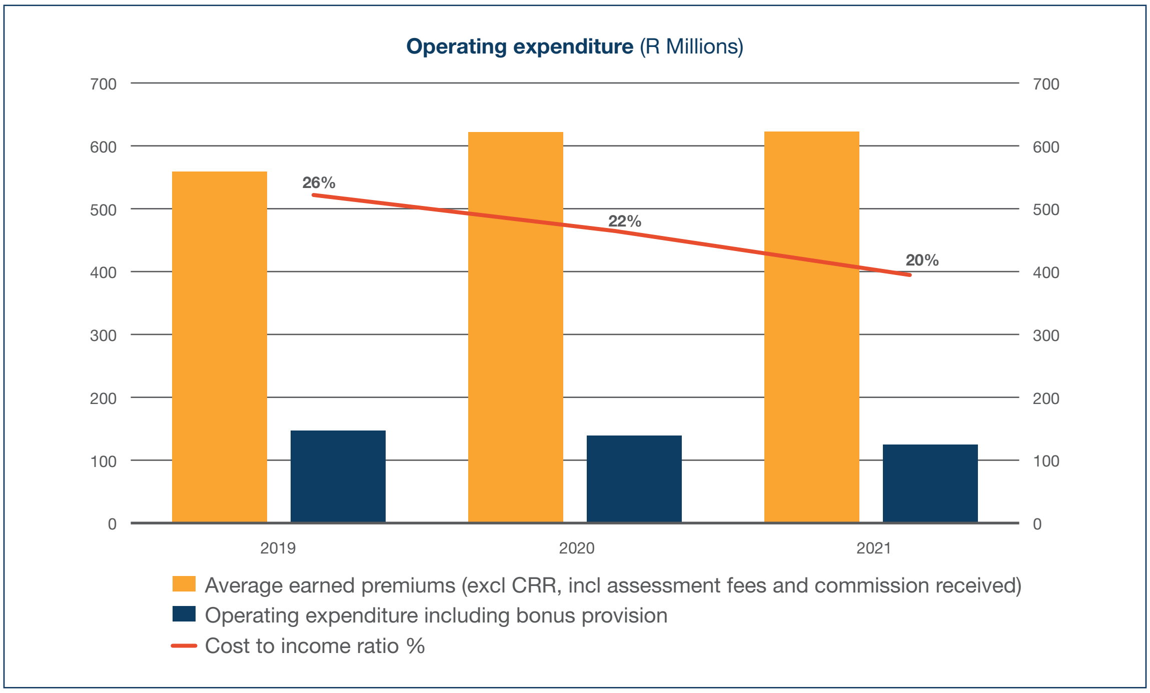


Figure 7: Financial Performance Operating expenditure

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

Assets and Liabilities Management

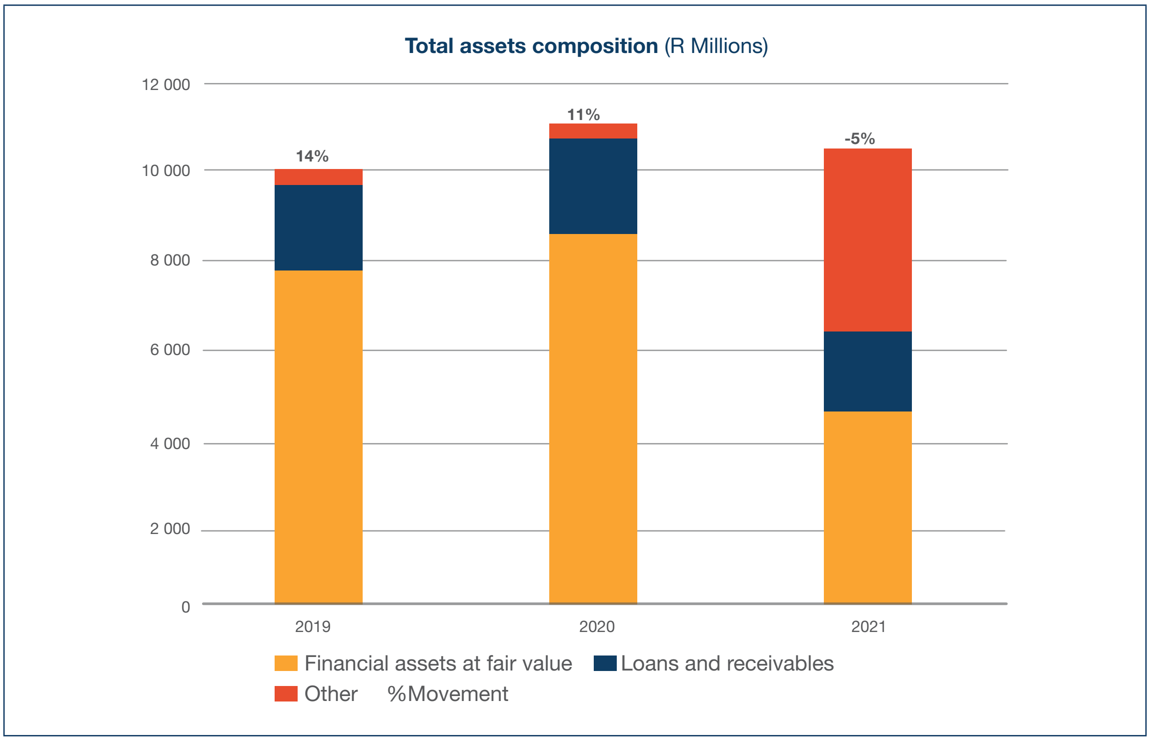


Figure 8: Financial Performance total assets composition

The 5% reduction in total assets is due to the appreciation of the ZAR against the USD. On the USD basis, the total assets increased by 24%.

The reduction in financial assets at fair value from R8.3 billion to R4.3 billion is due to the transfer of funds to CFC account on expiry of USD fund managers mandates. The funds have since been placed in the USD fixed deposit while the procurement process for the USD fund managers is underway.

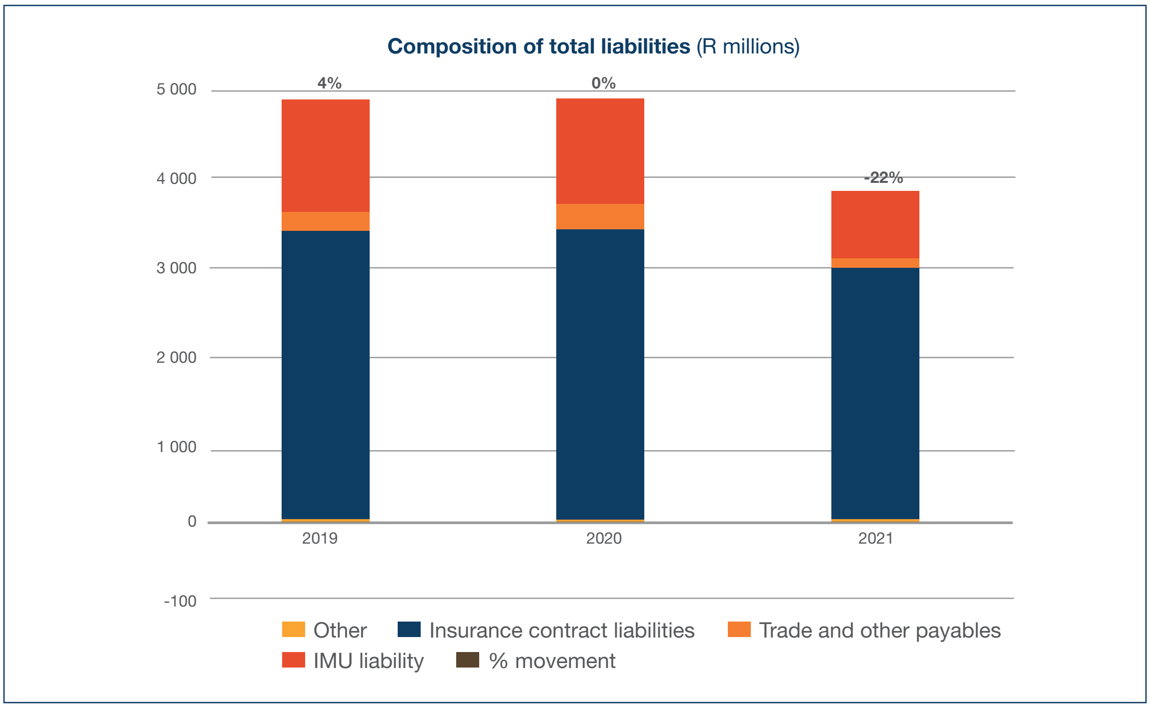


Figure 9: Financial Performance composition of total liabilities

The 22% reduction in total liabilities is due to the appreciation of the ZAR against the USD; earned premiums and IMU claims paid. On the USD basis, the total liabilities reduced by 7%.

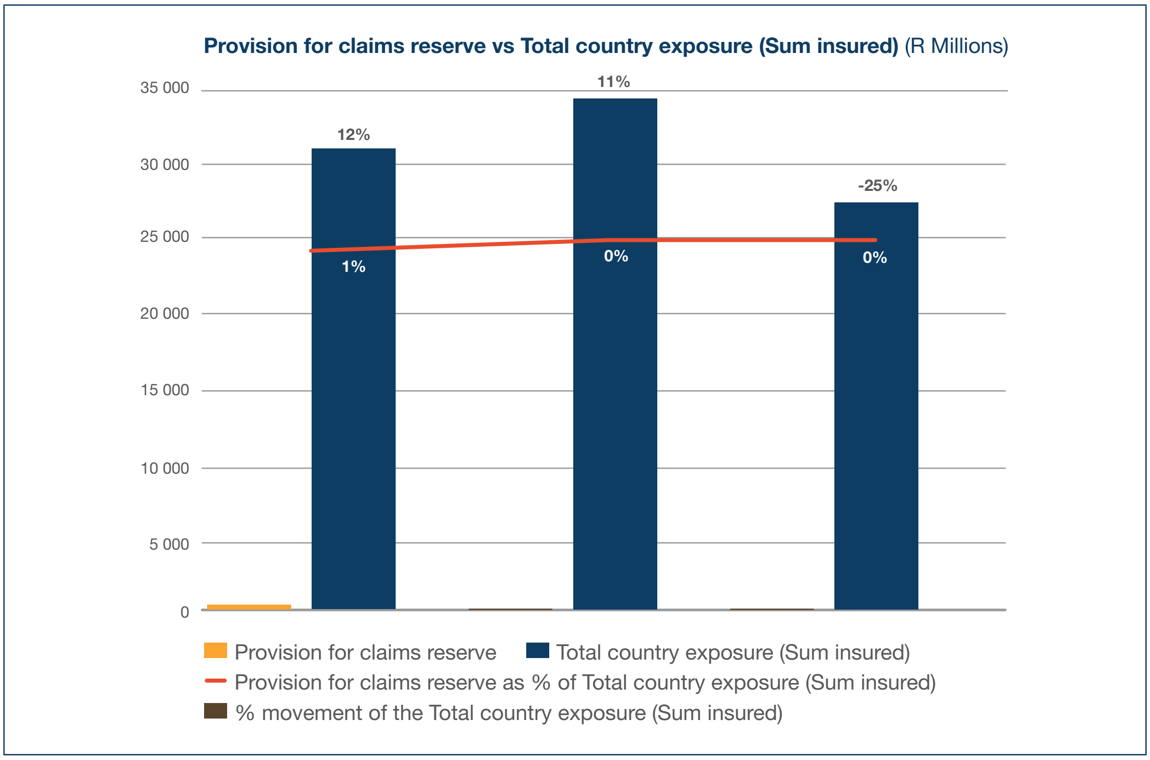


Figure 10: Financial Performance provision for claims

For the past two years, no claims provision was created as none of the projects were in default.

However, the Corporation received two related claims under the relevant ECIC insurance policies. One claim was received in the previous financial year and the second claim was received in the current financial year under review. 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 was not 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

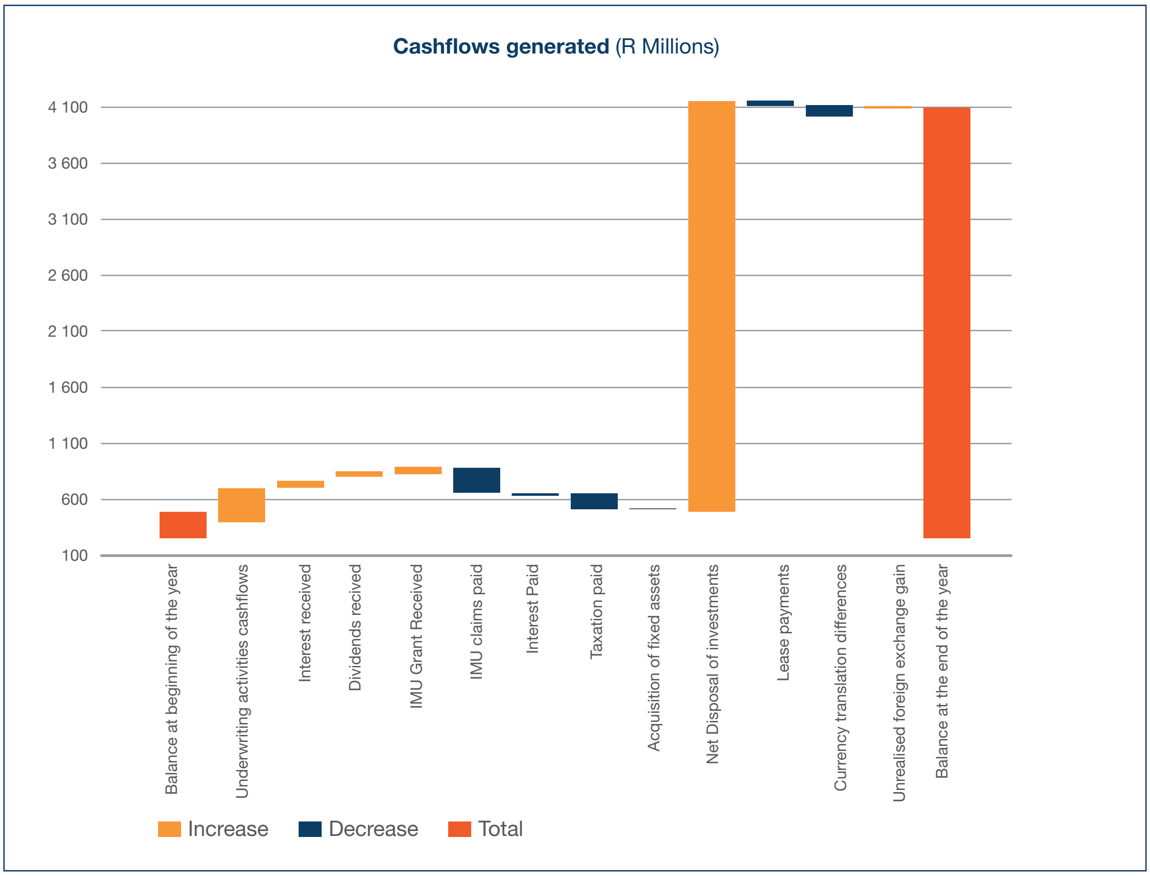


Figure 11: Financial Performance cashflows generated

ECIC INSURANCE PORTFOLIO

Insurance sum insured presented excluding any pipeline projects, except where indicated otherwise.

ECIC underwrites exposures in South African Rand and largely US Dollars. However, for reporting all exposures are converted to ZAR using the prevailing exchange rate. For historic period exposures where converted to prevailing exchange rates (March 2019 at R14,5958 and March 2020 at R17,9822) and exposure for the next 5 years is converted at forecast rates as follows (rates applicable for the budget plan as at January 2020):

- March 2021 at R15.41
- March 2022 at R16.22
- March 2023 at R17.12
- March 2024 and March 2025 at 18.14

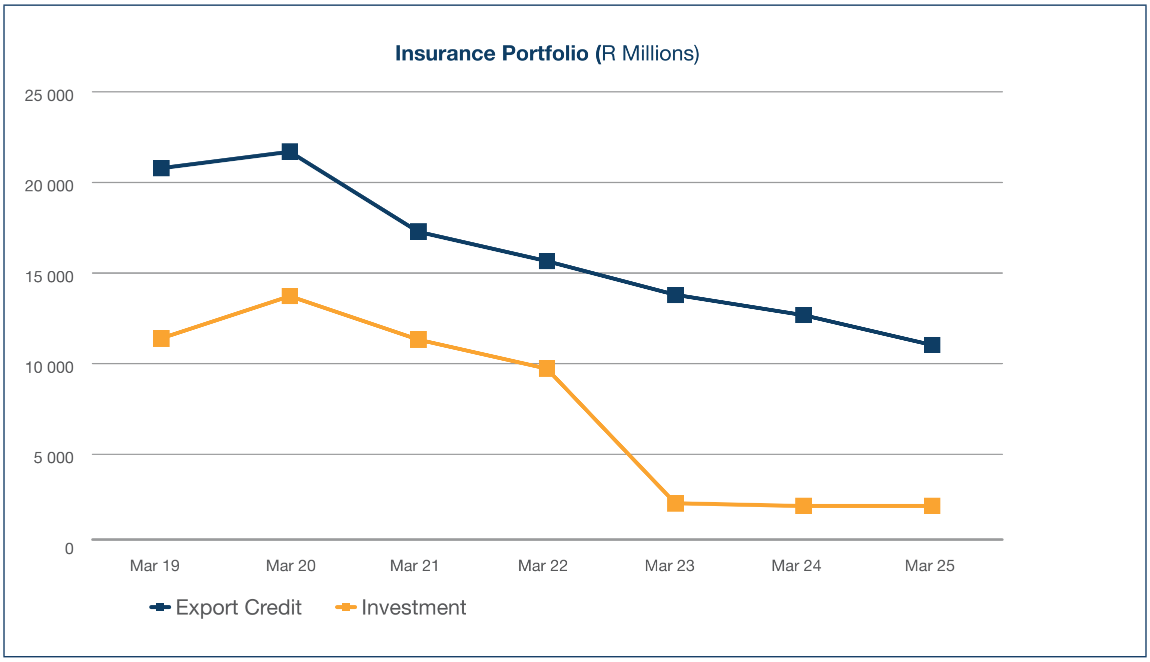


Figure 12: Insurance Portfolio

ECIC insurance portfolio is made up of export credit loans and investment (including equity and shareholder loans).

The reduction in the investment insurance is largely due to the expiry of MTN investment insurance in Iran. Another two projects covered under investment insurance include the commercial loan (credit line) to Agricultural bank in Zimbabwe and the commerial loan to Zinara Zimbawe for the toll road rehabilitation project. Discussions to restructure the Zinara debt commenced more than two years ago, with ECIC approving the restructuring last year. However, the restructuring has not progressed much, due to instability in the borrower's Management team.

The export credit loan portfolio is largely in the repayment phase.

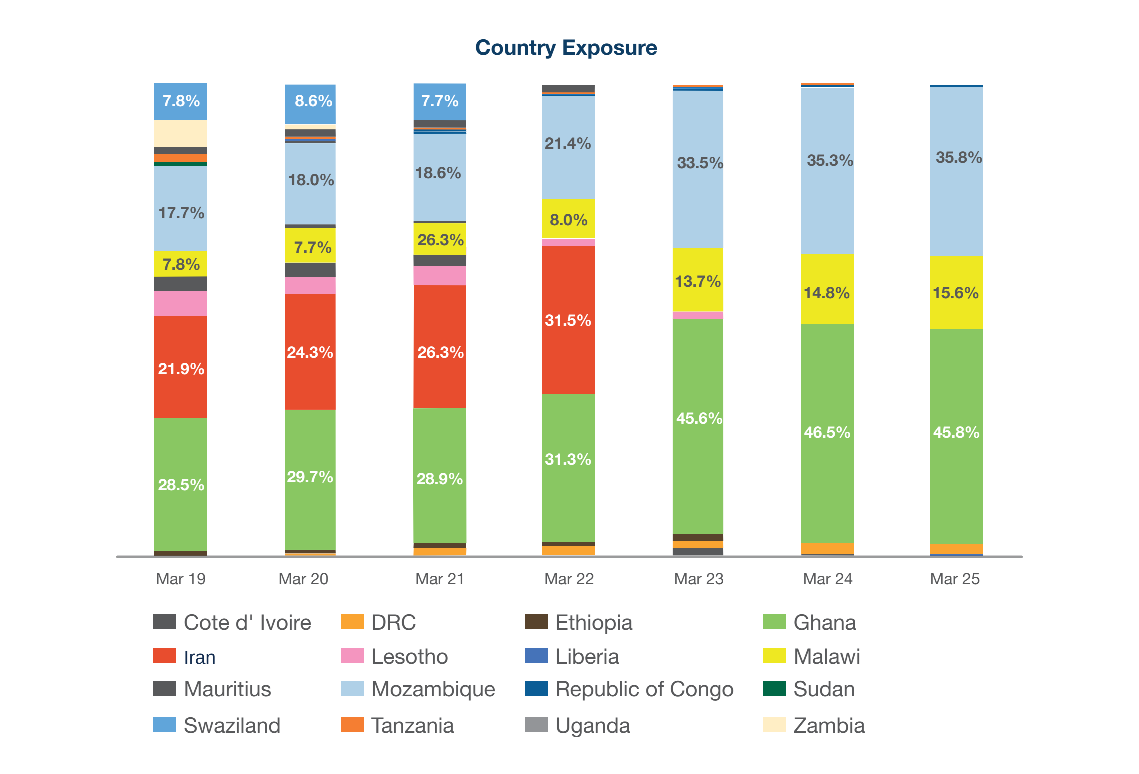


Figure 13: Country Exposure

The top 3 country exposure are Ghana, Iran and Mozambique, which are also aligned to the top 3 economic sectors as follows:

Table 7: Top 3 Economic sectors

Power / electricity	Ghana Mozambique Republic of Congo	• Combined Cycle Gas Turbine Power Plant • Electrification programme • Natural gas power plant projects (x2) • Electrification programme
Telecommunications	Iran Malawi	Investment into telecommunication network(s)
Infrastructure	Mozambique & Malawi	Nacala Corridor railway and port.

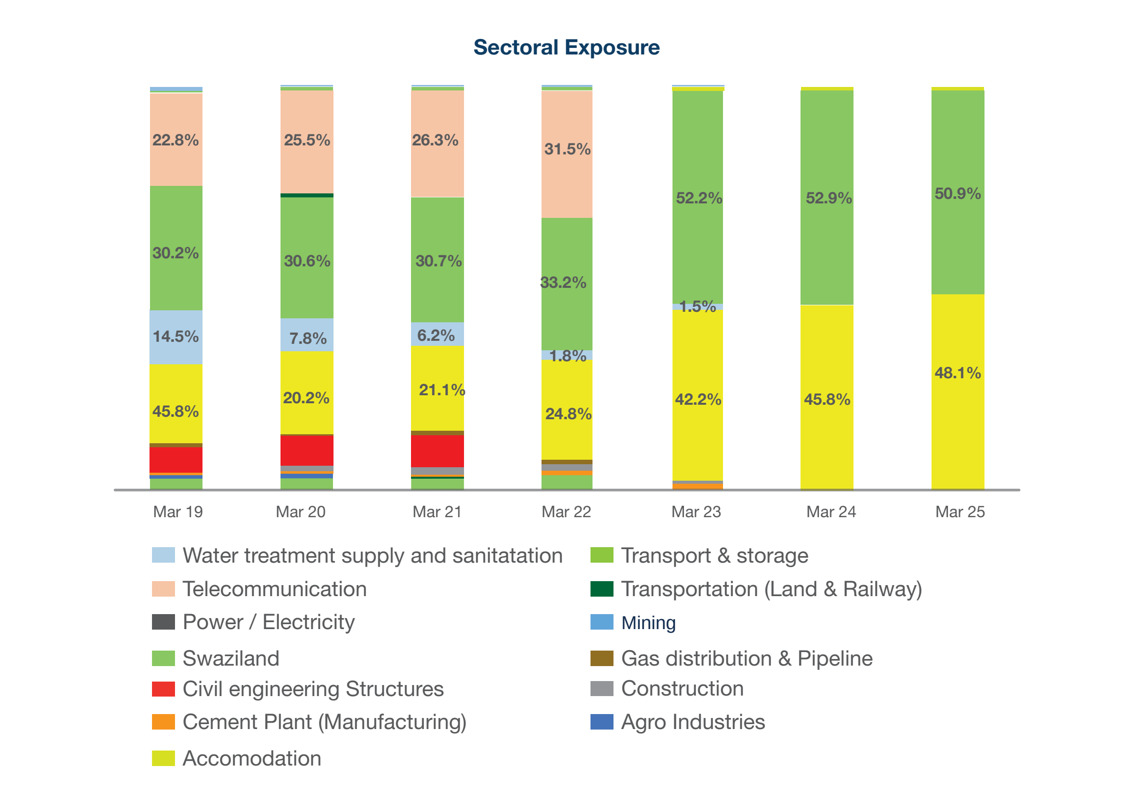


Figure 14: Sectoral Exposure

Sovereign loans

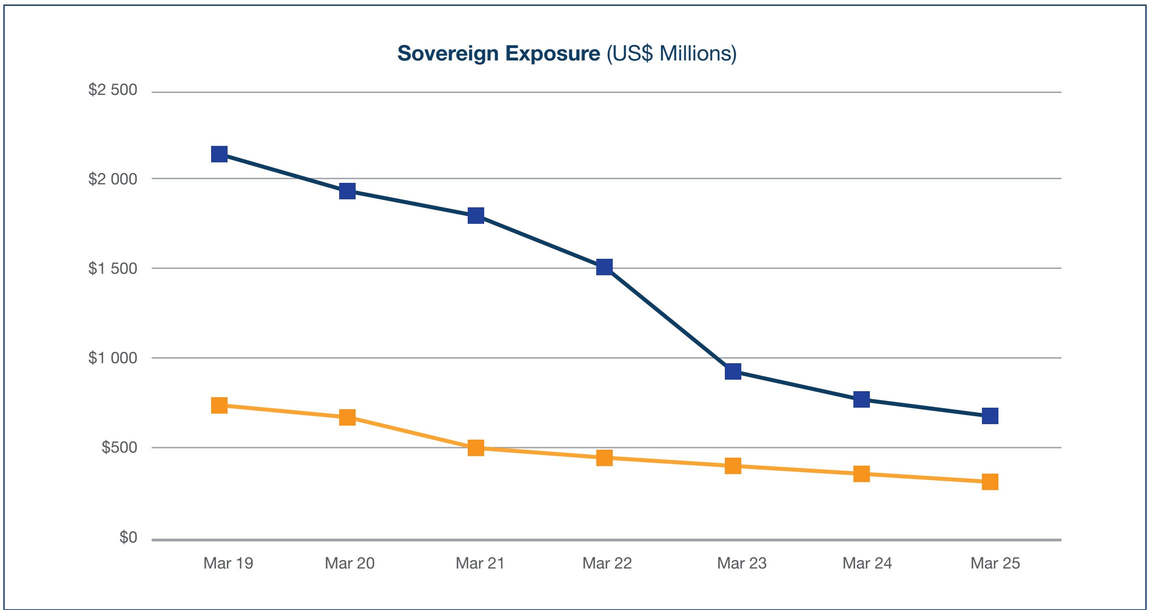


Figure 15: Sovereign Exposure

The largest sovereign exposure relates to Ghana, i.e., loans to fund power plant and the electrification programme.

The reduction in sovereign exposure is expiration of commitments.

- Sudan Water treatment plant – ECIC paid a claim of US$23,6m in March 2020. Discussions with Government of Khartoum, off-taker, and the insured borrower is continuing very slowly;
- Zimbabwe loan relates to the rehabilitation of toll roads.

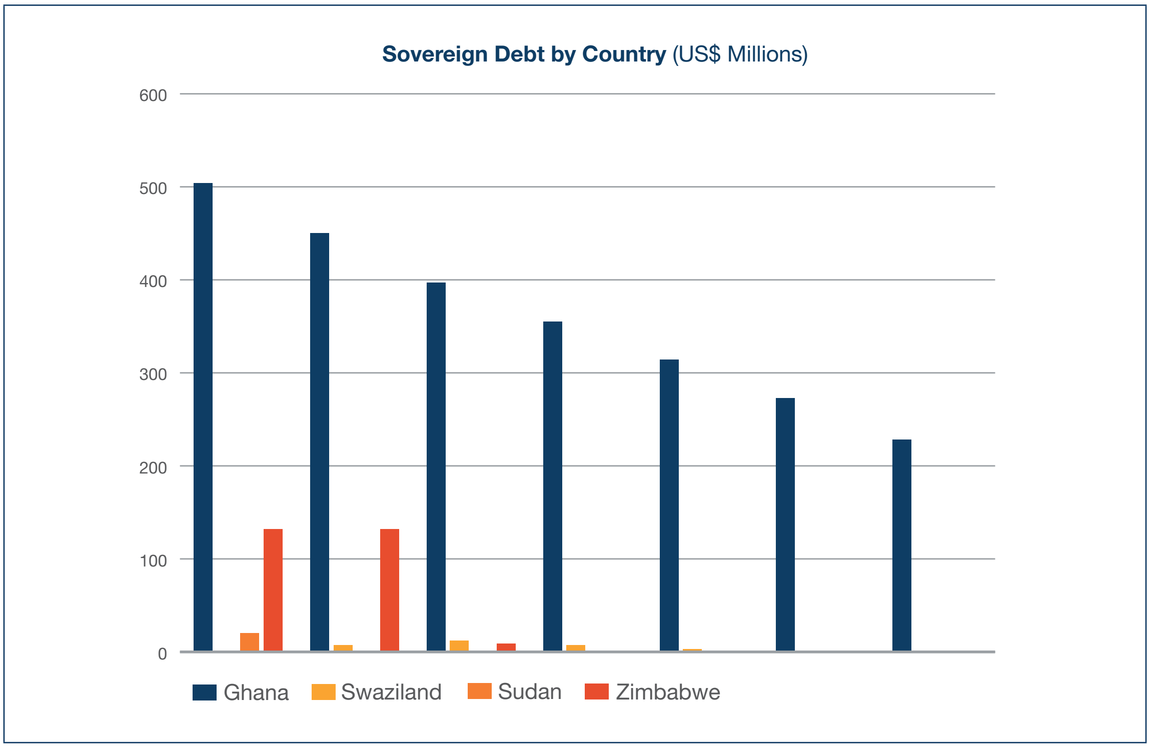


Figure 16: Sovereign Debt by Country

Exposure as at June 2020 is presented to demonstrate the impact of pipeline projects. As at 30 June 2020, the following offers of cover had been approved.

- Eritrea – loan associated with potash mine;
- Mozambique – Investment in Powerplant, LNG Area1 debt, Sovereign debt for Energy project, and debt to deliver trucks and trailers;
- Zimbabwe – Zimborder loan and Investment, Investment into tele-communication infrastructure;
- Tanzania – debt to deliver trucks and trailers.

Any approvals subsequently have been excluded.

MANAGEMENT OF FINANCIAL CAPITAL

Capital manage 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 extend 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 three-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 • 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

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.

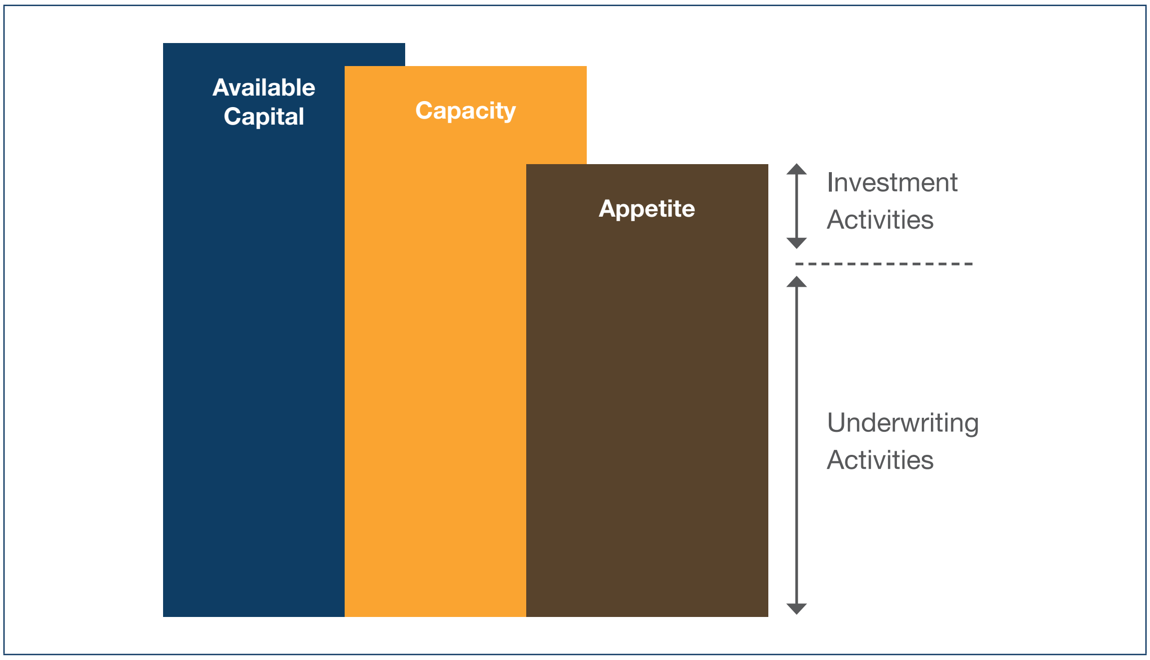


Figure 17: Illustration of risk capacity and appetite

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.

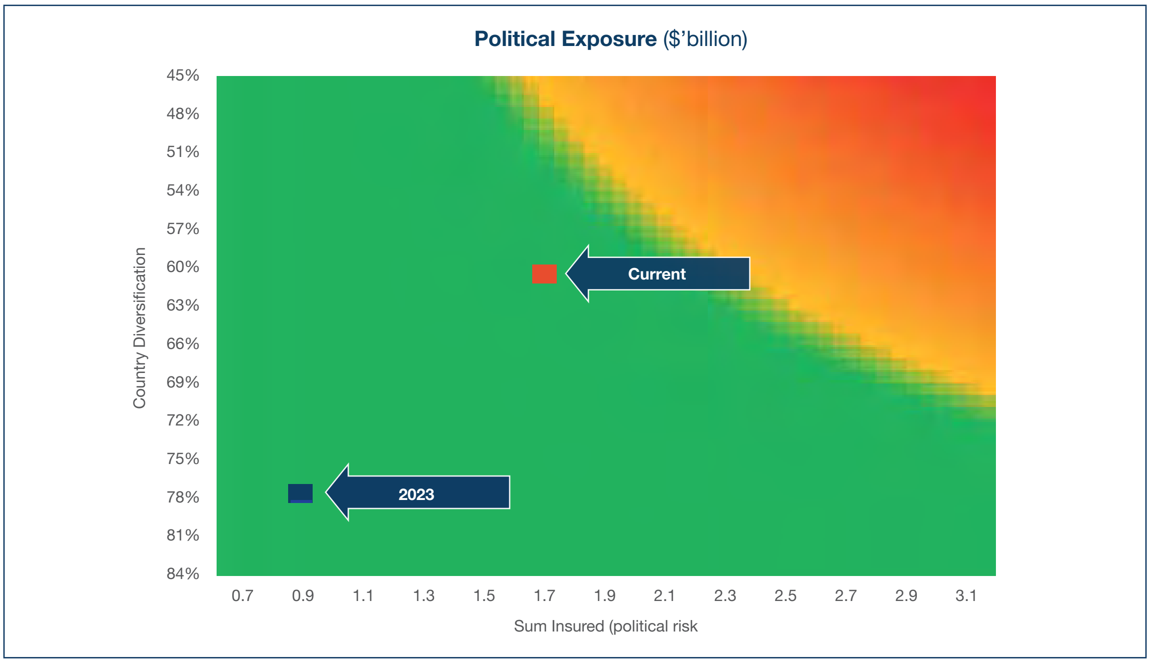


Figure 18: Political Exposure

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 underwriting and investment activities has a risk preference of 60%-80% and 20%-40%, respectively.

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

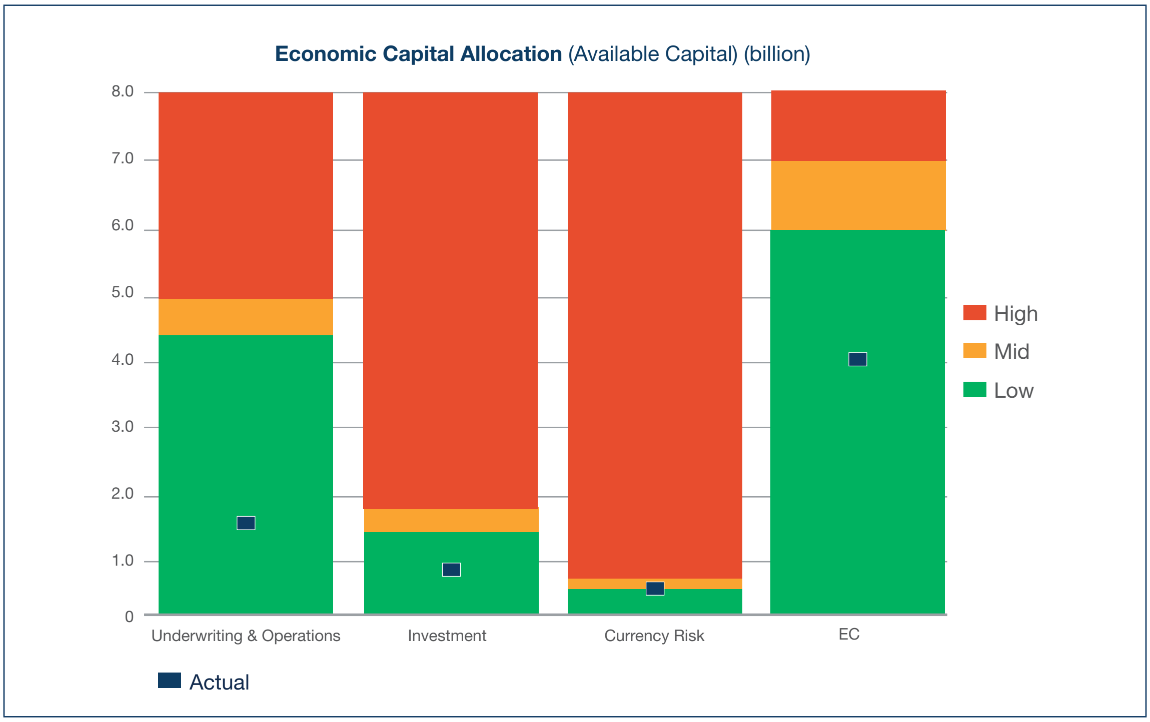


Figure 19: Economic Capital Allocation

Projected solvency

The chart below shows the projection of the regulatory Solvency Capital Requirement (SCR) and Economic Capital (EC) cover ratios over the 2021-2024 planning period. The significant improvement by March 2022 is due to the expiry of a contract with a large underwritten exposure. The red, amber and green levels reflect the Board appetite thresholds.

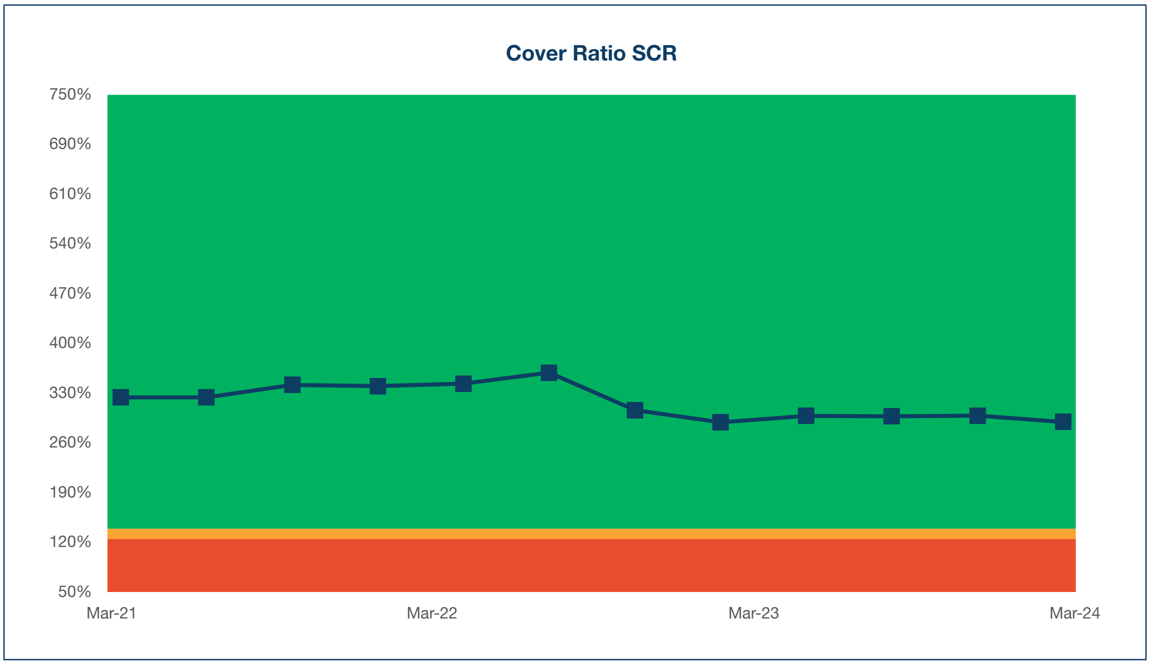


Figure 20: Projected Solvency Cover Ratio (SCR)

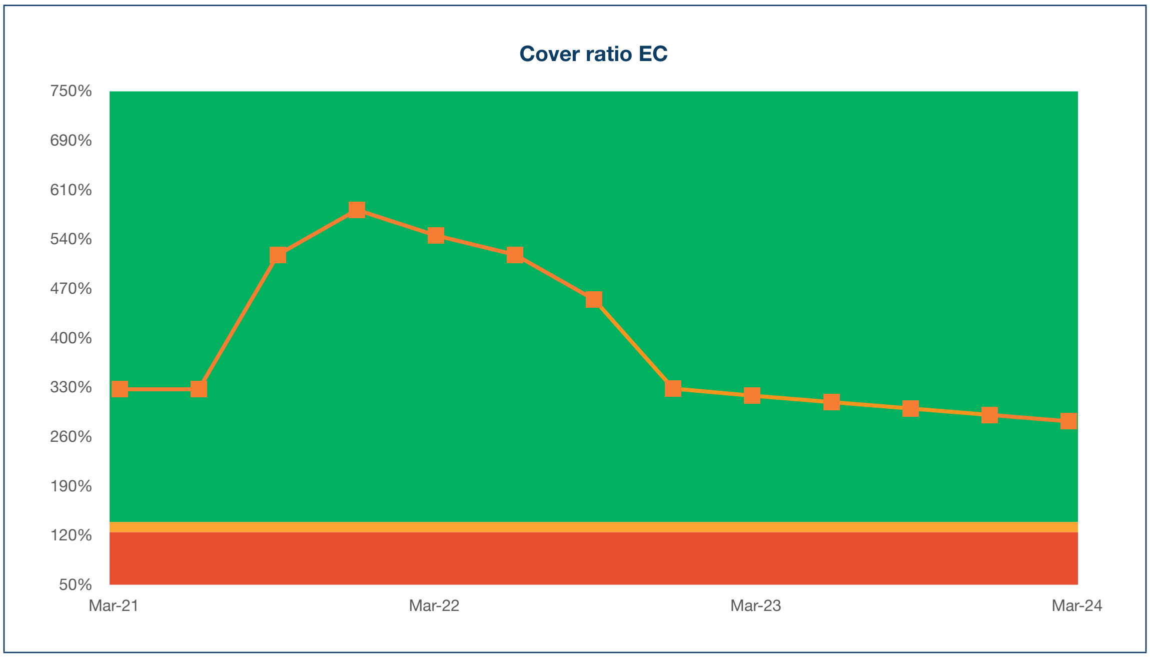


Figure 21: Projected Solvency Cover Ratio (EC)

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.

Paladin (Africa) Ltd, Malawi, Construction

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 which are drawing during the 2020/2021 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 (SA & African)	SA Content Required %	% Cumulative SA content achieved	Comments
Kanu Equipment Limited	22 March 2019	20 September 2019	Botswana & Tanzania	Transportation	Bell Equipment Company SA (Pty) Limited	$ 4.4 mil	$ 4.4 mil	$2.8 mil	70%	84%	The project finished drawing. We await Final Audit Certificate
WBHO and AG Thomas Joint Venture	05 April 2019	Earlier of (1) date on which Available Commitment reduced to zero or (2) 24 months from Effective date	Kingdom of Eswatini	Construction	Ministry of Public Works and Transport of Eswatini	ZAR 200 mil	ZAR 200 mil	ZAR 212,6 mil	70%	106.3%	SA Content Requirement achieved.
SNEL-Blue Energy SA	25 October 2019	30 November 2021	DRC	Electric power generation, transmission and distribution	Connect Africa Technologies Proprietary Limited, SÁ	US$ 27.5 mil	US$ 11,6 mil	US$ 7.4 mil	70%	26,85%	The project is in the delivery phase.
Lake Trans	03 August 2020	03 September 2020	Mozambique & Tanzania	Transportation and storage	GRW Engineering (Pty) Limited,	US$ 2,2 mil	US$ 2,2 mil	US$ 2,0 mil	70%	89,3%	SA Content Requirement achieved.
Electricade de Moçambique (EDM)	26 October 2020	28 December 2023	Mozambique	Power	Painhas S.A.	US$ 70 mil	US$ 22,1 mil		70%		The project is in the delivery phase. EPC Contractor finalizing SA Content documentation in respect of first drawdown.
Zimborders	26 November 2020	31 May 2023	Zimbabwe	Construction	Raubex (Pty) Ltd	US$ 129 mil	US$ 42,3 mil	US$ 1,6 mil	70%	1,26%	The project is in the delivery phase.

Key Content Achieved Content not Achieved.

OUTLOOK

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.

The strategic planning process for the 2021/22 financial year identified the need for the strategic objectives to concentrate on outcomes rather than the implementation of annual plans. As such, the following Key Performance Indicators have been introduced from 1 April 2021:

- Retention of staff percentage;
- Staff efficiency ratio;
- Economic Capital (EC) ratio;
- Regulatory Solvency Capital Requirement (SCR) ratio;
- Claims Loss ratio;
- Employee Engagement score;
- Corporate Reputation Index Performance (CRIP) score.

The Corporation will look to address the challenges faced in implementing the ECIC strategy by engaging governmental and regulatory stakeholders, and existing and potential customers with regard to:

- Short-term reinsurance of private South African insurance companies involved in the export value chain;
- ECIC cover of non-South African financiers to expand the funding availability for South African exporters;
- Continuous enhancement of strategy to take advantage of AfCFTA;
- Provide information on ECIC processes such as;
  - Trade facilitation;
  - Underwriting processes;
  - Capital allocation and modelling;
  - Investment processes;
  - Own Risk and Solvency Assessments.
- Gain an understanding of ESG/green economy considerations and future productsGain an understanding of ESG/green economy considerations and future products

The Board anticipates approving the new office premises for occupation from 1 October 2021. The move is anticipated to enhance engagements with new and potential customers and provide a location that will greatly improve our brand awareness.

LIST OF TABLES AND FIGURES

TABLES

FIGURES

ANNUAL FINANCIAL STATEMENTS 2021

ESTABLISHED IN 2001

ECIC

EXPORT CREDIT INSURANCE CORPORATION OF SOUTH AFRICA SOC LTD

YOUR EXPORT RISK PARTNER

YOUR EXPORT RISK PARTNER

Export Credit Insurance Corporation of South Africa SOC Ltd

Financial statements
for the year ended 31 March 2021

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) V Matsiliza (Independent non-executive director) S O'Mahony (Independent non-executive director) S Mayekiso (Independent non-executive director) L Mothae (Independent non-executive director) D Subbiah (Independent non-executive director) L Mataboge (Non-independent non-executive director) K Kutoane (Chief Executive Officer)
Business address	349 Witch Hazel Avenue Eco Park Origins Building C7 & C8 Centurion 0063
Bankers	First National Bank
Auditors	SizweNtsalubaGobodo Grant Thornton Inc. Chartered Accountants (S.A.) Registered Auditors
Company Secretary	C Kgoale
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 2021. 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 as it relates to financial reporting 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 effective from 01 October 2020. The committee approved the risk-based internal audit plan for the 2021 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 chairperson 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, as when the need arose, the committee met with the external and internal auditors without management present. The committee considers internal audit to be effectively functional 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) so that internal governance processes within the firm support and demonstrate its claim to independence.

To assess the effectiveness of the external auditor, the committee considered the external auditors' fulfilment of the agreed audit plan and variations from the plan, as well as the robustness and perceptiveness of the external auditors in their handling of key accounting treatments and disclosures. The committee, in consultation with Executive Management, agreed to the engagement letter, terms, audit plan, and budgeted audit fees for the 2021 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 2022 financial year.

The committee has met with the external auditors to ensure there were 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 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 2021 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

Based on the information and explanations provided by management as well as the results of audits performed by the internal and external auditors, the committee is of the opinion 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 2021. 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;
- 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 and recommended to the Board for approval the Combined Assurance Plan in line with King IV to implement the 3 lines of defence. King IV expands on the King III's combined assurance model to incorporate all assurance providers to enable an effective control environment to strengthen decision making.

It is the committee's responsibility to evaluate the adequacy of assurance provided and to increase or decrease the level of assurance to satisfy them that risks are managed appropriately.

Conclusion

Based on 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 2021, 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 2021.

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, and 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 2021. 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.
- Any losses recovered or written off: no material losses were recovered or written off other than in the ordinary course of business.

The directors have a reasonable expectation 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 2021 that appear on pages 14 to 73 were approved by the Board of Directors on 30 July 2021 and are signed on its behalf by:

D Dharmalingam
Chairperson

30 July 2021

K Kutoane
Chief Executive Officer

30 July 2021

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.

Charles Kgoale

C Kgoale

Company Secretary

30 July 2021

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 Prudential Authority (PA). The Corporation's main business is to promote trade with countries outside the Republic by providing for insurance on behalf of the Government of South Africa of contracts relating to export transactions, investments and loans or similar facilities connected with 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. During the 2021 financial year, the term for the National Treasury representative expired, as at 31 March 2021 there was still no replacement. There were no appointments made during the year.

Executive management

During the 2021 financial year, there were no resignations and appointments.

Financial results

The financial results of the Corporation are fully disclosed on pages 14 to 73.

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 will be applicable in the 2022 financial year.

Changes in accounting policies

The accounting policies applied during the year ended 31 March 2021 are in all material respects consistent with those applied in the annual financial statements for the year ended 31 March 2020, as no changes in accounting policies were effected in this financial year.

Events after the reporting period

For one of the projects affected by COVID-19 as disclosed in note 14; historically it experienced challenges in respect of poor quality and quantity of the reserves, which were exacerbated by COVID-19, which resulted in low demand for the product and unsustainable low market price. Post year-end, the Corporation entered into discussions to restructure the debt (include purchasing the debt for a reduced amount), which will result in ECIC paying a claim in the next financial year in the range of between $48.2 million and $50.8 million (R715.1 million and R753.7 million as at 31 March 2021). At reporting date, a claims reserve has not been raised as there was no default event.

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.

Directors' Report

Audit Committee information

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

	28 April 2020	22 July 2020	04 September 2020	23 September 2020	22 October 2020	21 January 2021	17 March 2021
Members							
L Mothae (Chairperson)	X	X	*	X	X	X	X
V Matsiliza	X	X	X	X	X	X	X
S O'Mahony	X	X	X	X	X	X	-
S Mayekiso	X	X	X	X	X	X	X
Invitees							
S Khan (dtic shareholder representative)	-	-	-	-	X	X	-

Legends:

X > in attendance

- > apology

** > absent (meeting invite sent to the incorrect email address)*

Litigation

Post year-end the Corporation received a court summons pertaining to the insurance claims that were rejected by the Corporation. The Corporation will be 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 66 to 69.

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 2021 financial year on the high-level corporate strategic objectives, and indicates the degree to which the Corporation met or exceeded its strategic objectives for the year under review.

Directors' Report

Performance against pre-determined objectives

Output	Performance Measure/Indicator	2020-21 Annual Target	Actual Achievement
IMPROVE KNOWLEDGE AND SKILLS			
Implementation of the annual training plans	% of annual training plan implemented	80 – 100% implementation of training plan for 2020/21	Target achieved. 93% implemented.
BUILD AND LEVERAGE STRATEGIC PARTNERSHIPS			
Strategic partnerships plans implemented	Percentage (%) collaboration initiatives implementation as per the annual strategic partnership implementation plan	80 – 100% implementation of strategic partnership plan	Target achieved. 100% implemented.
ADVANCE TRANSFORMATION			
Transformation strategy implemented	B-BBEE score	Achieve a level 2 B-BBEE score	Target achieved. Level 2 B-BBEE score.
IMPROVE BUSINESS PROCESSES AND SYSTEMS			
Track cost to income ratio on a periodic basis	Cost to income ratio calculated as current operating costs (excluding investment and socio-economic development related costs) as a ratio of 3-year average income (earned premium, assessment fees and commission received less change in concentration risk reserve)	Cost to income ratio not exceeding 32%*	Target achieved. Cost to income ratio of 20%.
Business processes improvement plan implemented	% of Business processes improvement plan implemented	80 – 100% of business process improvement plan implemented	Target achieved. 100% implemented.
CONTRIBUTE TO TRADE FACILITATION			
Improve business development initiatives to grow the business	Value of approved transactions	USD 500m – USD600m	Target achieved. Projects approved: 1. Total MozLNG Project in Mozambique USD800 million 2. Lake Trans Tanzania and Mozambique USD2 million 3. Dark Fibre Africa in Zimbabwe USD3 million 4. Amandi Ghana €64,4 million
Research and identify new opportunities	Number of research reports to identify new opportunities	3 research projects to identify new opportunities	Target achieved. Research reports presented: 1. AfCFTA – Trade and investment opportunities for SA 2. Renewable energy in Africa 3. Trade and investment opportunities in transport infrastructure
IMPROVE COMMUNICATION			
Improve communication	Percentage implementation of marketing and communications plan	Implement 80- 100% of 2020/21 marketing and communications plan	Target achieved. 98% implemented.
INCREASE CAPITAL BASE			
Increase in capital base (excluding foreign exchange movements and related tax)	Percentage (%) increase in equity	5 – 10% in equity	Target achieved. 17% increase in equity*
IMPROVE STAKEHOLDER SATISFACTION			
Improved stakeholder satisfaction	Percentage (%) implementation of the annual stakeholder engagement plan	Implement 80 – 100% of annual stakeholder engagement plan	Target achieved. 88% implemented.
Improved customer satisfaction	Percentage (%) implementation of the annual customer engagement plan	Implement 80 – 100% of annual customer engagement plan	Target achieved. 100% implemented.
Improved stakeholder and customer satisfaction	Percentage (%) implementation of the annual employee engagement plan	Implement 80 – 100% of annual employee engagement plan	Target achieved. 88% implemented.

