

## **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, EHSG has the combined experience in credit insurance, understanding of local economies and financial analysis skills to help clients identify risks. Even more importantly, EHSG helps clients develop an effective export risk management plan.

### **Business Review of EHSG**

Gross written premiums increased from SGD50.9m in 2022 to SGD113.3m in 2023. Reinsurance cession has increased from SGD41.1m in 2022 to SGD70.1m in 2023. Net claims incurred for 2023 was SGD8.1m.

Interest income increased from SGD0.9m to SGD1.1m.

### **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.

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EH Group is headed by a Board of Management, which is in turn overseen by a Supervisory Board supported by an Audit, Risk & Compliance Committee and a Nomination 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 EHSG, they are Risk Underwriting (Credit), Market Management, Commercial Underwriting and Distribution (Commercial) Credit needs to follow quantitative limits set in the "Risk Underwriting Quality Standards". Commercial needs to follow EH Group Commercial Underwriting rules as well as 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 risks taken.

Risk Management, Actuarial and Compliance, 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. Actuarial function coordinates the calculation of technical provisions, ensures the appropriateness of the methodologies and underlying models used and provides an opinion on the overall underwriting policy. EH Group provides actuarial services on reserving for EHSG. An external actuary, Willis Towers Watson, is also engaged to provide an independent view on reserving. Compliance is to support EH Group to ensure compliance with laws, regulations, business principles, rules of conduct and established good business practices. For EHSG, EH Group issues guidelines regarding risk management, actuarial and compliance. It is the responsibility of the Finance Director of EHSG to ensure these guidelines are implemented accordingly.

Third line of defense in EHSG is carried out by Group Internal Audit. 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, Risk & Compliance Committee for approval.

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Internal Audit is a key function within the Internal Control System of EH and acts as third line (of defense) in the “Three Lines of Defense” Model. Internal Audit evaluates and contributes to the improvement of the adequacy, effectiveness, and efficiency of the organization’s governance, risk management, and control processes through a systematic, disciplined, and risk-based approach.

The Internal Audit function of EHSG is outsourced to EH Group Internal Audit. The implementation of the Internal Audit function within EH is defined in the “Audit Policy” as well as in the supplemental “Standard Audit Manual”, which defines basic principles, tasks, methods as well as processes. This includes the definition of the audit universe, i.e. the areas and topics which need to be audited to ensure adequate coverage of all relevant activities, procedures, and processes in all areas/entities. The frequency and sequence of the audits are then determined using a risk-based approach, in which risk ratings are assigned to all areas and topics. The resulting annual audit plan is approved by the EH Audit, Risk & Compliance Committee. In case it is needed, ad-hoc audits may be executed.

### **Investment and Asset-Liability Management**

EH Group monitors and steers investment at group level. EH Group has an 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. EHSG’s investment function is handled by the Finance department. All investment decisions need to be approved by EH Group Treasury.

### **Solvency Margin**

The capital adequacy ratio (CAR) of EHSG as at 31 December 2023 was 188%, which was above regulatory requirements. EHSG 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.