

Corporate Risk Register June 30th, 2021

#	Objectives	Risk name	Root causes of the risk	Background/ Consequence to the risk	Key controls	Risk owner	Residual risk exposure	RR factor	Action plans	Target date	Status	Comments
1	Contribute to Trade facilitation	Uncertain macro-economic outlook	Business projections may be significantly impacted by uncertain macro-economic outlook	Curtailment in project pipeline resulting in reduced premium income	Proactive deal origination	COO	Priority 3	10,40	- On-going pipeline monitoring - Proactive deal origination	Ongoing	In progress	The combination of global growth slowdown due to COVID-19 & South Africa credit downgrade, the deal pipeline could be constrained in the outer years (years 3 & 4)
				Default risk from over-indebted countries due to increased Euro bond issuances by sovereigns and call for IMF support	A debt sustainability framework that stipulates acceptability has been developed & was implemented in 2nd quarter of 2020-2021	COO	Priority 4	5,85	Ongoing	Final tests & maintain	Direct sovereign cover for over-indebted countries is currently done on a case-by-case basis (i.e., strategic projects to national economy, projects with ring-fenced proceeds/revenue) as well as looking at debt sustainability levels	
		Mandate constraint	Increased competition from other ECAs	Loss of business due to mandate constraint	1. Limit cover to achieved content 2. Utilize reinsurance for the content deficient portion	COO	Priority 4	5,40	Ongoing	In progress	This will be applicable on a case-by-case basis	

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2		Competition	Uncompetitive SA Exporters	Inability to win international bids	Part of the intervention is for SA exporters to form JVs or partnerships with experienced international contractors in limited expertise sectors such as Gas, Power etc.	COO	Priority 4	7,20		Ongoing	Final tests & maintain	- ECIC mandate on 50% content - ECIC crowds in participation of South African contractors as partners or sub-contractors of the major international contractors i.e., the LNG projects
	Increase Capital Base	Uncertain macro-economic outlook	Investment assumption may be significantly impacted by an uncertain macro-economic outlook	Increased volatility resulting in capital loss in investments	Diversification of investment portfolio	CAI	Priority 4	7,20	Implement Tranching	August 31, 2022	Planned	
		Pandemic risk	Following the outbreak of COVID-19 in Wuhan China in December 2019, the pandemic has now pervaded all continents adversely affecting	- Global economic growth is projected to be negative for 2020. - Potential impact beyond 2021 is indeterminate	1. On the underwriting side proactive deal origination 2. For investments adoption of Tranching approach 3. Operationally, the BCM	EXCO	Priority 4	7,20	1. Investment portfolio implementing tranching approach by August 2022 2. Effects on pipeline being monitored	Ongoing	In progress	EXCO continually monitors the impact of the pandemic on the economic activities in sectors and countries that ECIC has existing exposure and future business, as well as effects on the investment portfolio and operations (BCM status)

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			daily lives and curtailing economic activity.		activation with majority working from home (remotely) 4. Out of cycle ORSA prepared in June 2020				3. Periodic EXCO review of BCM			
		SA Credit Downgrade	Uncompetitive ECIC paper due to lower credit rating not affording banks sufficient capital relief under Basel 3	Following the downgrade of South Africa's sovereign credit rating to junk status, the risk of banks seeking better rated paper at ECIC's expense is higher.	- Wider coverage on the continent - Proactive deal origination - South Africa's role in AU accords leverage with most African governments	COO & CRO	Priority 3	10,40	1. Need to get a cut-through agreement in instances where reinsurance is taken 2. SARB to issue a sub-sovereign rating guidelines in 2023	March 31, 2023	In progress	
			SA Bonds removed from FTSE-WGBI after downgrade	Institutional & mandate investors exited SA GB, but yield seeking investors have piled back in, almost to pre-	Diversification of investment portfolio	CAI	Priority 4	8,10		Ongoing	Final tests & maintain	Institutional & mandate investors exited SA GB, but yield seeking investors have piled back in, almost to pre-downgrade levels

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				downgrade levels								
		Currency Risk	Rand weakness inflating value of US\$ assets.	Unrealized capital gains arising from currency movement eroding ECIC balance through tax	No control as this is based on current law	Manager in the Office of the CEO	Priority 2	16,00	Seek dtic intervention with NT (at ministerial level) to allow for tax calculation on US\$ numbers	Ongoing	In progress	ECIC has previously held discussions with NT & SARs via Deloitte
3	Staff retention	Culture Risk	Failure to live the values of the Corporation	The risk of inappropriate culture taking root in the company	1. Employee induction process 2. Ethics sessions held with staff annually	Head: HC	Priority 4	5,85	increased socialization of the values on an ongoing basis	Ongoing	Planned	HR to facilitate values workshops in 1QTR2021_22

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		Inappropriate Hires	Misrepresentation of qualifications and employment history on CVs	Recruitment of persons who misrepresent/falsify information on CV's and/or job applications	<ul style="list-style-type: none"> Agencies now provide applicants' original CV's Completion of honesty and Integrity questionnaire Integrity assessment Where possible referees to be the candidate's direct manager. Enhanced checks for unemployed candidates. 	Head: HC	Priority 3	12,80	Monitor effects of new controls and respond accordingly	Ongoing	In progress	HR has implemented the current enhanced controls, that include termination in case of misrepresentation by new hires
4	Improve Business Processes and systems	ICT Risk	Risk of ICT breach resulting unauthorised access	Unauthorised access of ECIC network resulting in unauthorized activities	<ol style="list-style-type: none"> Firewalls are currently in place; and Use of outsourced hosting services Vulnerability test concluded 	GC	Priority 3	10,40	Perform a penetration test on the ECIC ecosystem	September 30th, 2021	Planned	Vulnerability test conducted and penetration test is scheduled for QTR22021-22

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			Insufficient use of technology and data analytics in business processes and decision making respectively	Long lead times and error prone processes & inconsistent decision making	<ol style="list-style-type: none"> 1. The new cloud-based HR system replacing the current ERP HR module has been installed. 2. Upgrade of the ERP is in progress 3. Business process automation plan for the next 3 years developed 4. Procurement aspect of Risk & Compliance system done, implementation phase to commence 	GC	Priority 4	9,60	There are various measures being undertaken by ICT to deploy cloud-based computing that include risk management system amongst other initiatives.	Ongoing	In progress	ICT to provide project plan of the various initiatives its undertaking
			Poorly scoped and implemented systems	Procured ICT solutions take too long to implement & perform below expectation	<ol style="list-style-type: none"> 1. End user determines systems needs 2. Project management framework formalized 3. Dedicated project manager oversight on 	GC	Priority 4	7,20	All systems procurement must be motivated to EXCO and correct SCM and project management techniques to be	Ongoing	In progress	

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					all ICT projects				applied to avoid delays and scope creep			
		Accounting Standards Changes	Change in accounting standards for insurance sector (from IFRS 4 to IFRS 17 & from IAS 39 to IFRS 9)	Change in accounting standards for insurance sector (from IFRS 4 to IFRS 17 & from IAS 39 to IFRS 9)	1. IFRS Implementation Plan	CFO & CAI	Priority 4	7,20	Tracking & Implementation IFRS 9 & 17 Implementation Plan	Ongoing	In progress	
5	Good governance and sound risk management practices	Late submission of packs to committees & Board	Non-adherence to agreed board material circulation timelines and lead times	Shortened preparation time for board members, compromising Board effectiveness and efficiency.	1. Action List & draft Minutes to be circulated to chairpersons within 10 days 2. EXCO to have Cycle of agenda which shadow the subcommittees and Board & ToR to stipulate TAT for Board & Committees.	COSEC	Priority 4	9,60	Monitor effectiveness of new controls	Ongoing	Planned	

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		Regulatory / Legislative changes	Increased risk of non-compliance	Risk of loss of license in case of breach of solvency	Multiple metrics in use 1. Risk capacity – Tier 1 capital available to absorb potential losses 2. Risk appetite - SCR > 115%, EC > 110% 3. Maximum underwriting capacity - 10x equity 4. Portfolio concentration limits – country & industry US\$574 MM & single obligor limit US\$166MM	CRO & CAI	Priority 4	9,60	Continuous monitoring of risk appetite limits	Ongoing	Planned	
		Deterioration of the Corporation's B-BBEE score	- Decline in EE score - Large Procurement from Low B-BBEE rated suppliers	Decline in the Corporation's level 1 B-BBEE score	Incremental procurement is directed towards highly rated B-BBEE suppliers	CFO, CAI & GC	Priority 4	7,80	- Strive towards EE targets - Continued high value procurement from suppliers with B-	Ongoing	In progress	1. The Corporation has achieved a Level 1 B-BBEE rating in 2020. 2. Following the development of fund manager transformation plan, up-coming fund manager

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									BBEE score > 4.			appointments will have to adhere to the plan
6	Improve Stakeholder Satisfaction	Stakeholders & Customer dissatisfaction	Adverse Customers & Stakeholders perception of ECIC	Decline in deal pipeline Weak links with key stakeholders in government	Client coverage & Active Stakeholder engagement	COO & Manager in the Office of the CEO	Priority 5	3,60			Final tests & maintain	
		Disengaged Employees	Perceived arbitrary decision making in disregard of approved policies	Erosion of efficiency & professionalism leading to loss of key talent	Regular review and update of policies Implementation of approved policies Avoidance of deviations from approved policies	Head: HC	Priority 5	1,80			Final tests & maintain	