**The performance of this target is based on the South African Functional Currency financial statements disclosed in Note 40 on pages 72-73 of the Annual Financial Statements.*

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 71, which comprise the statement of financial position as at 31 March 2021, 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 2021, 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 this auditor's 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, as well as 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 2021.

Objective	Pages in the annual performance report
Objective 1 – Percentage increase in basic own funds	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 my 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 thereon.
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, nor our findings on the reported performance information or compliance with legislation.

25. We were engaged to perform the following audit-related services:

    Quantitative Reporting Template in compliance with the Insurance Act, 2017 (the Act) for the year ended 31 March 2021.

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 three years.

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

30 July 2021

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, as well as the practicality 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 me 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)	2021 R'000	2020 R'000
Assets			
Intangible assets	6	1 117	2 606
Property and equipment	7	6 262	14 988
Deferred tax	8	-	22 407
Financial assets at fair value	9	4 303 165	8 271 983
Reinsurance contract assets	10	10 700	-
Trade and other receivables	11	1 798 269	2 140 689
Cash and cash equivalents	12	4 084 701	331 400
Total assets		**10 204 214**	**10 784 073**
Equity and liabilities			
Equity			
Share capital and share premium	13	316 051	316 051
Foreign currency translation reserve		2 484 487	3 724 172
Fair value adjustment through other comprehensive income reserve		(29 947)	(57 414)
Retained earnings		3 734 147	2 066 808
Total equity		**6 504 738**	**6 049 617**
Liabilities			
Insurance contract liabilities		2 808 756	3 249 088
Provision for unearned premiums	14.1	2 428 106	2 744 083
Provision for unexpired risks	14.2	380 650	505 005
Provision for claims reserves	14.3	-	-
Reinsurance deferred acquisition cost		1 648	-
Deferred tax	8	3 838	-
Employee benefit liability	15	4 554	3 764
Trade and other payables	16	110 087	280 286
Lease liability	17	3 396	9 169
Liability for interest make-up	18	749 801	1 181 056
Current tax payable	29	17 396	11 093
Total liabilities		**3 699 476**	**4 734 456**
Total equity and liabilities		**10 204 214**	**10 784 073**

Statement of Comprehensive Income

	Note(s)	2021 R'000	2020 R'000
Insurance premium revenue	20	701 331	213 930
Net change in unearned premiums		(134 655)	452 668
Gross change in unearned premiums	14.1	(132 902)	452 668
Change in reinsurance unearned premiums	10	(1 753)	-
Change in unexpired risks	14.2	44 777	(143 308)
Net insurance premium revenue		**611 453**	**523 290**
Assessment fees		271	232
Reinsurance commissions received		347	-
Net investment income	21	822 981	122 549
IMU grant receipts		162 710	233 511
Other income		190	114
Net income		**1 597 952**	**879 696**
Claims incurred		**69 331**	**76 875**
Insurance benefits and claims		69 331	(259 647)
Claims paid	14.3	-	(373 787)
Salvages income		69 331	114 140
Change in claims reserves	14.3	-	336 522
Commission paid to intermediaries		(193)	(161)
Operating expenses	23	(149 224)	(169 016)
Interest expense	24	(476)	(390)
Profit/(Loss) on exchange differences	25	408 754	(347 899)
Expense for interest make-up	18	(64 375)	34 704
SED & ESD contributions	26	(25 998)	(39 653)
Profit before taxation		**1 835 771**	**434 156**
Taxation	27	(168 432)	(419 811)
Profit for the year		**1 667 339**	**14 345**
Other comprehensive income:			
Items that may be reclassified to profit or (loss):			
Currency translation differences	22	(1 239 685)	1 118 902
Fair value adjustments of financial assets		35 395	(125 299)
Deferred tax on fair value of financial assets		(7 928)	28 067
Total items that may be reclassified to profit or (loss)		**(1 212 218)**	**1 021 670**
Other comprehensive (loss)/income for the year net of taxation		**(1 212 218)**	**1 021 670**
Total comprehensive profit for the year		**455 121**	**1 036 015**

Statement of Changes in Equity

	Share capital and share premium R'000	Foreign currency translation reserve R'000	Fair value adjustment through other comprehensive 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, 2019	**316 051**	**2 605 270**	**39 818**	**2 645 088**	**2 052 463**	**5 013 602**
Profit for the year	-	-	-	-	14 345	14 345
Effects of translation to presentation currency	-	1 118 902	-	1 118 902	-	1 118 902
Fair value adjustment net of taxation	-	-	(97 232)	(97 232)	-	(97 232)
Total comprehensive income for the year	**-**	**1 118 902**	**(97 232)**	**1 021 670**	**14 345**	**1 036 015**
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 March 31, 2021	**316 051**	**2 484 487**	**(29 947)**	**2 454 540**	**3 734 147**	**6 504 738**
Note(s)	13					

Statement of Cash Flows

	Note(s)	2021 R'000	2020 R'000
Cash flows from operating activities			
Cash generated from underwriting activities	28	402 315	(46 060)
Interest received		162 125	237 150
IMU grant receipts		162 710	233 511
Dividends received		49 707	61 264
IMU claims paid		(322 185)	(284 427)
Interest paid		(476)	(390)
Taxation paid	29	(143 812)	(428 109)
Net cash inflow/(outflow) from operating activities		**310 384**	**(227 061)**
Cash flows from investing activities			
Acquisition of equipment	7	(1 046)	(140)
Sale of equipment		-	35
Acquisition of intangible assets	6	-	(100)
Net sale of financial assets		3 570 891	204 800
Net cash inflow from investing activities		**3 569 845**	**204 595**
Cash flows from financing activities			
Lease payments		(5 773)	(2 585)
Increase in cash and cash equivalents		**3 874 456**	**(25 051)**
Cash and cash equivalents at the beginning of the year		331 400	351 114
Effect of translation on cash and cash equivalents		(151 303)	36 109
Unrealised foreign exchange gain/(loss) on cash and cash equivalents		30 148	(30 772)
Total cash and cash equivalents at end of the year	12	**4 084 701**	**331 400**

Accounting Policies

1. Presentation of Financial Statements

1.1 General Information

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

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

The Corporation provides risk mitigation solutions for South African exporters who offer 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 ECIC mandate is to facilitate cross-border investments and export trade between South Africa and the rest of the world. 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: The amendments to IFRS 9, IAS 39 and IFRS 7.

Amend requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting.

- The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform.
- In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The impact is assessed to be immaterial at ECIC as the company does not apply hedge accounting.

(ii) IAS 1, Presentation of Financial Statements. Amendment to the Definition of Material.

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The impact is immaterial. ECIC financial statements are prepared taking into consideration materiality of the information to be presented to the primary users of the Corporation's annual financial statements.

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

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The impact is immaterial. ECIC financial statements are prepared taking into consideration materiality of the information to be presented to the primary users of the Corporation's annual financial statements.

(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.

Accounting Policies

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

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

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

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

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

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

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

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.

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 Corporation will in future periods estimate the impact of IFRS 17 on its financial statements.

(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.

Accounting Policies

(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) Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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 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 amendments are effective for annual periods beginning on or after 1 January 2021, ECIC will apply the amendments from the effective date. The impact is not yet known.

(vii) 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.

(viii) IFRS 16, Leases. The following amendments were made.

- COVID-19-Related Rent Concessions.

Amendment providing lessees with an exemption from assessing whether a COVID-19-related rent concession (a rent concession that reduces lease payments due on or before 30 June 2021) is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

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

- ‘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.

ECIC will apply the amendments from the effective date and the amendments are 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. A detailed assessment of the impact has not been made by ECIC, therefore the impact is not yet known.

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

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

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

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

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

Accounting Policies

Financial asset	2021 Fair value balance (R'000)	2021 Fair value adjustments (R'000)	2020 Fair value balance (R'000)	2020 Fair value adjustments (R'000)
Financial assets at fair value	4 303 165	255 224	8 271 983	(445 892)
Trade and other receivables	1 798 269	-	2 140 689	-
Cash and cash equivalents	4 084 701	-	331 400	-
Total	**10 186 135**	**255 224**	**10 744 072**	**(445 892)**

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 2021, the Corporation was solvent with total assets exceeding total liabilities by R6.5 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 decreasing 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 30 July 2021.

1.4 Critical accounting judgements, estimates and assumptions

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

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

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

1.5 Recognition and measurement of insurance contracts

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

1.5.1 Gross written premiums

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

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

1.5.2 Unearned premium provision

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

1.5.3 Unexpired risk provision

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

1.5.4 Claims incurred

Claims incurred represents:

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

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

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

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

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

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

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

1.5.5 Salvages

An asset for salvages receivable is recognised once recovery is probable. The assets are 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 term of the Prudential Standard of Financial Soundness of Insurers, the Corporation is required to maintain sufficient capital to compensate for the different aspects of risk ranging from insurance risk to operational risk, as well as market risk and credit risk.

1.5.8 Insurance ceded to reinsurance counterparties

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

Reinsurance assets relating to outstanding claims

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

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

Reinsurance recoveries on claims paid

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

Commission/acquisition cost received from re-insurer

Commission received from the re-insurer on buying reinsurance are 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 dates 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 is 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. Non- monetary items are all other assets and liabilities where there is an absence of a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency.

Translation from functional to presentation currency

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

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

The resulting exchange differences are recognised in other comprehensive income and accumulated separately in a foreign currency translation reserve, which is a separate component of equity. 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.

Accounting Policies

1.7 Property, equipment and intangible assets

1.7.1 Property and equipment

Equipment is measured at historical cost less accumulated depreciation and impairment losses. 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 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	R1 000

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

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

The gain or loss arising from the derecognition of an item of equipment is included in the statement of comprehensive income when the item is derecognised. The gain or loss arising from the derecognition of an item of equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The proceeds received for indemnity payments on loss or damage of equipment are recognised in the statement of comprehensive income as other income when they are received.

1.7.2 Intangible assets

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 Leases

Identification of the lease

For any new contracts entered into, the Corporation considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration’.

To apply this definition, the Corporation assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation;
- The Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Corporation has the right to direct the use of the identified asset throughout the period of use. The Corporation assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

a) Initial measurement of the right of use asset and lease liability

At lease commencement date, the Corporation recognises a right of use asset and a lease liability on the statement of financial position.

The lease liability is measured at the present value of the lease payments unpaid at that date, discounted using the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments.

b) Subsequent measurement of the right of use asset and lease liability

Subsequent to initial measurement, the liability will be reduced for payments made and increased for finance costs. The lease liability is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. The finance cost is recognised in the statement of comprehensive income.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or the statement of comprehensive income if the right-of-use asset is already reduced to zero.

Contracts which are exempt from IFRS 16 (those leases that have a lease term of 12 months or less and do not contain a purchase option and leases of assets that are considered to be of low value).

Leases of low value assets include small items and assets of a low value of less than R7 000.

For the short-term leases and leases of low value assets, lease payments on lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such a maintenance and insurance, are expensed as incurred.

1.9 Financial assets and liabilities

The Corporation recognises a financial asset or financial liability on its statement of financial position only when it becomes a party to the contractual provisions of the instruments.

Accounting Policies

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.

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. Dividends and interest accrued from financial assets designated at fair-value through profit or loss are recognised in the statement of comprehensive income as part of investment income.

Interest on financial assets is accounted for using the effective interest method.

1.9.5 Derecognition

Financial assets are derecognised when the Corporation loses control over the contractual rights that comprise the asset and consequently transfers the substantive risks and benefits associated with the asset. This occurs when the rights are realised, expire, or are surrendered.

A financial liability is derecognised when it is settled or waived.

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.

Accounting Policies

1.11 Impairment

Financial assets

Financial assets other than those carried at fair-value through profit and loss, are assessed for evidence of impairment at each reporting date. If any such evidence exists, the carrying value is reduced to the estimated recoverable amount by means of a charge to the statement of comprehensive income. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. The impairment is recognised through an allowance account.

For other financial assets such as trade receivables, the Corporation considers notified disputes and collection experience to determine which receivables are impaired.

If, in a subsequent period, the amount of the impairment loss relating to a financial asset carried at amortised cost or a debt instrument carried as available-for-sale decreases due to an event occurring after the impairment was originally recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income. Impairments relating to financial assets in available-for-sale equity instruments are not reversed through the statement of comprehensive income.

Non-financial assets

The carrying amount of the Corporation's non-financial assets, other than deferred tax assets, is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair-value, less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The amount of the reversal is recognised through the statement of comprehensive income.

1.12 Provisions

A provision is recognised in the statement of financial position when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

A provision is measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date.

1.13 Components of equity

Share capital and share premium

Shares are classified as equity when there is no obligation to transfer cash or other assets. All issued ordinary shares and share premium are classified as equity.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds.

Foreign currency translation reserve

The reserve comprises foreign currency translation differences arising from the translation of the financial statements from functional currency to presentation currency.

Fair-value adjustments through other comprehensive income

The reserve comprises of fair-value movements from revaluing financial assets available for sale net off the related deferred tax.

Retained earnings

Retained earnings includes all current and prior periods' retained profits.

1.14 Taxation

Tax expenses

Taxation for the year on the statement of comprehensive income comprises of current tax, deferred tax and withholding tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity in which case the related taxation is also recognised in equity.

Taxable income used to calculate the tax expense is based on ZAR functional currency (See note 40).

Current tax assets and liabilities

Current tax is calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the reporting date, and any adjustment of tax payable for previous years. Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Interest received on excess tax payments made is recognised as other income in the statement of comprehensive income in the period when it is accrued from the South African Revenue Services as per the Statement of Account.

Deferred tax assets and liabilities

Deferred tax is recognised in full, using the balance sheet method, providing for temporary differences, except when the deferred tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates enacted or substantively enacted at the reporting date. Deferred tax is charged to the statement of comprehensive income except to the extent that it relates to a transaction that is recognised directly in equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised.

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. Provision is made for the estimated liability of this leave as a result of services rendered by employees up to the reporting date.

Accounting Policies

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. 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 Cash Flow Statement).

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.

SED & ESD contributions are recognised as an expense when paid to the beneficiary.

1.19 Commission paid

Commission paid is charged by intermediaries on salvages actually received. Commission paid is recognised as an expense in the statement of comprehensive income on receipt of salvages during the period.

1.20 Other operating expenses

Other operating expenses are recognised in the statement of comprehensive income when they are actually incurred.

Operating expenses are aggregated on presentation in the statement of comprehensive income. Material operating expenditure line items are disclosed in the notes separately.

1.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is accounted for according to the nature of the expense. When confirmed, fruitless and wasteful expenditure is disclosed separately in the notes to the financial statements. The amount to be recorded in the note is equal to the value of the fruitless and wasteful expenditure incurred.

Measures are implemented to ensure that such expenditure does not re-occur and where possible the expenditure is recovered. Expenditure to be recovered is transferred to receivables for recovery. A receivable related to fruitless and wasteful expenditure is measured at the amount that is expected to be recovered and is derecognised 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

Accounting Policies

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 derecognised 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.

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 by way of expense, salary or other allowances;
- 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).

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; or
- 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.

(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.

Notes to the Financial Statements

(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.

(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.

Notes to the Financial Statements

(g) Lease liability

The incremental borrowing rate used to value lease contracts are derived from observed market prices for a proxy entity that has issued a debt security.

ECIC is a government-owned entity with an implicit government guarantee, but if it were to borrow it would be at a spread above the risk-free rate. The Development Bank of South Africa SOC Ltd is used as a proxy to determine the required spread, because it is a development finance institute wholly owned by the government of South Africa and it has issued a debt security with a modified duration close to the lease agreements of ECIC.

The weighted average duration of each lease contract is matched at the related term of the government risk free rates published by the reserve bank at commencement date of each contract. The spread, as at the commencement date of each contract, on a DBSA issued debt security is added to the risk free rate. The spread is determined using the DBSA issued debt security that matches the weighted average duration of the lease contract.

The assumptions made on determining the lease term have been disclosed in note 17.

3. Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below:

3.1 Nature of risk covered

The principal objective of the Corporation is to facilitate and encourage South African export trade by underwriting loans issued by financial institutions and financial assets outside the country, in order to enable foreign buyers to purchase 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.

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.

Notes to the Financial Statements

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.

4.1 Concentrations of insurance risk

The total country exposure (Sum insured) of the insurance portfolios is as follows:

	2021		2020	
	R'000	Country rating	R000	Country rating
Ghana	6 760 661	4	9 904 490	4
Iran	6 676 605	5	8 091 990	5
Mozambique	5 045 139	5	5 996 009	5
Zimbabwe	3 172 022	7	2 871 173	7
Malawi	2 079 827	5	2 567 401	5
Lesotho	996 218	5	1 245 232	5
Liberia	573 743	6	932 737	6
Uganda	372 589	6	439 446	6
Zambia	-	-	411 283	5
Ethiopia	180 268	6	218 484	6
Tanzania	167 244	5	189 187	5
Swaziland	191 102	5	130 297	5
Democratic Republic of Congo	172 481	6	123 550	6
Mauritius	65 598	3	79 505	3
Republic of Congo	49 527	6	60 026	6
Cote d' Ivoire	37 965	5	46 013	5
	26 540 989		**33 306 823**	

Notes to the Financial Statements

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 ratings 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 circumstance 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.

The total exposure (Sum insured) of the insurance portfolio per sector and product type is as follows:

	2021 R’000	2020 R000
Exposure per sector		
Accomodation & Catering	944 210	1 071 706
Agro-Industries	-	385 223
Cement Plant / Manufacture of Cement	180 268	218 484
Construction	3 622 771	2 820 309
Gas Distribution (Pipeline Transport)	270 000	270 000
Infrastructure	5 363 415	6 720 517
Mining	1 569 961	2 589 252
Power (electricity)	7 188 103	10 188 692
Rail Transport	-	110 626
Transport & Storage (Air Transport & Services)	243 588	295 226
Transportation (Land Transport)	96 282	79 505
Telecommunication	7 016 026	8 478 611
Water collection, treatment & supply	46 365	78 672
	26 540 989	**33 306 823**
Exposure by product type		
Credit insurance	16 443 201	20 683 805
Investment guarantee	10 097 788	12 623 018
	26 540 989	**33 306 823**

Notes to the Financial Statements

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 no outstanding claims at year-end.

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

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:

	2021 R'000		2020 R'000	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value	4 303 165	4 303 165	8 271 983	8 271 983
Listed equities	1 231 248	1 231 248	810 381	810 381
Listed preference shares	-	-	573	573
Money market	117 339	117 339	66 558	66 558
Unlisted equities	586 158	586 158	667 520	667 520
Listed bonds	2 368 420	2 368 420	6 726 951	6 726 951
Trade and other receivables	1 798 269	1 798 269	2 101 571	2 101 571
Cash and cash equivalents	4 084 701	4 084 701	331 400	331 400
Trade and other payables	(70 047)	(70 047)	(252 897)	(252 897)
Lease liability	(3 396)	(3 396)	(9 169)	(9 169)
Liability for interest make-up	(749 801)	(749 801)	(1 181 056)	(1 181 056)
	9 362 891	**9 362 891**	**9 261 832**	**9 261 832**

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:

	2021 R'000	2020 R'000
Cash and cash equivalents	150 583	162 821
Financial assets at fair value	2 248 355	1 631 126
Trade and other receivables	17 204	23 209
Insurance contract liabilities	(7 187)	(7 384)
Lease liability	(3 396)	(9 169)
Trade and other payable	(37 203)	(60 270)
	2 368 356	**1 740 333**
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	14,8369	17,9822
Average rate	16,3617	14,7757

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
2021	**(226 745)**	**278 163**	**418 745**	**(418 745)**
2020	(118 236)	148 283	426 092	(426 092)

Notes to the Financial Statements

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.

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
2021	**(31 083)**	**29 925**	**(31 083)**	**29 925**
2020	(177 866)	176 003	(177 866)	176 003

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.

	2021 R'000	2021 R'000
Basic resources	373 117	214 079
Industrials	62 070	42 515
Consumer goods	97 445	64 560
Telecommunications	13 984	4 200
Financials	816 911	847 051
Health	37 708	26 247
Consumer services	257 862	165 029
Technology	5 686	18 233
Real estate	152 623	95 987
Note 9 (listed and unlisted equities only)	**1 817 406**	**1 477 901**

Notes to the Financial Statements

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
2021	**59 696**	**(59 696)**	**82 439**	**(82 439)**
2020	35 232	(35 232)	61 132	(61 132)

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:

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**

2020	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	1 741 790	2 265 818	4 264 375	8 271 983
Trade and other receivables	522 027	1 018 331	561 213	2 101 571
Cash and cash equivalents	331 400	-	-	331 400
	2 595 217	**3 284 149**	**4 825 588**	**10 704 954**
Financial liabilities				
Trade and other payables	252 897	-	-	252 897
Insurance contract liabilities	539 848	1 376 549	1 332 691	3 249 088
Lease liability	5 773	3 396	-	9 169
Liability for interest make-up	267 802	743 062	366 019	1 376 883
	1 066 320	**2 123 007**	**1 698 710**	**4 888 037**

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.

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**

2020	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	6 236 225	1 222 907	1 897	810 954	8 271 983
Trade and other receivables	-	-	-	2 101 571	2 101 571
Cash and cash equivalents	331 400	-	-	-	331 400
	6 567 625	**1 222 907**	**1 897**	**2 912 525**	**10 704 954**

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 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:

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

2020	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	2 095 779	5 757	424	(389)	2 101 571

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

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

2020	<30 days R'000	31- 90 R'000	91-120 R'000	Greater than 120 R'000	Total R'000
Trade and other receivables	5 468	-	-	289	5 757

5.3.4 Reconciliation of the provision for doubtful debt

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)

2020	Opening balance R'000	Additions R'000	Recovered/ reversed R'000	Write-off R'000	Closing balance R'000
Provision for doubtful debt	(455)	(373)	-	439	(389)

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 (MCR) and solvency capital requirements (SCR) throughout the year.

Notes to the Financial Statements

6. Intangible assets

	2021 Cost R'000	2021 Accumulated amortisation R'000	2021 Carrying value R'000	2020 Cost R'000	2020 Accumulated amortisation R'000	2020 Carrying value R'000
Computer software and models	5 618	(4 501)	1 117	6 809	(4 203)	2 606

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

Reconciliation of intangible assets – 2020

	Opening balance R'000	Additions R'000	Amortisation R'000	Translation effect R'000	Closing balance R'000
Computer software and models	3 420	100	(1 050)	136	2 606

Pledged as security

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

7. Property and equipment

	2021 Cost R'000	2021 Accumulated depreciation R'000	2021 Carrying value R'000	2020 Cost R'000	2020 Accumulated depreciation R'000	2020 Carrying value R'000
Owned assets						
Furniture and fittings	9 184	(8 414)	770	11 113	(9 354)	1 759
Motor vehicles	196	(196)	-	238	(238)	-
Office equipment	3 584	(2 715)	869	4 238	(2 985)	1 253
Computer equipment	5 257	(3 671)	1 586	5 353	(3 909)	1 444
	18 221	**(14 996)**	**3 225**	**20 942**	**(16 486)**	**4 456**
Leased assets						
Building	10 908	(8 174)	2 734	13 221	(3 296)	9 925
Computer equipment	569	(266)	303	689	(82)	607
	11 477	**(8 440)**	**3 037**	**13 910**	**(3 378)**	**10 532**
Total	**29 698**	**(23 436)**	**6 262**	**34 852**	**(19 864)**	**14 988**

Notes to the Financial Statements

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**

Reconciliation of property and equipment – 2020

	Opening balance R'000	Additions R'000	Adjustment on transition to IFRS 16 R'000	Depreciation R'000	Translation effect R'000	Closing balance R'000
Owned assets						
Furniture and fittings	2 934	-	-	(497)	(678)	1 759
Motor vehicles	31	-	-	-	(31)	-
Office equipment	1 412	-	-	(148)	(11)	1 253
Computer equipment	1 393	140	-	(211)	122	1 444
	5 770	**140**	**-**	**(856)**	**(598)**	**4 456**
Leased assets						
Building	-	11 189	-	(2 790)	1 526	9 925
Computer equipment	-	466	99	(66)	108	607
	-	**11 655**	**99**	**(2 856)**	**1 634**	**10 532**
	5 770	**11 795**	**99**	**(3 712)**	**1 036**	**14 988**

Pledged as security

None of the equipment is pledged as security for liabilities.

Notes to the Financial Statements

8. Deferred tax

	2021 R'000	2020 R'000
Deferred tax asset/(liability)	(3 838)	22 407
Reconciliation of deferred tax asset/(liability)		
Deferred tax through the statement of comprehensive income		
Provisions	6 891	9 548
Fair value gain on financial assets	(7 892)	34 067
Unrealised foreign exchange (gain)/loss on equities	(11 460)	(37 613)
Payment received in advance	152	160
Other (temporary differences relating to prepayments and fixed assets)	(174)	(328)
	(12 483)	**5 834**
Deferred tax through other comprehensive income		
Fair value on financial assets through other comprehensive income	8 645	16 573
	(3 838)	**22 407**

9. Financial assets at fair value

	2021 R'000	2020 R'000
Through profit or loss		
Listed equities	1 231 248	810 381
Bonds	2 368 420	6 726 951
Money market	117 339	66 558
Preference shares	-	573
	3 717 007	**7 604 463**
Available for sale		
Unlisted equities*	586 158	667 520
Total financial assets	**4 303 165**	**8 271 983**

**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.

Notes to the Financial Statements

9.2 Maturity profile of financial assets

2021	Within 1 year R'000	1 to 5 years R'000	Greater than 5 years R'000	Total 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**

2020	Within 1 year R'000	1 to 5 years R'000	Greater than 5 years R'000	Total R'000
Financial assets				
Bonds	917 714	2 212 382	3 596 855	6 726 951
Unlisted equities	-	-	667 520	667 520
Money market	13 122	53 436	-	66 558
Listed equities	810 381	-	-	810 381
Preference shares	573	-	-	573
	1 741 790	**2 265 818**	**4 264 375**	**8 271 983**

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

	2021 R'000	2020 R'000
Level 1		
Listed equities	1 231 248	810 381
Bonds	2 368 420	6 482 702
Listed preference shares	-	573
	3 599 668	**7 293 656**
Level 2		
Bonds	-	244 249
Money market	117 339	66 558
	117 339	**310 807**
	3 717 007	**7 604 463**

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.

Notes to the Financial Statements

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

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

2020	Opening balance R'000	Interest and dividends net of management fees and other costs R'000	Total loss in statement of comprehensive income R'000	Net sales R'000	Foreign exchange gain and currency translation R'000	Total R'000
Financial assets	6 817 621	248 986	(165 645)	(470 390)	1 173 891	7 604 463

The mandate for the US dollar fund managers expired during the year, as a result funds of R3 698 527 000 were transferred to the CFC account from investments.

The strong absolute performance as reflected under total gain in statement of comprehensive income is largely due to the market recovery following losses incurred during the onset of COVID-19 in the last quarter of the previous financial year.

Fair-value hierarchy of financial assets available for sale

	2021 R'000	2020 R'000
Level 3		
Unlisted equities	586 158	667 520

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:

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
Normal discount rate	563 288	(3,90)

2020	Total value R'000	Change %
Reported value	667 520	
Discount rate of 9,06% – higher by 1%	565 123	(15,34)
Discount rate of 9,06% – lower by 1%	812 898	21,78
Terminal Growth rate of 3,22% – higher by 0,5%	718 903	7,70
Terminal Growth rate of 3,22% – lower by 0,5%	624 247	(6,48)
Minority discount of 15,0% – higher by 1%	657 984	(1,43)
Minority discount of 15,0% – lower by 1%	677 056	1,43
Marketability discount of 15,0% – higher by 1%	657 984	(1,43)
Marketability discount of 15,0% – lower by 1%	677 056	1,43

Valuation process

The Income Approach was used as a primary valuation approach to determine the fair value of the instrument. The Net Asset Approach and listed price of the comparable shares were used to cross check the results of the Income Approach.

