



ARC Ltd

ESG JOURNEY

2023



ARC Ltd is climate finance innovation at scale



ARC Ltd (Private Sector) regulated commercial insurance company responsible for designing customised insurance solutions

1st African parametric development insurer, ARC LTD was established in 2014 in Bermuda as a Class 2 mutual insurance company, ARC Limited is a financial affiliate of the specialized agency of the African Union (ARC Agency), operating across the African continent and providing an index-based weather risk insurance pool and early response mechanisms.

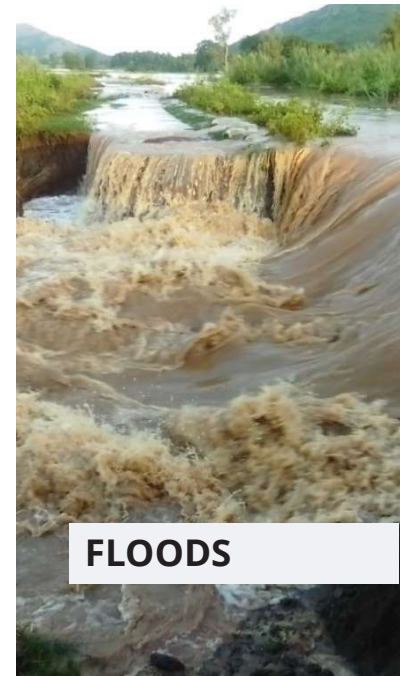
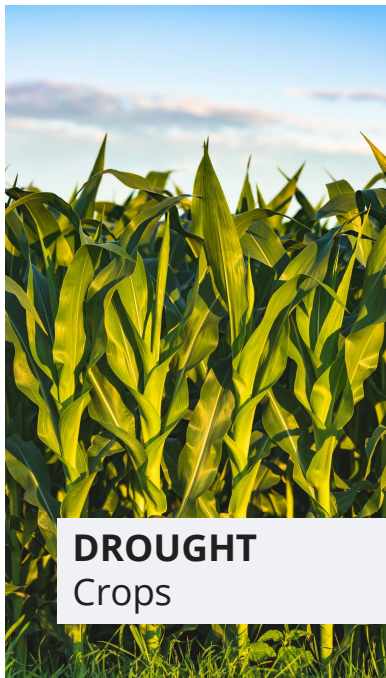


ARC Agency (Public Sector) housed within the United Nations and responsible for (i) political engagement, (ii) capacity building and (iii) advocacy

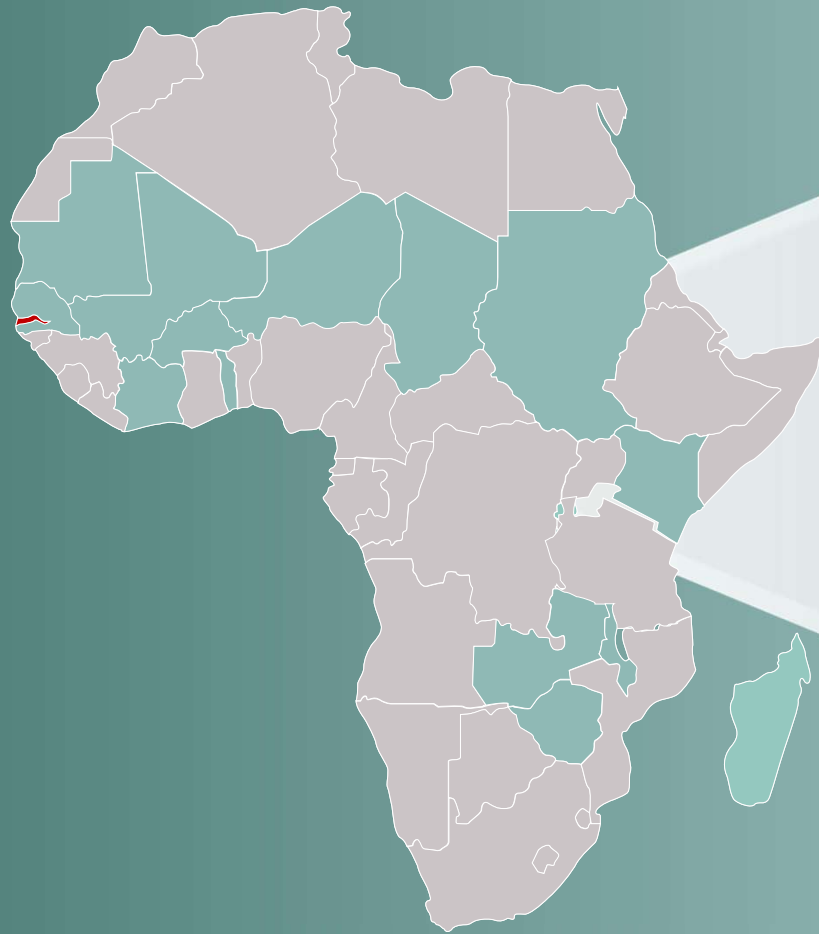
Working closely with ARC Agency as the ARC Group (ARC), we provide ex-ante solutions to improve current responses to drought, food security emergencies and other natural catastrophes across the continent while building capacity within African Union Member States to manage catastrophe risks by directly linking funds to pre-defined contingency plans.



ARC Ltd has customised Insurance solutions for all the major climate perils



ARC Ltd is a trusted partner for developing customised parametric insurance solutions



Countries participating to ARC Ltd risk pools since 2014 :

West and Central Africa Region

- Burkina Faso
- Chad
- Côte d'Ivoire
- Gambia
- Mali
- Mauritania
- Niger
- Senegal
- Togo

East and Southern Africa Region

- Kenya
- Madagascar
- Malawi
- Sudan
- Zambia
- Zimbabwe



Insuring
Africans since
2014

\$1 billion
of risk
transferred

125 million
paid in claims

Our
Impact

Covering 30
million
people per
year

6 million
people directly
benefitted
from claims

ARC LTD AND ESG

WE ARE STILL ON TOP!



ARC Ltd is the Number 1 ranked company globally in the insurance industry for ESG for the 3rd year in a row





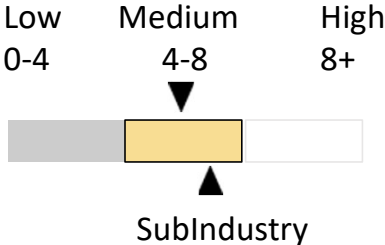
IMBEDDING ESG IN VALUE CHAIN

- 
- 
- CREATING VALUE
 - DELIVERING VALUE
 - SAFEGUADING VALUE

- 
- ESG RISK EXPOSURE
 - ESG RISK MANAGEMENT AND INTEGRATION

ESG Risk Exposure

6.0
Medium



Given the company’s role as the provider of climate-change-related parametric insurance coverage to African Union states, any weakness in the incorporation and monitoring of environmental factors in risk models and underwriting standards could lead to loss of confidence. Furthermore, given shifting public expectations towards greater corporate accountability, any failure to integrate ESG criteria into its investments could trigger increased stakeholder scrutiny and reputational damage.

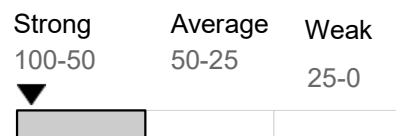
The company's exposure to ESG Integration - Financials issues is medium and moderately below the subindustry exposure.

Exposure Analysis		Beta Indicators		Beta	Signal
Subindustry Issue Exposure	7.0	Environmental Impact of		0.00	
Issue Beta	x 0.85	Social Impact of Products		0.00	
Company Issue Exposure	6.0	Carbon Impact of Products		0.00	
		Society - Human Rights		0.00	
		Operating Performance		0.00	
		Solvency		0.00	
		Financial Flexibility		0.00	
		Asset Performance		0.00	
		Headquarters Location		0.00	
		Sales Location		0.00	
		Responsible Asset Portfolio		-0.15	
		Qualitative Overlay		0.00	
		Subindustry Correction Factor		0.00	
		Exceptional Event Adjustment		0.00	
		Total Beta Signal		-0.15	
		Baseline		+1.00	
		Overall Beta		0.85	

ESG Risk Management

95.6

Strong



ARC's services and insurance coverage are fully sustainable in nature, given its role as a provider of parametric insurance to cover risks related to natural disasters, originating mainly from climate change. The firm also recognizes and integrates physical climate risk factors into its underwriting practices. ARC is a signatory to the UN Environment Programme Finance Initiative and the UN PRI since 2015 and 2016, respectively. In support of its commitments, ARC's external asset managers are required to apply UN PRI principles, to exclude all investment categories detailed in Norges Bank's exclusion list, and to follow the exclusion list of KfW Group, one of its funding sources. Furthermore, ARC regularly monitors ESG risks in its investment portfolio and chooses asset managers that practice active ownership and promote sustainable initiatives among investees and clients. In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Financial Inclusion	100	7.5%	7.5
Physical Climate Risk Management	100	17.5%	17.5
PRI Signatory	100	2.5%	2.5
Responsible Asset Management	100	15.0%	15.0
Responsible Investment Policy	100	10.0%	10.0
Sustainable Financial Initiatives	100	12.5%	12.5
Underwriting Standards	100	15.0%	15.0
UNEPFI Signatory	100	2.5%	2.5
Responsible Investment Programme	75	17.5%	13.1
Carbon Impact of Products	Category 0	0%	0.0
Environmental Impact of Products	Category 0	0%	0.0
Social Impact of Products	Category 0	0%	0.0
Society - Human Rights	Category 0	0%	0.0
Weighted Sum			95.6

Overview of company results compared to industry performance

Management and exposure scores for the insurance industry



Industry vs. the African Risk Capacity Co. Ltd.

