

Euler Hermes Singapore Branch

The following supplementary information does not form part of the audited statutory financial statements of Euler Hermes Singapore Branch

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This Disclosure is a supplementary note to the audited financial statements which are publicly available both on the website of the Monetary Authority of Singapore and from the Accounting and Corporate Regulatory Authority. This Disclosure, read in conjunction with the audited financial statements, is issued pursuant to MAS Notice 124 – Public Disclosure Requirements.

Euler Hermes Group

Euler Hermes (EH) Group is a global leader in trade credit insurance and a recognized specialist in the areas of surety and guarantee, fraud cover and collections. Its financial solidity, expertise in risk analysis and integrated global structure enable the Group to provide companies of all sizes with the domestic and export market knowledge and support they need to successfully manage their trade receivables in changing economic environments.

Euler Hermes Singapore Branch (EHSG) has been active in ASEAN since 2000 and with clients in Singapore, Malaysia, Thailand, India, Indonesia, Vietnam and Philippines.

EHSG offers credit insurance, debt collection and surety and guarantees services to clients from small and medium enterprises to multi-national companies.

With a dedicated team made up of a wide variety of nationalities, we have the combined experience in credit insurance, understanding of local economies and financial analysis skills to help clients identify risks. Even more importantly, we help clients develop an effective export risk management plan.

Business Review of EHSG

Gross written premiums increased from SGD45.4m in 2018 to SGD48.7m in 2019. Reinsurance cession increased from SGD38.1m to SGD40.1m. Net claims incurred for 2019 was SGD1.3m.

Investment income increased from SGD1.0m to SGD1.2m.

Corporate Governance

EHSG leverages on the governance framework of EH Group. EH Group has a comprehensive governance framework in place which describes how the company is directed, administrated and controlled. EH Group promotes a strong risk management culture supported by a robust risk, compliance and corporate governance structure.

EH Group is headed by a Board of Management, which is in turn overseen by a Supervisory Board supported by an Audit and Risk Committee and a Nomination

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and Remuneration Committee. The leadership and management powers assumed by the Board of Management are clearly separated from the oversight powers exercised by the Supervisory Board. The Supervisory Board permanently oversees the management of EH Group by the Board of Management. The organization adopted by EH Group, which is based on the separation of executive and oversight functions, ensures a balance of powers. The managers of Group functions provide the foundations of the Group's operational management.

In order to distinguish between management of risk and independent oversight, the risk governance framework is structured along three lines of defense. First line of defense comprises of risk taking units. In EHSB, they are Risk Underwriting, Market Management, Commercial Underwriting and Distribution (MMCD). Risk Underwriting needs to follow quantitative limits set in the "Risk Underwriting Quality Standards". MMCD needs to follow EH Group Pricing Strategy that is aligned with the business strategy, profitability targets and reinsurance program. Commercial Underwriting adopts a risk based approach for pricing its business activities. This ensures EH Group is adequately capitalized against the risk taken. EHSB's investment function is handled by the Finance department. All investment decisions need to be approved by EH Group Treasury.

Risk Management, Actuarial, Compliance, Credit Insurance Modelling make up the second line of defense to ensure EH Group has a robust system of governance. Risk Management provides a consistent framework for all risk activities across EH Group, protect the capital base of EH Group and support the value creation in EH Group, etc. Actuarial function coordinates calculation of technical provision, ensures the appropriateness of the methodologies and underlying models used and provides an opinion on the overall underwriting policy, etc. Compliance is to support EH Group to embed compliance with laws, regulations, business principles, rules of conduct and established good business practices. Credit Insurance Modelling is responsible for the maintenance of the core of the internal model, detecting any non-compliance with regulation. For EHSB, EH Group will issue guidelines regarding risk management, actuarial and compliance. It is the responsibility of CFO of EHSB to ensure these guidelines are adhered to EH Group provides actuarial services on reserving for EHSB. An external actuary, Deloitte, is also engaged to provide independent view on reserving.

Third line of defense in EHSB is carried out by Group. EH Group has an annual audit program to ensure all branches are compliant with Group's requirement. Functional audit is carried out in different regions on a rotation basis. The audit program is the subject of a discussion, communication and validation process with operational staff, General Management and Audit Committees. Finally the program is validated via a presentation to the EH Audit Committee for approval.

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Investment and Asset-Liability Management

EH Group monitors and steers investment at group level. EH Group has Investment Management Framework stating the requirements for managing and steering the investment of EH Group. The Framework also states minimum requirements for the implementation of new financial instruments, the management of derivatives and foreign exchange risk.

Solvency Margin

The capital adequacy ratio (CAR) of EHSB as at 31 December 2019 was 551%, which was above regulatory requirement. EHSB leverages on EH Group Risk Policy, which aims to fulfill all regulatory solvency requirements at the Group and Branch level. Therefore, risk appetite and limits are in place to ensure an adequate buffer above these requirements. Risk appetite and limits are based on a thorough understanding of the risks involved and enterprise wide risk governance and management.