Reconciliation of financial assets available for sale

2021	Opening balance R'000	Dividend income R'000	Total profit in statement of other comprehen-sive 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

2020	Opening balance R'000	Dividend income R'000	Total loss in statement of other comprehen-sive income R'000	Dividends received R'000	Foreign exchange gain and currency translation R'000	Closing balance R'000
Financial assets	643 559	16 695	(125 299)	(16 695)	149 260	667 520

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

Subsequent to the COVID-19 shock in the last quarter of the previous financial year, growth rate projections have since improved thus resulting into higher discounted free cashflow projections. As a result, the value of the investment was adjusted upward as reflected in the table above.

10. Reinsurance contract assets

The Corporation entered into a reinsurance agreement during the year, the reinsurance contract assets relate the provision for unearned premiums for the reinsurance.

	2021 R'000	2020 R'000
Balance at beginning of year	-	-
Premium ceded to reinsurers	15 097	-
Amount transferred to the statement of comprehensive income	(1 753)	-
Foreign currency translation loss	(2 644)	-
Balance at end of year	**10 700**	**-**

Assumptions, change in assumptions and sensitivity

The methods and assumptions that have the greatest effect on the measurement of reinsurance contracts provisions are:

The reinsurance unearned premium provision reflects the risk profile of the contract and is a function of the amount at risk and the probability of default. The probability of default is dependent on the country risk rating, project risk rating and the unexpired period.

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.

2021	Assets 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

Maturity profile	Within 1 year R'000	1 to 5 years R'000	Greater than 5 years R'000	Total R'000
2021	2 802	6 964	933	10 700
2020	-	-	-	-

Notes to the Financial Statements

11. Trade and other receivables

	2021 R'000	2020 R'000
Insurance receivables		
Premium receivables	1 660 575	1 753 960
Salvages receivable	69 614	96 583
Trade receivable due from related parties	33 870	53 390
	1 764 059	**1 903 933**
Non-Insurance receivables		
Trade and other receivables due from related parties	2 726	39 448
Unsettled investment trades and accrued income	5 108	187 726
Other receivables (mainly dividends, prepayments, sundry debtors and travel cost recoveries receivables)	26 376	9 582
	34 210	**236 756**
	1 798 269	**2 140 689**

The outstanding balance is not considered to be at risk due to COVID-19 as a result no provision for doubtful debts was raised. In an event of a claim, all outstanding premiums are deducted from the claim amount.

12. Cash and cash equivalents

	2021 R'000	2020 R'000
Cash at bank and on hand	3 926 869	222 369
Short-term deposits	157 832	109 031
	4 084 701	**331 400**

The aggregate interest rate on cash at bank and on-hand at the reporting date was 0.056% (2020: 3.48%). The percentage is low because the Corporation holds significant cash in foreign currency, which does not earn interest.

Notes to the Financial Statements

13. Share capital and share premium

	2021 R'000	2020 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

	2021 R'000	2020 R'000
Balance at beginning of year	2 744 083	2 664 482
Amount transferred from/(to) the statement of comprehensive income	132 902	(452 668)
Foreign exchange gain	(390)	(2 278)
Foreign currency translation (gain)/loss	(448 489)	534 547
Balance at end of year	**2 428 106**	**2 744 083**

Maturity profile	Within 1 year R'000	1 to 5 years R'000	Greater than 5 years R'000	Total R'000
2021	412 529	1 260 392	755 185	2 428 106
2020	539 848	1 376 549	827 686	2 744 083

14.2 Provision for unexpired risks

	2021 R'000	2020 R'000
Balance at beginning of year	505 005	268 164
Amount transferred (to)/from the statement of comprehensive income	(44 777)	143 308
Foreign exchange loss/(gain)	1 384	(1 238)
Foreign currency translation (gain)/loss	(80 962)	94 771
Balance at end of year	**380 650**	**505 005**

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

Notes to the Financial Statements

14.3 Provision for claims reserves

	2021 R'000	2020 R'000
Balance at beginning of year	-	295 194
Outstanding claims reserve	-	10 620
Incurred but not reported claims reserve	-	284 574
Amount transferred to the statement of comprehensive income	-	(336 522)
Change in estimate	-	37 265
Outstanding claims reserve	-	(125)
Incurred but not reported claims reserve	-	37 390
Payments of claims previously provided for	-	(373 787)
Outstanding claims reserve	-	(10 593)
Incurred but not reported claims reserve	-	(363 194)
Foreign currency translation loss	-	41 328
Outstanding claims reserve	-	98
Incurred but not reported claims reserve	-	41 230
Balance at end of the year	-	-
Outstanding claims reserve	-	-
Incurred but not reported claims reserve	-	-

The Corporation received two related claims under the relevant ECIC insurance policies. One claim was received in the previous financial year and the second claim was received in the current financial year under review. 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.

Notes to the Financial Statements

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:

2021	Liability 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

2020	Liability R'000	Change %
Reported value	3 249 088	
CRR LGD at 90%	3 199 659	(1,5)
Depreciation of USD/ZAR exchange rate by 10%	3 572 145	9,9
Appreciation of USD/ZAR exchange rate by 10%	2 926 031	(9,9)
IBNR "Upwards" stress	3 249 088	-
IBNR "Downwards" stress	3 249 088	-

COVID-19 Impact

No explicit or additional allowance has been made in the reserves in terms of premium sufficiency for the uncertainty around COVID-19 and the delivery of projects or payment of performance bonds and any trade credit default in the reserves. In terms of the three projects impacted by the lockdown, lenders have agreed to a capital deferral with further negotiations taking place. No IBNR was raised as there was no default event for any of the projects.

For one of the projects, based on the developments of the negotiations, there is a strong likelihood of a potential claim in the next financial year. Refer to note 36 Events after reporting period for detailed disclosure of the potential claim.

Notes to the Financial Statements

15. Employee benefit liability

2021	Opening balance R'000	Additions R'000	Leave taken R'000	Leave paid R'000	Closing balance R'000
Leave provisions	3 764	6 668	(4 017)	(1 861)	4 554

2020	Opening balance R'000	Additions R'000	Leave taken R'000	Leave paid R'000	Closing balance R'000
Leave provisions	3 253	6 180	(4 213)	(1 456)	3 764

16. Trade and other payables

	2021 R'000	2020 R'000
Sundry creditors and accruals	14 362	17 760
VAT	19 778	-
Unsettled investment trades and accrued expenses	54 373	235 137
Reinsurance premium payables	1 312	-
Bonus provision	20 262	27 389
	110 087	**280 286**

17. Lease liability

The Corporation has leases for the office building and printers, each lease is 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 items of property and equipment 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 remaining lease-term for the office building is 6 months. The average remaining lease-term for the printers is 19 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 7.9%.

There were no modifications to leases in the current financial year, as a result the lease-terms remained unchanged.

Notes to the Financial Statements

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 March 2021 were as follows:

	2021 R'000	2020 R'000
Minimum lease payments due		
– within one year	3 323	6 248
– in one to two years inclusive	145	3 323
– later than two years	-	145
	3 468	9 716
less: future finance charges	(72)	(547)
Present value of minimum lease payments	**3 396**	**9 169**
Reconciliation of the lease liability		
Opening balance	9 169	-
Adjustment on transition to IFRS 16	-	99
Lease liability recognised during the period	-	11 655
Finance charges	475	388
Lease payments	(6 248)	(2 973)
	3 396	**9 169**

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.

	2021 R'000	2020 R'000
Opening balance	1 181 056	1 257 288
Expense for interest make-up	64 375	(34 704)
Change in estimate	26 230	(73 518)
Unwind of interest	38 146	38 814
Payments	(322 185)	(284 427)
Foreign exchange (gain)/loss and currency translation	(173 446)	242 899
	749 801	**1 181 056**

The contractual amount to be paid is R817 206 000 (2020: R1 376 883 000) which is R67 405 000 (2020: R195 827 000) higher than the carrying amount.

The emerging markets debt spreads recovered through the year following the spike as a result of COVID-19. For this reason, the lower spread used to value the liability resulted in an increase in the fair value of the liability in the base currency.

Notes to the Financial Statements

Sensitivity analysis

The table presented below demonstrates the sensitivity of liability estimates to particular movements in assumptions used in the estimation process:

2021	Liability 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)

2020	Liability R'000	Change %
Reported value	1 181 056	
Increase discount rates by 10%	1 179 605	(0,12)
Decrease discount rates by 10%	1 182 511	0,12
Depreciation of USD/ZAR Exchange rate by 10%	1 299 161	10,0
Appreciation of USD/ZAR Exchange rate by 10%	1 062 950	(10,0)

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

2021	Opening balance R'000	Unwind of interest R'000	Change in estimate 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	38 146	26 230	(322 185)	(173 446)	749 801

2020	Opening balance R'000	Unwind of interest R'000	Change in estimate R'000	Settlements R'000	Foreign exchange loss and currency translation R'000	Closing balance R'000
Liability for interest make-up	1 257 288	38 814	(73 518)	(284 427)	242 899	1 181 056

19. Categories of assets and liabilities

Categories of assets and liabilities – 2021	Note(s)	Financial assets 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	-	-	-	4 554	4 554	4 554	-
Trade and other payables	16	-	-	68 735	41 352	110 087	108 977	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	**-**	**72 131**	**2 877 544**	**3 699 476**	**661 754**	**3 037 722**

Categories of assets and liabilities – 2020	Note(s)	Financial assets 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	-	-	-	2 606	2 606	-	2 606
Property and equipment	7	-	-	-	14 988	14 988	-	14 988
Deferred tax	8	-	-	-	22 407	22 407	-	22 407
Financial assets at fair value	9	7 604 463	667 520	-	-	8 271 983	1 741 790	6 530 193
Trade and other receivables	11	-	-	194 184	1 946 505	2 140 689	561 146	1 579 543
Cash and cash equivalents	12	-	-	331 400	-	331 400	331 400	-
		7 604 463	**667 520**	**525 584**	**1 986 506**	**10 784 073**	**2 634 336**	**8 149 737**
Liabilities								
Provision for unearned premiums	14.1	-	-	-	2 744 083	2 744 083	539 848	2 204 235
Provision for unexpired risks	14.2	-	-	-	505 005	505 005	-	505 005
Employee benefit liability	15	-	-	-	3 764	3 764	3 764	-
Trade and other payables	16	-	-	252 897	27 389	280 286	280 286	-
Lease liability	17	-	-	9 169	-	9 169	5 773	3 396
Liability for interest make-up	18	1 181 056	-	-	-	1 181 056	263 251	917 805
Current tax payable	29	-	-	-	11 093	11 093	11 093	-
		1 181 056	**-**	**262 066**	**3 291 334**	**4 734 456**	**1 104 015**	**3 630 441**

Notes to the Financial Statements

20. Insurance premium revenue

	2021 R'000	2020 R'000
Credit insurance	551 256	83 836
Investment guarantee	150 075	130 094
	701 331	**213 930**

21. Net investment income

	2021 R'000	2020 R'000
Dividend income		
Dividends income – Foreign	20 226	16 695
Dividends income – Local	51 524	43 116
	71 750	**59 811**
Other investment income		
Interest income	161 321	227 367
Realised gain on disposal of financial assets	369 729	154 948
Change in fair value of financial assets	219 829	(320 593)
Sundry income	-	30
Interest received on cash and cash equivalents	352	986
	751 231	**62 738**
	822 981	**122 549**

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

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 movement between the historic or average rate and the closing rate on net assets.

For monetary net assets, currency translation difference arises as a foreign exchange movement.

	2021 R'000	2020 R'000
Foreign exchange (loss)/gain on monetary assets and liabilities	(1 200 245)	1 077 876
Gross unearned premium reserve	2 374	(237)
Property, equipment and intangible assets	(3 543)	1 175
Payments in advance	(671)	414
Technical reserves movements	(37 598)	39 674
Reinsurance commission income	(2)	-
	(1 239 685)	**1 118 902**

Notes to the Financial Statements

23. Net operating expenses

	2021 R'000	2020 R'000
Net operating expenses are arrived at after taking into account:		
External auditors' remuneration		
Audit fees for the current year	2 295	1 872
	2 295	**1 872**
Internal auditors' remuneration	582	1 181
Depreciation and amortisation		
Equipment	1 257	922
Intangible assets	868	1 050
Building	5 594	2 790
	7 719	**4 762**
Directors' emoluments		
Remuneration paid to executive director	5 671	5 908
Remuneration paid/payable to non-executive directors	1 396	1 570
	7 067	**7 478**
Employee costs		
Salaries	74 340	65 482
Prior year over provision	(6 125)	(243)
Provision for bonus for current year	18 489	25 173
	86 704	**90 412**
Short-term leases/Operating leases		
Equipment	-	315
Property rental	-	3 510
	-	**3 825**
Remuneration to non-employees		
Actuarial services	1 125	953
Consulting services	3 145	2 646
Legal services	640	344
	4 910	**3 943**
General administrative expenses	20 840	33 167
Total operating expenses (excluding portfolio fees)	**130 117**	**146 640**
Investment portfolio management fee	19 107	22 376
Total operating expenses	**149 224**	**169 016**

Notes to the Financial Statements

23.1 Disclosure as required by section 55 of PFMA

Fruitless and wasteful expenditure

The fruitless and wasteful expenditure of R317.66 was incurred during the 2021 financial year. The expenditure is as a result of interest on late payment of the employees' tax to SARS. The full amount was recovered 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.

