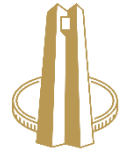


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SOUTH AFRICAN RESERVE BANK
Prudential Authority

Administrative penalty order (issued in terms of section 167(1) of the Financial Sector Regulation Act 9 2017 (Escap SOC Limited))

1. The Prudential Authority (PA) hereby imposes an administrative penalty of R5 000 000 (five million rand) in terms of section 167(1) of the Financial Sector Regulation Act 9 of 2017 (FSRA) on Escap SOC Limited (Escap).
2. R3 000 000 (three million rand) of the administrative penalty will be suspended for a period of three years from the date the penalty is imposed, subject to Escap not committing a similar offence during this period.
3. The remaining balance of R2 000 000 (two million rand), inclusive of costs, must be paid within 14 working days from the date of this order.
4. The penalty arises from the following contraventions of the Insurance Act No. 18 of 2017 (Insurance Act), by Escap:
 - a. The PA found that the board of directors of Escap (“board”) failed in its oversight responsibility to ensure reliable and transparent financial reporting to the PA. The decision by the board to declare a dividend of R600 million to the shareholder (Eskom SOC Limited) in July 2021, was based on an overstated solvency position.
 - b. The PA found there were no board approved policies and procedures relating to the appointment and dismissal of senior management and head of control functions. Furthermore, the PA found that there was no board approved performance and remuneration standard for senior management and heads of control functions as required in terms of section 8.2 of the Prudential Standard GOI 2.
 - c. The PA found that the former Escap CEO occupied potentially conflicting roles as an executive director of Escap and holding the position of the General Manager for Group Tax of Eskom SOC Ltd (Eskom).
 - d. The board did not have a succession plan for board, senior management and Heads of Control Functions.
 - e. The PA found that Escap did not have its own organisational structure that informs the resource needs of Escap or ensures alignment to the Escap internal control structure as an insurance company.

- f. The PA found deficiencies in the resourcing of the compliance and risk management control functions, in contravention of section 9.1 of the Prudential Standard GOI 3.
- g. The Board failed to provide oversight over the decisions relating to new business take-on and risk transfer as per the requirement of section 9 of the Prudential Standard GOI 2.

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Fundi Tshazibana
Chief Executive Officer

Date: