



## **ESG Standards** *ARC Ltd*

**Mission.** ARC's Ltd's core mission seeks to improve the capacity of African Nations countries to deal with the impacts of climate change and natural disasters, including the improvement of social equity and use of transparent, best-practices related to the governance of its activities.

In 2014 at formation, ARC Ltd adopted a Founding Policy Handbook to ensure that our climate insurance programs were guided by international standards in support of the institutional mission to protect vulnerable populations. ARC Ltd operates as a non-profit risk financing affiliate of the African Union's ARC Agency. ARC Ltd's resources are deployed to further the mission of the ARC Agency and its founding treaty.

ARC Ltd's Founding Policy Handbook contains these key policies, drafted with reference to best-practices derived from multi-lateral cooperation and development programs. ARC Agency is hosted by the United Nations and follows the World Food Program's ESG practices.

The **Founding Policies** are divided into 17 Chapters

1. Anti-Money Laundering (FATF Standards)
2. Anti-Corruption & Whistleblower
3. Investment
4. Insurance
5. Transparency/Disclosure
6. Procurement Policy
7. Conflicts of Interest Policy
8. Compliance Monitoring
9. Borrowing
10. Sanctions Policy
11. Risk Policy
12. Expense Reimbursement Policy
13. Director Appointment and Evaluation Policy
14. Environmental and Social
15. Budget Policy

16. Tax

17. Development Impact Policy

The Founding Policy Handbook may be accessed here: <https://bit.ly/3gTWZQG>

**Assessment and Improvement.** The ARC Ltd CEO commissioned an assessment of ARC Ltd's standards, guidelines and policies in January 2021 and these resulting ESG Standards have been adopted by ARC Ltd Management effective as of 1 July 2021 to improve and strengthen ESG practices. ARC Ltd Management will review and assess the Founding Policies and these ESG Standards on an annual basis, and with the support of external evaluators on a bi-annual basis to evaluate our practices and to identify areas that may be improved. The following ESG Standards supplement our Founding Policies and are to be read alongside those policies. The ESG Standards are operational in nature and provide guidance to ARC Ltd Management in the fulfillment of its mission and contribution to the development agenda. ARC Ltd was the second development insurance program to be established, and is now one of a handful of such institutions globally. ARC Ltd's ESG practices aim to exceed those of for-profit insurance companies.

#### **ESG Standards Framework.**

ARC Ltd operates virtually with fewer than a dozen staff and consultants, based around the African continent to better serve the 35 ARC Agency member states that have signed the ARC treaty. As a result, ARC Ltd rents temporary shared-office space in Johannesburg South Africa near the United Nations (ARC Agency) complex, with a hot-desk arrangement to accommodate the occasional times that more than 3 individuals are in South Africa at the same time.

ARC Ltd operates as a paperless non-profit disaster insurance entity, whose purposes include data driven, quick payouts to countries following a natural disaster, to help countries deploy humanitarian assistance. ARC Ltd has no manufacturing, supply chain or other mechanisms involving the creation of green-house gases or other environmentally impactful products or byproducts. ARC Ltd's environmental footprint is negligible due to its staffing and operational structure.

#### **GHG Control and Reduction.**

- (i) To minimize GHG, ARC Ltd operates remotely with a shared office space of around 30sqm. Staff are instructed to use paperless systems and to recycle in the office and in home offices where-ever possible.
- (ii) When ground travel is required, staff are encouraged to take shared-ride and fuel-efficient vehicles wherever possible.
- (iii) ARC Ltd's travel agency is instructed to purchase carbon off-set credits when booking flights, where such credits do not add significant cost to the price of tickets, given our non-profit mission and financial efficiency requirements as a steward of public finance.

- (iv) ARC Ltd will report its estimated GHG emissions in its annual report starting in 2021, with a target of 0% GHG emissions.

### **Environmental Policy.**

- (i) ARC's fundamental purpose is to provide information and to create environmental awareness regarding climate change. Its programs are intended to raise the awareness about drought and other climate change events and their impacts on vulnerable populations through contingency plans and raising awareness among African governments. All of the capacity-building and reporting programs are provided to create environmental awareness. See [www.africanriskcapacity.org](http://www.africanriskcapacity.org).
- (ii) Our shared office space, small cadre of distributed staff/consultants and paperless systems demonstrate our commitment environmental management of our operations.
- (iii) is committed to implementing environmental management system through its travel policies, which encourage remote ways of working, and using shared office space and the company's commitment to use recycled paper products and other items as possible and to be aggressive in terms of recycling.
- (iv) As part of the annual and bi-annual reviews, ARC Ltd will monitor and report on any changes to its environmental impact and performance starting from 2021.
- (v) ARC Ltd's annual report, starting with the 2020 report, reports on environmental issues that impact ARC Member States.
- (vi) ARC Ltd holds quarterly update meetings with its African Member States and an annual general member meeting where environmental issues relating to floods, drought, tropical cyclone and other matters are consulted across all stakeholders. This consultation informs ARC Ltd's insurance program development and implementation strategies and workplans.

### **Environmental Management Systems.**

Although ARC Ltd's structure, staffing and financial services activities have no measurable environmental impact as outlined in these ESG Standards, ARC Ltd nevertheless promotes environmental awareness, especially as it relates to climate change, as its core mission.

- (i) ARC Ltd's bye-laws and Founding Policies require managerial and Board responsibility for oversight of all issues relating to the fulfillment of ARC's mission including environmental issues and impacts.

- (ii) The introduction of any new services or activities by ARC Ltd is reviewed by the Board and by the Audit and Risk Committee for any impacts on the environment or any environmental or other regulatory requirements.
- (iii) If ARC Ltd were to shift from a virtual, non-profit financial services organization to a manufacturing or other business implicating environmental impacts, the Board and Bermuda regulators would be required to approve and monitor such a change to the business plan or model, including the setting of objectives, targets and a schedule for managing environmental impacts and programs, allocating roles and responsibilities across the Board, Audit and Risk Committee and Management, targeted training and awareness programs for employees would be implemented at the time the business plan amendment was approved, and internal and external communications systems would be mobilized to report on environmental management issues. These matters would then be reported in each ARC Ltd Annual Report.
- (iv) ARC Ltd reporting requires monitoring and impact measurement and if the business plan and model were to change, environmental performance records, audits and impacts would be reported in the annual report for that year, and thereafter, including any activities required to target and measure improvement.
- (v) EMS external certification is inapplicable to ARC Ltd at this time, however if there were a change in the business plan or activities, such measures would require external certification, by ISO and other international standards and detailed in ARC Ltd's annual reports.

### **Physical Climate Risk Management.**

ARC Ltd's institutional purpose is to help African countries manage climate risk through risk financing, disaster risk management and humanitarian intervention.

- (i) ARC publishes extensive materials recognizing physical risks and impacts related to climate change, and provides insurance programs to African countries to mitigate climate change.
- (ii) The full attention of ARC Ltd management and the Board is deployed to help ensure the institution provides responsible solutions for member states to support the impact of climate change.
- (iii) All ARC Ltd insurance programs and underwriting strategy is directed at dealing with physical climate change. ARC countries undergo annual reviews of risk profile assessments and this then informs the development of insurance programs which are at the heart of ARC Ltd's business strategy.

- (iv) All ARC reporting and services focus on reporting and assessment of physical climate change and risks born by vulnerable populations in African Member states. All ARC Ltd Initiatives help countries manage and adapt to physical climate change risks. See [www.africanriskcapacity.org](http://www.africanriskcapacity.org).

#### **GHG Reduction Programs.**

- (i) As described above, ARC Ltd has no measurable GHG emissions due to its distributed staffing model, and its paperless financial services model.
- (ii) ARC Ltd's programs and messaging encourage countries to reduce GHG in order to reduce the need for disaster insurance related to climate change.
- (iii) It is the Board and Management's responsibility to review ARC Ltds programs and activities for any change to GHG emissions that may be raised by any future change to ARC Ltd's business plan. For any amended business plan, ARC Ltd would be required to implement initiatives to reduce GHG emissions, to set reduction targets and deadlines and to monitor and audit GHG emissions since any change to ARC Ltd's business plan that increased GHG would be fundamentally in opposition to the purposes ARC was established.

#### **Renewable Energy Programs.**

- (i) As described above, ARC Ltd has no measurable GHG emissions due to its distributed staffing model, and its paperless financial services model.
- (ii) If ARC Ltd established a permanent office with staff in excess of 25 individuals and had a fundamental change in its business plan and activities, the Board and Management would be required to assess the best office planning and space to take advantage of all renewable energy options in that location, including solar, wind, bio-mass, thermal and other sources of energy to meet the requirements of the office space and needs.

#### **Green Procurement Policy.**

Chapter 6 of the Founding Policy Handbook, Procurement, is supplemented to include the following requirements for procurement of goods and services in excess of US\$5000, bidding vendors will be assessed on the following requirements and procurement scoring will, in addition to value for money, include weighting for:

- (i) Vendor ESG standards relating to goods and services offered to ARC Ltd.
- (iii) As described above, ARC Ltd has no measurable environmental impacts based on its distributed staffing model, and its paperless financial services model, however if this changed, suppliers of goods and services with potential and actual environmental

impacts would be engaged by Management to implement any requirements to improve environmental performance, to meet ARC Ltd's ESG standards.

### **Carbon Intensity Trend.**

- (i) As described above, ARC Ltd has no measurable environmental impacts based on its distributed staffing model, and its paperless financial services model ARC's carbon intensity value is negligible.
- (ii) ARC Ltd's carbon intensity trend is flat, with no statistically possible decrease in carbon intensity since ARC Ltd does not produce carbon by virtue of its model and services.
- (iii) If ARC's business model and activities changed, ARC Ltd would report its carbon intensity values and trends in its annual reports.

### **Renewable Energy Use.**

- (i) As described above, ARC Ltd has no measurable environmental impacts based on its distributed staffing model and its paperless financial services model.
- (ii) If ARC's business model and activities changed, and a permanent office were required for staff in excess of 25 persons, ARC Ltd would seek and report on the use of renewable energy in its office environment in its annual reporting.

### **Carbon Intensity.**

- (i) If ARC's business model and activities changed, ARC Ltd would report its carbon intensity values.
- (ii) Currently there are no statistically meaningful metrics to be reported.

### **Responsible Asset Management.**

- (i) ARC Ltd is a signatory to the UNPRI.
- (ii) ARC Ltd's asset managers are required to apply UNPRI principles and environmental standards to all investment, including specific prohibitions on investments in the production of or trade in arms, i.e., weapons, munitions or nuclear products designated for military purposes, controversial weapons, all investments detailed in the full Norges List (Observation and exclusion of companies (nbim.no)), the KFW Exclusions list, gambling; adult entertainment industry; alcoholic beverages (excluding beer and wine); tobacco/tobacco related products and coal, oil sands or fracking activities.

### **Sustainable Finance Initiatives.**

ARC's purpose is to provide sustainable finance tools and programs to help African member states deal with the impacts of climate change and natural disasters.

### **Gender Pay Disclosures.**

- (i) ARC Ltd has fewer than 10 staff/consultants so with only 4 available grades.
- (ii) ARC Ltd pays equal pay without regard for gender or other discrimination and its pay is benchmarked to non-profit and other development initiatives.
- (iii) ARC Ltd has no pay gap based on gender and thus has not deviation tied to a global median metric. ARC Ltd salary and remuneration are gender-equal for employment categories.

### **Human Capital Development.**

- (i) Recruitment and selection is a critical component of ARC Ltd.'s human resources function. The requirements as laid down by the Region's Labour Relations and related legislation ensure that recruitment and selection practices are sound and non-discriminatory. Failure to adhere to fair recruitment procedures may expose an organization to legal pressures from job applicants.
- (ii) The aim of **recruitment** is to find a suitable pool of people from which an appointment can be made. Therefore, through carefully adopted and implemented recruitment and selection procedures, ARC Ltd Company is committed to placing the right people in the right positions at the right time and optimising the Company's return on the investment in human capital.
- (iii) Our human capital investment is explicitly framed in ARC Ltd's individual development plans which forms part of the ARC Ltd's annual performance management assessment for staff.
- (iv) Retention of key talent is underpinned by an incentive and rewards programme that is aligned to the company's and individual performance targets.
- (v) ARC Ltd's performance appraisal policy takes a top-down and bottom-up approach providing an open feedback mechanism.

### **Social Supplier Standards.**

Chapter 6 of the Founding Policy Handbook, Procurement, is supplemented to include the following requirements for procurement of goods and services in excess of US\$5000, bidding vendors will be assessed on the following requirements and procurement scoring will, in addition to value for money, include weighting for the following supplier standards for vendors providing goods and services, confirmation from the applicable vendor that its policies and practices address:

- (i) Health and safety
- (ii) Minimum living wages and maximum working hours
- (iii) Freedom of association and the right to collective bargaining
- (iv) Prohibit child labour
- (v) Promotes acceptable living conditions
- (vi) Practices non-discrimination
- (vii) Prohibits corporal punishment/disciplinary practiced and forced labour

#### **Supply Chain Monitoring.**

- (i) As described above, ARC Ltd is a non-profit institution, operates with a small cadre of staff/consultants and uses a paperless financial services model.
- (ii) If ARC's business model and activities changed to include manufacturing or other large scale supply chain acquisitions and management, ARC Ltd supply chain partners would be required to report on all ESG practices in the annual service provider evaluation and procurement opportunities would be linked to those ESG practices.

#### **Data Privacy & Security.**

ARC Ltd serves African Members states, and generally the parties on the insurance transactions are public government agencies. ARC Ltd does not conduct commercial or retail financial service activities and thus does not collect or process private user data. If ARC Ltd were to change its business model and collect and process private user data then Chapter 5 of the Founding Policy Handbook, Transparency/Disclosure, is supplemented to include the following requirements:

- (i) Data subjects will be notified within 5 business days of any changes in privacy and data processing policy changes or any data breach.
- (ii) For database and electronic transactions involving user data, ARC Ltd will apply industry leading IT and data protection standards which will only process user data as permitted by GDPR, with explicit consent of the data subject and respect for privacy rules and regulations.



- (iii) As required by GDPR standards, ARC Ltd will only process user for the stated purpose it was collected and under terms and conditions governing its use and onward transmission to third parties, with confirmation that such third parties to comply with ARC Ltd's data protection and privacy policies.

### **Data Privacy Program.**

Chapter 5 of the Founding Policy Handbook on Transparency/Disclosure is supplemented to include the following:

- (i) ARC Ltd reserves the right to access, monitor and inspect, copy, record and/or store, at any time, all user activity on its technology resources with or without notice to the user or consent from the user. This includes but is not limited to:
  - a) E-mail and Internet usage;
  - b) Telephonic conversations;
  - c) Information access;
  - d) Software usage; and
  - e) Communications and other content transmitted, received or stored in connection with ARC Ltd's systems use.
- (ii) Users should not have any expectations of privacy of their non-work related personal data, as all data created and/or stored within ARC Ltd's ICT environment is the property of the ARC Ltd.
- (iii) ARC Ltd will not access any personal information unless there is a reason to do so, e.g. an investigation is being conducted on a particular user.

### **Cybersecurity Program.**

In addition to ARC Ltd's cybersecurity outsource professional IT security and monitoring program, these ESG Standards require employees and users comply with:

- (i) All users of ARC Ltd's ICT equipment will be accountable for their actions within ARC Ltd's ICT environment and therefore are fully responsible for all their activities within ARC Ltd's ICT environment.
- (ii) Certain actions by users of ARC. Ltd's ICT assets are prohibited to ensure the safety and security of ARC Ltd's ICT assets and its information. Each user must know what actions are prohibited when using ARC Ltd's ICT assets.
- (iii) ARC Ltd's email and internet facilities should be used in an acceptable, ethical and secure manner.

- (iv) All users of ARC Ltd's ICT equipment will be allowed appropriate use of ARC Ltd's ICT resources.
- (v) Software and application usage are regulated within the ARC Ltd and should therefore be used appropriately and without contravening any relevant legislation or regulation pertaining to ICT.
- (vi) Physical security and personal care should be exercised by all ICT users to ensure a properly protected and maintained ICT environment within ARC Ltd.
- (vii) Users shall report incidents and unacceptable activities to their line manager or ICT business unit.

### **Financial Inclusion.**

ARC Ltd's institutional purpose is to help African countries manage climate risk through risk financing, disaster risk management and humanitarian intervention which targets vulnerable populations to ensure inclusion in the distribution of humanitarian support. See [www.africanriskcapacity.org](http://www.africanriskcapacity.org).