Irregular expenditure	2021 R'000	2020 R'000
Opening balance	-	405
Add: Irregular expenditure – relating to current year	10	-
Reclassified to Non-compliance	-	(405)
	10	**-**

The irregular expenditure is as a result of awarding a bid to a supplier whose tax affairs were not compliant. In order to prevent future occurrence of irregular expenditure the tax status of bidders will be confirmed on CSD prior to awarding the bid.

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

24. Interest expense

	2021 R'000	2020 R'000
Leases liability	475	388
Interest on other	1	2
	476	**390**

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.

	2021 R'000	2020 R'000
Effect of translation on cash and cash equivalents	30 148	(30 772)
Effect of translation on net assets (excluding insurance contract liabilities and cash and cash equivalents)	(1 388)	4 484
Effect of translation on financial assets at fair value	380 988	(325 127)
Effect of translation on insurance contract liabilities	(994)	3 516
	408 754	**(347 899)**

At March 2021, the Rand strengthened against the US Dollar by 17% mainly due to global trade conditions eased with the COVID-19 vaccine developments and a subsequent loosening of restrictions on economic activity.

Notes to the Financial Statements

26. SED & ESD contributions

	2021 R'000	2020 R'000
Education	11 109	9 460
Enterprise development	4 623	5 876
Supplier development	9 156	2 968
Solidarity Fund	-	20 000
Other costs*	1 110	1 349
	25 998	**39 653**

**Other costs relate to administration costs which include management fees to agencies and travel costs.*

27. Taxation

	2021 R'000	2020 R'000
Major components of the tax expense		
Current		
Local income tax – current period	142 365	440 242
Withholding tax – current period	7 750	(153)
	150 115	**440 089**
Deferred		
Deferred tax – current year	18 317	(20 278)
	168 432	**419 811**
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Current year's charge as a percentage of profit before taxation	8,75 %	96,70 %
Disallowable expenses – IMU	(3,02)%	0,63 %
Disallowable expenses – other*	(2,37)%	(0,58)%
Exempt income – dividends	2,43 %	0,60 %
Translation effect	18,12 %	(69,64)%
Other**	4,09 %	0,29 %
	28,00 %	**28,00 %**

The translation effect is due to tax expense which is based on rand functional currency financials instead of US dollar functional currency.

**Disallowable expenses – other disclosed under the reconciliation of the tax expense comprises of disallowed SED & ESD contributions and operating expenses that were not incurred in the production of income.*

***Other – disclosed under the reconciliation of the tax expense comprises mainly of unrealized foreign gains that relates to equity investments and related parties' receivables.*

Notes to the Financial Statements

28. Cash generated from operations

	2021 R'000	2020 R'000
Profit before taxation	1 835 771	434 155
Adjustments for:		
Interest income	(161 705)	(228 383)
IMU grant received	(162 710)	(233 511)
Interest expense	476	390
Dividends income	(71 750)	(59 811)
Depreciation and amortisation	7 719	4 762
Other non-cash items	-	(8)
Movements in provision for reinsurance unearned premiums	(13 344)	-
Fair value (gain)/loss on financial assets	(219 829)	320 593
Realised gain on disposal of financial assets	(369 729)	(154 948)
(Profit)/Loss on foreign exchange	(408 754)	347 899
Movements in provision for unearned premiums	132 902	(452 668)
Movements in provision for unexpired risks	(44 777)	143 308
Movements in provision for outstanding claims	-	(336 522)
Expenses for interest make-up	64 375	(34 704)
Movements in trade and other receivables	34 279	222 431
Movements in trade and other payables	(223 378)	(19 554)
Movements in provisions	790	511
Reinsurance deferred acquisition cost	1 979	-
	402 315	**(46 060)**

29. Taxation paid

	2021 R'000	2020 R'000
Balance at beginning of the year	(11 093)	860
Current tax for the year recognised in the statement of comprehensive income	(150 115)	(440 089)
Accrued interest	-	27
Balance at end of the year	17 396	11 093
	(143 812)	**(428 109)**

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.

	2021 R'000	2020 R'000
The total contribution for the year	6 982	6 616

31. Commitments

Operating leases

There are no operating leases nor material commitments.

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

The following transactions were entered into with the government of South Africa through its various departments and entities on commercial terms and conditions:

	2021 R'000	2020 R'000
Statement of comprehensive income effects:		
Premium		
Industrial Development Corporation of South Africa SOC Ltd (IDC)	4 117	3 605
Development Bank of Southern Africa SOC Limited (DBSA)	153 761	104 036
Assessment fees		
Development Bank of Southern Africa SOC Limited	-	222
IMU grant receipts		
Department of Trade, Industry and Competition (the dtic)	162 710	233 511
Other income (Interest)		
South African Revenue Services (SARS)	3	27
Claims paid		
Industrial Development Corporation of South Africa SOC Ltd	-	363 194
Other operating expense		
Office of the Compensation Commissioner (OOTCC)	70	30
Financial Sector Conduct Authority (FSCA)	480	-
Provision for doubtful debts/bad debts		
Industrial Development Corporation SOC Ltd	(106)	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)	122	195
SED & ESD contributions		
Small Enterprise Development Agency (SEDA)	4 623	-
Taxation (Income tax)		
South African Revenue Services	142 365	440 242

Notes to the Financial Statements

	2021 R'000	2020 R'000
Statement of financial position effects:		
Assets		
Financial assets		
Bonds – Parastatals	18 322	15 084
Bonds – National government	731 561	566 738
Trade and other receivables (excluding provision for doubtful debts)		
Industrial Development Corporation SOC Ltd	-	122
Development Bank of Southern Africa SOC Limited	34 004	53 798
Insurance Sector Education and Training Authority (INSETA)	-	40
Small Enterprise Development Agency (SEDA)	2 726	-
South African Revenue Services (Value added tax)	-	39 119
Provision for doubtful debts		
Development Bank of Southern Africa SOC Limited	135	135
Industrial Development Corporation SOC Ltd	-	106
Total assets	**786 748**	**675 142**
Liabilities		
Trade and other payables		
Office of the Compensation Commissioner	37	-
Industrial Development Corporation SOC Ltd	12	133
South African Revenue Services (Value added tax)	19 778	-
Taxation (Income tax)		
South African Revenue Services	17 396	11 093
Total liabilities	**37 223**	**11 226**

33. Directors' and executives' emoluments

Non-executive	2021 R'000	2020 R'000
D Dharmalingam	235	324
S Mayekiso	243	308
S O'Mahony	249	178
V Matsiliza	250	285
L Mothae	200	237
D Subbiah	219	238
	1 396	**1 570**

The 2020 financial year remuneration included retainers payable for the 2020 and 2019 financial years.

Notes to the Financial Statements

Executive remuneration

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.*

2020	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)	3 651	2 216	-	35	-	43	5 945
C Kgoale – Company Secretary	1 208	597	119	19	-	41	1 984
M Nkuhlu – Chief Operations Officer	2 430	1 371	231	30	-	82	4 144
B Fugah – Acting Chief Operations Officer	-	-	-	-	73	-	73
N Mkhathazo – Chief Financial Officer	1 865	1 096	301	30	-	29	3 321
S Esterhuisen – Chief Actuarial & Investments (from 07 June 2019)	1 853	1 144	241	20	-	2	3 260
N Maphula – General Counsel	1 697	992	251	30	-	37	3 007
J Omollo – Chief Risk Officer	1 708	992	275	30	-	2	3 007
W Koen – Acting Chief Financial Officer (from 20 August 2019)	-	-	-	-	148	-	148
	14 412	**8 408**	**1 418**	**194**	**221**	**236**	**24 889**

**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 R409 million. Included in this amount is the salvage of R9 million that did not meet the recognition criteria as at 31 March 2021 as a result of COVID-19 impact on the operations.

35. Capital management

	2021 R'000	2020 R'000
Total equity	6 504 738	6 049 617
Adjustment unto regulatory basis	870 106	792 948
Available capital	7 374 844	6 842 565
Required Capital (Regulatory)	2 642 166	2 885 658
Required Capital (Economic)	3 702 127	4 029 550
Regulatory capital cover ratio	279%	237%
Economic capital cover ratio	199%	170%

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 three-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

For one of the projects affected by COVID-19 as disclosed in note 14; historically it experienced challenges in respect of poor quality and quantity of the reserves, which were exacerbated by COVID-19, which resulted in low demand for the product and unsustainable low market price. Post year-end, the Corporation entered into discussions to restructure the debt (include purchasing the debt for a reduced amount), which will result in ECIC paying a claim in the next financial year in the range of between $48.2 million and $50.8 million (R715.1 million and R753.7 million as at 31 March 2021). At reporting date, a claims reserve has not been raised as there was no default event.

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 on March 31, 2021, the Corporation had accumulated profit of R3.7 billion and that the Corporation's total assets exceed its liabilities by R6.5 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.

Notes to the Financial Statements

COVID-19 has not had a significant impact on the operations of the Corporation during the 2021 financial year and is not anticipated to have a significant impact even in the foreseeable future, see note 14.

The potential claim disclosed under events after reporting period (note 36) is not expected to have an impact on the going concern status of the Corporation, as the regulatory solvency capital requirement (SCR) cover ratio after taking into account all the projected transactions for the next financial year is projected to be 324%, which is above the cover ratio of 100% as required by the PA.

39. Underwriting results

	2021 R'000	2020 R'000
Insurance premium revenue	701 331	213 930
Net change in unearned premiums	(134 655)	452 668
Gross change in unearned premiums	(132 902)	452 668
Change in reinsurance unearned premiums	(1 753)	-
Change in unexpired risks	44 777	(143 308)
Net insurance premium revenue	**611 453**	**523 290**
Claims incurred	**69 331**	**76 875**
Claims paid net of salvages	69 331	(259 647)
Claims paid	-	(373 787)
Salvages income	69 331	114 140
Change in claims reserves	-	336 522
Assessment fees	271	232
Reinsurance commission received	347	-
Commission paid to intermediaries	(193)	(161)
Operating expenses	(124 491)	(138 768)
Underwriting results	**556 718**	**461 468**
Net investment income	822 981	122 549
Portfolio management fees including investment management operating expenditure	(23 187)	(28 278)
Foreign exchange gain/(loss)	408 754	(347 899)
Other income	190	114
IMU grant receipts	162 710	233 511
Interest expense	(476)	(390)
SED & ESD contributions including operating expenditure	(27 544)	(41 623)
Expense for interest make-up	(64 375)	34 704
Profit before taxation	**1 835 771**	**434 156**
Taxation	(168 432)	(419 811)
Profit for the year	**1 667 339**	**14 345**
Other comprehensive income:		
Items that may be reclassified to profit or (loss):		
Currency translation differences	(1 239 685)	1 118 902
Fair value adjustments of financial assets	35 395	(125 299)
Deferred tax on fair value of financial assets	(7 928)	28 067
Total items that may be reclassified to (loss) or profit	**(1 212 218)**	**1 021 670**
Other comprehensive (loss)/income for the year net of taxation	**(1 212 218)**	**1 021 670**
Total comprehensive income for the year	**455 121**	**1 036 015**

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	2021 R'000	2020 R'000
Assets		
Intangible assets	944	1 811
Property and equipment	5 730	11 536
Deferred tax	-	22 407
Financial assets at fair value	4 303 165	8 271 983
Reinsurance contract assets	10 700	-
Trade and other receivables	1 798 389	2 140 139
Cash and cash equivalents	4 084 701	331 400
Total assets	**10 203 629**	**10 779 276**
Equity and liabilities		
Equity		
Share capital and share premium	316 051	316 051
Fair value adjustment through other comprehensive income reserve	(29 947)	(57 414)
Retained earnings	6 218 242	5 788 750
Total equity	**6 504 346**	**6 047 387**
Liabilities		
Insurance contract liabilities	2 808 563	3 246 521
Provision for unearned premiums	2 427 913	2 741 516
Provision for unexpired risks	380 650	505 005
Provision for outstanding claims	-	-
Reinsurance deferred acquisition cost	1 648	-
Deferred tax	3 838	-
Employee benefit liability	4 554	3 764
Trade and other payables	110 087	280 286
Lease liability	3 396	9 169
Liability for interest make-up	749 801	1 181 056
Current tax payable	17 396	11 093
Total liabilities	**3 699 283**	**4 731 889**
Total equity and liabilities	**10 203 629**	**10 779 276**

Notes to the Financial Statements

Statement of comprehensive income	Note(s)	2021 R'000	2020 R'000
Insurance premium revenue	20	701 331	213 930
Net change in unearned premiums		(130 619)	465 568
Gross change in unearned premiums		(128 382)	465 568
Change in reinsurance unearned premiums		(2 237)	-
Change in unexpired risks		45 714	(141 328)
Net insurance premium revenue		**616 426**	**538 170**
Assessment fees		271	232
Reinsurance commissions received		345	-
Net investment income	21	822 981	122 549
IMU grant receipts		162 710	233 511
Other income		190	114
		1 602 923	**894 576**
Claims incurred		**69 331**	**104 565**
Claims paid net of salvages		69 331	(259 647)
Claims paid		-	(373 787)
Salvages income		69 331	114 140
Change in claims reserves		-	364 212
Expenses			
Commission paid to intermediaries		(193)	(161)
Operating expenses	23	(149 224)	(169 016)
Interest expense	24	(476)	(390)
(Loss)/profit on exchange differences		(834 060)	727 080
Expense for interest make-up		(64 375)	34 704
SED & ESD contributions		(25 998)	(39 653)
Profit before taxation		**597 928**	**1 551 705**
Taxation	27	(168 432)	(419 811)
Profit for the year		**429 496**	**1 131 894**
Other comprehensive income:			
Items that may be reclassified to profit or (loss):			
Fair value adjustments of financial assets		35 395	(125 299)
Deferred tax on fair value of financial assets		(7 928)	28 067
Total items that may be reclassified to profit or (loss)		**27 467**	**(97 232)**
Other comprehensive income/(loss) for the year net of taxation		**27 467**	**(97 232)**
Total comprehensive income for the year		**456 963**	**1 034 662**

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

RP241/2021
ISBN: 978-0-621-49664-2

YOUR EXPORT RISK PARTNER