- The insurance industry comprises the following subindustries: Diversified Insurance Services, Insurance Brokers, Life and Health Insurance, Property and Casualty Insurance, and Reinsurance.
- The African Risk Capacity Insurance Co. Ltd.'s overall exposure score, 24.0, is lower than the Insurance industry average exposure score of 39.8.
- The African Risk Capacity Insurance Co. Ltd.'s overall management score of 80.4 is higher than the Insurance industry average management score of 37.8.

ESG Management Example:

Physical Climate Risk Management

- Detailed reporting on physical climate change risk drivers Initiatives to manage or adapt to physical climate change risks
- Integration of physical climate change into regular risk assessments and business strategy
- Managerial or board level responsibility for climate change risks

Underwriting Standards

- Environmental and social risk assessment
- Exclusion of clients based on ESG factors
- Commitment to integrating E&S standards in underwriting
- Operating guidelines underwriting includes E&S factors

Responsible Investment

- Other initiatives to promote responsible investment
- Prior ESG risk assessment of investment
- Reporting on RI implementation and performance
- Requirements for investment managers to integrate ESG issues into investment strategies

Human Capital

- Formal mechanisms to promote an open feedback culture
- Initiatives for talent development
- Quantitative targets related to human capital development
- Pay equality

Indicator Level Changes

Improved Scores

Indicator Code	Indicator Name	Material ESG Issue (MEI)	Score Change
CG.6	Stakeholder Governance	Corporate Governance	+14
G.1.3.2	Responsible Investment Policy	ESG Integration - Financials	+20
S.1.1	Freedom of Association Policy	Human Capital	+25
S.1.3.2	Gender Pay Disclosure	Human Capital	+100
S.1.5.2	Human Capital Development	Human Capital	+25
S.3.1.3	Data Privacy & Security Policy	Data Privacy and Security	+25
S.3.1.3.1	Data Privacy Programme	Data Privacy and Security	+25
S.3.1.3.3	Cybersecurity Programme	Data Privacy and Security	+25

- The company improved its performance in indicators under three (3) Material ESG Issues.
- The major improvements were in Human Capital and Data Privacy and Security:
 - ❑ Human Capital – the company has strong disclosure on gender pay
 - ❑ Data Privacy and Security – the company has the commitment to obtain user data through lawful and transparent means, with the explicit consent of the data subject where required
- The company also improved its performance in one (1) CG Pillar

Identifying Strengths and Improvement Areas

Improvement Areas: Human Capital -Indicators

- The company's exposure to Human Capital issues is low and significantly below the subindustry exposure.
- ARC's staff is highly specialized in the modelling of parametric insurance tools; the company is therefore exposed to key employee risk.
- The company pays attention to employee retention and development, but it lacks outstanding recruitment initiatives.
- The company's management of the issue is strong.

*Lower score is better

ESG Risk Rating*
1.4 Negligible

*Lower score is better

Exposure Score*
3.5 Low

*Higher score is better

Management Score*
62.5 Strong

Legend:

Maximum score
> Industry Average, < Maximum score
< Industry Average

Indicator	Score	Weight
S.1.5.2 - Human Capital Development	100	28.95%
S.1.3 - Diversity Programmes	25	23.68%
S.1.2 - Discrimination Policy	50	15.79%
S.1.3.1 - Gender Pay Equality Programme	0	10.53%
S.1.1 - Freedom of Association Policy	100	5.26%
S.1.3.2 - Gender Pay Disclosure	100	5.26%
S.1.5 - Employee Turnover Rate	100	5.26%
S.1.6.1 - Employee Training	75	5.26%

Identifying Strengths and Improvement Areas

Improvement Areas: Human Capital – Management Indicator Details



S.1.3 - Diversity Programmes

25	23.68%	5.9
Raw Score	Weight	Weighted Score

The company has a weak programme

Criteria

- Diversity monitoring or audits
- Employee affinity groups, diversity councils, or networking groups
- Initiatives supporting a diverse workforce
- Initiatives to recruit from diverse talent
- Managerial or board level responsibility for diversity initiatives
- Mentorship programmes
- The company has a programme that applies to less than 50% of operations
- Training and guidance regarding diversity

S.1.2 - Discrimination Policy

50	15.79%	7.9
Raw Score	Weight	Weighted Score

The company has an adequate policy

Criteria

- Commitment to ensure equal opportunity
- List of the types of discrimination the company is committed to eliminate
- Reference to the ILO conventions

S.1.3.1 - Gender Pay Equality Programme

0	10.53%	0.0
Raw Score	Weight	Weighted Score

Based on available evidence, the company does not have a programme

Criteria

- Commitment to gender pay equality
- Global gender pay gap audit or compensation review
- Initiatives to close the gender pay gap
- Monitoring and measurement
- Quantitative targets and deadlines

.....AND OUR FOCUS IN 2023