### **Collective Bargaining Agreements.**

- (i) ARC Ltd has fewer than 10 staff/consultants graded across 4 categories. ARC Ltd employment and HR policies encourage freedom of association and recognize ILO standards.
- (ii) ARC staff are entitled to collective bargaining, if the matter were to become applicable due to an increase in staff and any demarcation between management and labor.

### **Employee Turnover Rate.**

ARC Ltd's employee turnover rate is less than 10% historically.

### **Employee Training.**

- (i) ARC Ltd's promotes employee development which includes training that is not limited to the number of training days but the needs of the employees.
- (ii) In all instances, all employees must have a standardised accepted and signed individual Performance Agreement which includes Personal Development Plan (PDP) which must be compiled annually.

- (iii) Consideration shall also be given to any training or development needs that would support the growth and development of the Employee, which may include dialogue regarding the Employee's career aspirations and opportunities for further development.
- (iv) All development and training for employees is guided by the ARC Ltd performance management policy

#### **Activities in Sensitive Countries.**

- (i) ARC Ltd's institutional purpose is to help African countries manage climate risk through risk financing, disaster risk management and humanitarian intervention.
- (ii) ARC Ltd does not conduct commercial or other activities in sensitive countries. See [www.africanriskcapacity.org](http://www.africanriskcapacity.org).

#### **Tax Disclosure.**

- (i) ARC Ltd is a non-profit organization and is thus tax exempt.
- (ii) ARC Ltd has no shareholders, so its activities are not commercial and do result in profits, dividends or distributions.
- (iii) Chapter 16 of the Founding Policy Handbook, Tax, confirms ARC Ltd's policy to respect all national tax requirements arising in connection with its activities.

#### **ESG Reporting Standards.**

With the adoption of these ESG Standards, ARC Ltd will report on all of ESG activities described in this document in its annual reports, starting from 2021.

#### **ESG Reporting Verification.**

- (i) On an annual basis, ARC Ltd's internal audit function will verify ARC Ltd's ESG reporting activities reviewed at the request of the Audit & Finance Committee for the applicable year.
- (ii) ARC Ltd's policy is to verify all ESG Standards reporting on a bi-annual basis.

#### **Bribery and Corruption Policy.**

Chapters 1 & 2 of the Founding Policy Handbook, Anti-Money Laundering (FATF Standards) and Anti-Corruption & Whistleblower policies confirm ARC Ltd's adherence to international standards. Those chapters are supplemented to include the following requirements

- (i) Consistent with international best-practices, ARC Ltd prohibits the use of facilitation payments for any reason.
- (ii) ARC Ltd's non-profit status, its activities are not commercial in nature and do not give rise to payments or value offered to any public official relating to its disaster risk management insurance programs.

### **Bribery and Corruption Programs.**

Chapters 1 & 2 of the Founding Policy Handbook, Anti-Money Laundering (FATF Standards) and Anti-Corruption & Whistleblower policies confirm ARC Ltd's adherence to international standards. Those chapters are supplemented to include the following requirements:

- (i) ARC Ltd's non-profit status, its activities are not commercial in nature and do not give rise to payments or value offered to any public official relating to its disaster risk management insurance programs.
- (ii) ARC staff are instructed to review and report any activity using the Whistle-blower hotline relating to any incidences of bribery or corruption relating to the ARC's programs in Member States.
- (iii) Staff sign off on the Founding Policy Handbook when entering into employment or consulting agreements, which include representation and warranties of ongoing compliance to policies as they are updated from time to time.
- (iv) Staff are required to participate in periodic training about all ARC Ltd policies and procedures.
- (v) ARC Ltd's risk register includes assessment of risk in ARC countries relating to bribery and corruption.

### **Whistleblower Programs.**

- (i) ARC Ltd's Whistleblower Hotline, provided by Lighthouse, is a professionally managed service operating under strict guidelines, investigation and record-keeping requirements tied to any incident.
- (ii) The Whistle-blower Hotline reports monthly to the Internal Audit function and the Chair of the Audit and Finance Committee. From inception, no incidences of fraud or corruption, or any other event, has been reported via the Hotline.

### **Business Ethics Program.**

- (i) ARC management is responsible for ensuring that ARC Ltd operates under international best practices relating to business ethics. However, ARC Ltd's non-profit status, means its activities are not commercial in nature. ARC Ltd operates to fulfill its development mission to help African member states better deal with the impacts of climate change and natural disasters in order to protect vulnerable populations.
- (ii) ARC's risk register requires periodic risk assessment to balance the political interests of member states with the businesslike approach required of a development insurance facility to protect the principle of mutuality among all member state participants.
- (iii) Staff are required to participate in periodic training about all ARC Ltd policies and procedures.

### **Global Compact Signatory.**

The ARC Ltd CEO joined and signed the Global Compact on 1 June 2021.

### **PRI Signatory.**

ARC Ltd is has been a signatory of the PRI initiative since its inception.

### **Responsible Investment Policy.**

- (i) ARC Ltd is a signatory to the UNPRI.
- (ii) ARC Ltd's asset managers are required to apply UNPRI principles and environmental standards to all investment, including specific prohibitions on investments in the production of or trade in arms, i.e., weapons, munitions or nuclear products designated for military purposes, controversial weapons, all investments detailed in the full Norges List (Observation and exclusion of companies (nbim.no)), the KFW Exclusions list, gambling; adult entertainment industry; alcoholic beverages (excluding beer and wine); tobacco/tobacco related products and coal, oil sands or fracking activities.
- (iii) ARC Ltd's engages with its partner organization on ESG issues as part of its core mandate to protect vulnerable populations against the the impacts of climate change and natural disasters.

### **UNEPFI Signatory.**

ARC Ltd is has been a signatory of the UNEP Finance Initiative since its inception.

### **Responsible Investment Program.**

- (i) ARC Ltd's asset managers are required to apply UNPRI principles and environmental standards to all investment, including specific prohibitions on investments in the production of or trade in arms, i.e., weapons, munitions or nuclear products designated for military purposes, controversial weapons, all investments detailed in the full Norges List (Observation and exclusion of companies (nbim.no)).
- (ii) ARC Ltd's investment guidelines incorporate the KFW Exclusions list, gambling; adult entertainment industry; alcoholic beverages (excluding beer and wine); tobacco/tobacco related products and coal, oil sands or fracking activities.
- (iii) ARC Ltd's investment objectives are capital preservation, given the stewardship of public financial resources. The investment targets are not speculative and are tied to sustainable financial operation of insurance programs, within the context of its non-profit mission.

### **Underwriting Standards.**

Chapter 4 of the Founding Policy Handbook, Insurance – underwriting, is supplemented to include the following:

- (i) In 2020, ARC Ltd obtained a BBB+ rating with Fitch to underscore its underwriting strength. This rating is the second highest on the African continent for re/insurance.
- (ii) In 2020, the ARC Underwriting and Reinsurance Committee also adopted a formal Risk Appetite Statement and Framework built on Remetrica in order to strength its underwriting processes and capacity.

### **Money Laundering Policy.**

ARC Ltd's Founding Policy Chapter 1 Anti-Money Laundering, ensures adherence to international best practices.

### **Compliance Program.**

- (i) ARC management is fully responsible for operational compliance relating to money laundering safeguards.
- (ii) ARC Ltd's insurance operations are outsourced to Marsh Bermuda, which is a regulated and licensed entity by the Bermuda Monetary Authority. This provides segregation of duties, sanctions compliance KYC and AML review functions which are core to ARC Ltd's programs.

- (iii) ARC Ltd is tax exempt as a non-profit development insurance institution focused on protecting vulnerable populations. ARC's programs do not facilitate tax evasion due since its activities are underpinned by public finance.
- (iv) Staff are required to participate in periodic training about all ARC Ltd policies and procedures.
- (v) ARC Ltd's Whistle-blower Hotline reports monthly to the Internal Audit function and the Chair of the Audit and Finance Committee. From inception, no incidences of fraud or corruption, or any other event, has been reported via the Hotline.

### **ESG Governance.**

ARC Ltd Board and Management are responsible for oversight of all ESG issues.

### **ESG Performance Targets.**

ARC Ltd staff compensation is tied to its non-profit mission and is fully guided by KPIs to gauge performance and contribution to ARC's development mission and its ESG objectives.