

# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

## ESG Risk Rating

# 10.3

Updated Jul 14, 2021

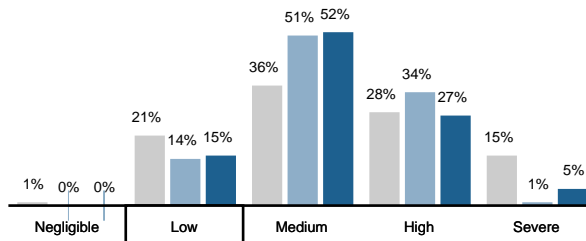
Not  
available

Momentum

## Low Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk)	(1 <sup>st</sup> = lowest risk)
Global Universe	139/14194	2nd
Insurance INDUSTRY	1/291	1st
Diversified Insurance Services SUBINDUSTRY	1/73	1st

## Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. The African Risk Capacity Insurance Co. Ltd.	27.1 Low	66.3 Strong	10.3 Low
2. Achmea BV	37.7 Medium	53.2 Strong	18.7 Low
3. Länsförsäkringar AB	35.0 Medium	43.1 Average	20.7 Medium
4. Crédit Agricole Assurances SA	35.0 Medium	34.8 Average	23.4 Medium
5. Groupama Assurances Mutuelles SA	37.1 Medium	37.4 Average	24.0 Medium

# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

### ESG Risk Exposure

**27.1**

**Low**

Beta = 0.97

Not available

Momentum

Low	Medium	High
0-35	35-55	55+
▼		
SubIndustry		

ARC ensures climate disaster risks for 34 member states, implying an ongoing cooperation with state officials. The company could thus face ethical issues related to corruption, money laundering or conflicts of interests. Additionally, ARC has to manage and invest premiums collected from member states and financing partners. Investing into controversial industries or companies may lead to reputational damage and lose of member states' trust. Furthermore, ARC relies on a highly qualified staff with expertise in both insurance and climate change. Failure to hire, motivate and retain such employees could lead to skill shortage and operational inefficiencies.

The company's overall exposure is low and is similar to subindustry average. ESG Integration - Financials, Business Ethics and Human Capital are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

### ESG Risk Management

**66.3**

**Strong**

Not available

Momentum

Strong	Average	Weak
100-50	50-25	25-0
▼		

ARC's overall ESG-related disclosure is not in accordance with GRI reporting standards, lagging behind best practice. The company's ESG-related issues are overseen by the executive team, suggesting that these are integrated in core business strategy.

The company's overall management of material ESG issues is strong.

# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

## Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating.

Issue Name	ESG Risk Exposure Score   Category	ESG Risk Management Score   Category	ESG Risk Rating Score   Category	Contribution to ESG Risk Rating
Data Privacy and Security	6.0 Medium	30.0 Average	4.6 Medium	44.4%
Human Capital	5.0 Medium	48.7 Average	2.7 Low	26.1%
Corporate Governance	5.0 Medium	55.0 Strong	2.3 Low	21.9%
Business Ethics	6.0 Medium	97.2 Strong	0.5 Negligible	4.5%
ESG Integration -Financials	5.1 Medium	93.6 Strong	0.3 Negligible	3.2%
<b>Overall</b>	<b>27.1 Low</b>	<b>66.3 Strong</b>	<b>10.3 Low</b>	<b>100.0%</b>

## Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

### Category (Events)

**5 Severe (0)**

**4 High (0)**

**3 Significant (0)**

**2 Moderate (0)**

**1 Low (0)**

# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

## Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

## Category (Events)

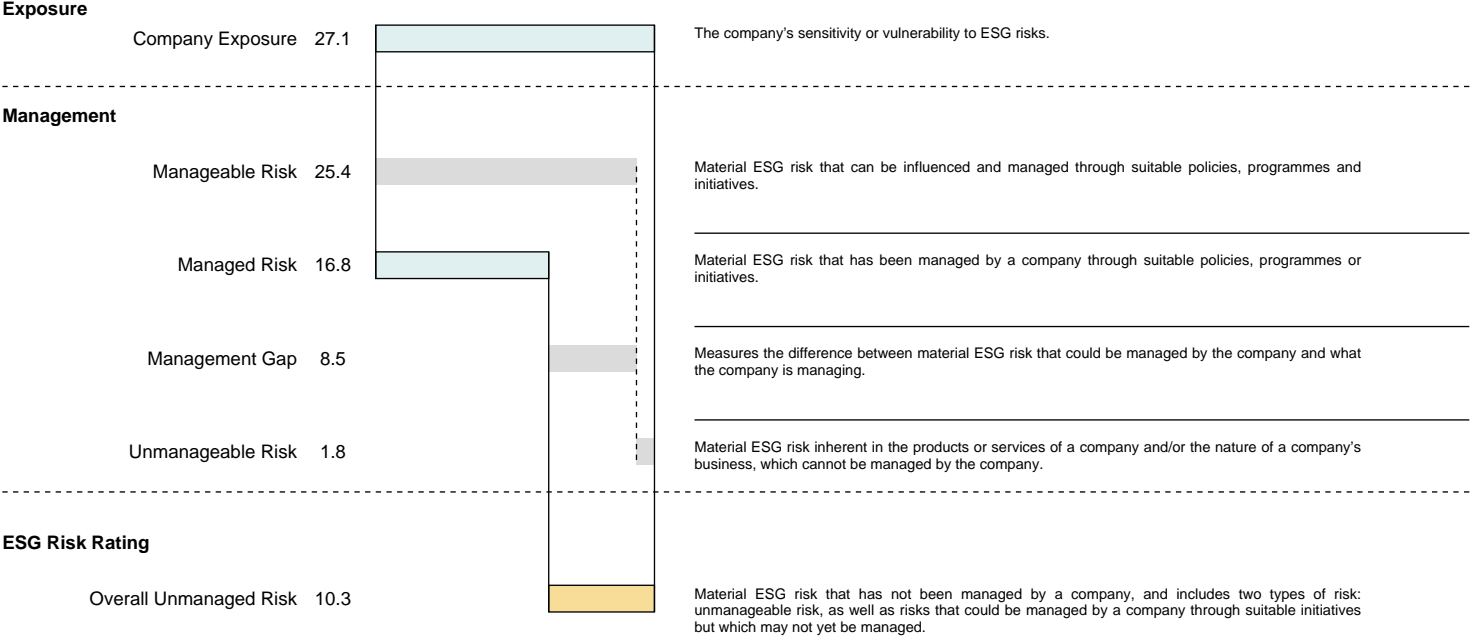
**⚠ None (12)**

- Accounting and Taxation
- Anti-Competitive Practices
- Bribery and Corruption
- Business Ethics
- Carbon Impact of Products
- Data Privacy and Security
- Environmental Impact of Products
- Labour Relations
- Lobbying and Public Policy
- Sanctions
- Social Impact of Products
- Society - Human Rights

# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

## Risk Decomposition



## Momentum Details

Not available due to a lack of comparable historical information.

# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

## Issue

Contribution 44.4 %



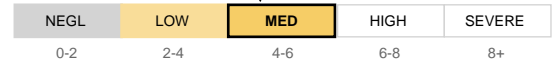
## Data Privacy and Security

Data Privacy and Security focuses on data governance practices, including how companies collect, use, manage and protect data.

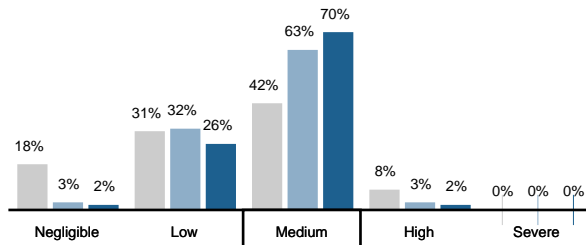
## ESG Risk Rating

# 4.6

## Medium Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK (1 <sup>st</sup> = lowest risk)	PERCENTILE (1 <sup>st</sup> = lowest risk)
Global Universe	1164/1851	63rd
Insurance INDUSTRY	82/152	54th
Diversified Insurance SUBINDUSTRY	21/43	48th

## Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Achmea BV	7.2 Medium	54.0 Strong	4.1 Medium
2. The African Risk Capacity Insurance Co. Ltd.	6.0 Medium	30.0 Average	4.6 Medium
3. Länsförsäkringar AB	6.0 Medium	20.0 Weak	5.0 Medium
4. Groupama Assurances Mutuelles SA	6.6 Medium	25.0 Average	5.3 Medium
5. Crédit Agricole Assurances SA	6.0 Medium	2.5 Weak	5.9 Medium

# The African Risk Capacity Insurance Co. Ltd.

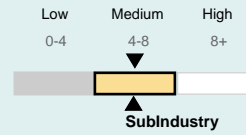
Diversified Insurance Services Bermuda

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

## ESG Risk Exposure

**6.0**  
Medium



The Insurance industry has access to highly sensitive customer information such as social security numbers, medical records, credit histories, financial data and driving records, making it a prime target for cyberattacks. Data security breaches include the loss of intellectual property and customers' personally identifiable information, which can compromise corporate strategy or allow the manipulation of confidential and regulated information. The insurance regulatory environment for data privacy and security is continuously evolving, and there is momentum toward developing uniform standards and a risk-based approach to regulating data-related issues across the EU and US. Data sovereignty issues, where customer information is stored on servers physically located in one country, while customers themselves reside in a different jurisdiction with more stringent data security rules, leave room for loopholes that may allow incursions on consumer privacy. Furthermore, due to an increasing frequency of data breaches, strong firewalls are key to ensure the data confidentiality. However, there is a current gap between the sophisticated nature of data security threats and insurers' ability to monitor, detect and prevent these attacks, due to generally weak management systems. The costs incurred by data security breaches can include service disruptions, as well as lawsuits, forensic investigations and the costs of repairing or removing threats from data systems. Furthermore, insurers may experience significant brand damage and loss of trust after a data breach. Companies with strong management have high-level oversight over data security issues and define internal processes to ensure that information security is an integral part of the risk management function, rather than a standalone unit. However, even strong management cannot fully mitigate cyberattack risks.

The company's exposure to Data Privacy and Security issues is medium and similar to the subindustry exposure.

### Exposure Analysis

Subindustry Issue Exposure	6.0
Issue Beta	x <b>1.00</b>
Company Issue Exposure	6.0

### Beta Indicators

### Beta Signal

Data Privacy and Security	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
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.00
Baseline	+1.00
Overall Beta	<b>1.00</b>

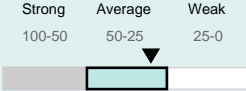
# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda


Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

## ESG Risk Management

**30.0**  
Average



In our view, the company's management of the issue is average.

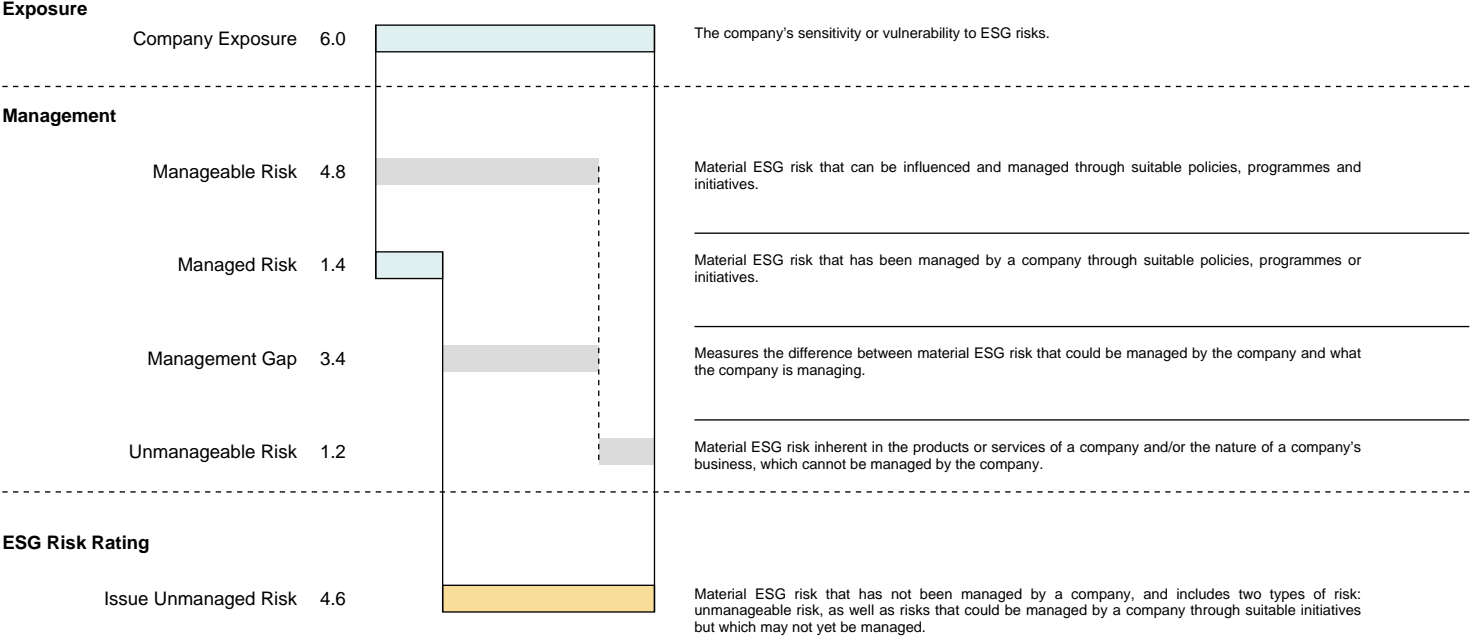
Management Indicators	Raw Score	Weight	Weighted Score
Data Privacy & Security Policy	50	20.0%	10.0
Cybersecurity Programme	25	40.0%	10.0
Data Privacy Programme	25	40.0%	10.0
 Data Privacy and Security	Category 0	0%	0.0
<b>Weighted Sum</b>			<b>30.0</b>



# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

## Risk Decomposition



# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

## Issue

Contribution 26.1 %



## Human Capital

Human Capital focuses on the management of risks related to scarcity of skilled labour as well as labour relations, such as non-discrimination, working hours and minimum wages.

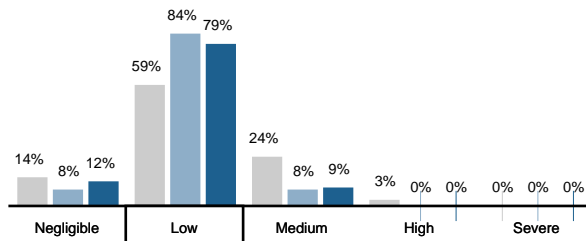
## ESG Risk Rating

# 2.7

## Low Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK (1 <sup>st</sup> = lowest risk)	PERCENTILE (1 <sup>st</sup> = lowest risk)
Global Universe	1365/4320	32nd
Insurance INDUSTRY	49/152	32nd
Diversified Insurance SUBINDUSTRY	11/43	25th

## Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. The African Risk Capacity Insurance Co. Ltd.	5.0 Medium	48.7 Average	2.7 Low
2. Groupama Assurances Mutuelles SA	5.5 Medium	52.6 Strong	2.8 Low
3. Länsförsäkringar AB	5.0 Medium	44.8 Average	2.9 Low
4. Achmea BV	5.5 Medium	45.5 Average	3.1 Low
5. Crédit Agricole Assurances SA	5.0 Medium	32.3 Average	3.5 Low

# The African Risk Capacity Insurance Co. Ltd.

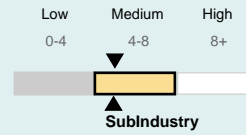
Diversified Insurance Services Bermuda

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

## ESG Risk Exposure

**5.0**  
Medium



As of FY2020, ARC employs only eight employees. However, these are highly qualified staff with specialized knowledge in finance, insurance, climate change, and abilities to forecast climate risks realization and to structure complex insurance deals. Inability to manage effectively its employees could lead to skill deficits, high training costs, compliance failures and operational inefficiencies. In addition, workplace discrimination issues could lead to lawsuits and damage ARC's reputation as an employer.

The company's exposure to Human Capital issues is medium and similar to the subindustry exposure.

### Exposure Analysis

Subindustry Issue Exposure	5.0
Issue Beta	x <b>1.00</b>
Company Issue Exposure	5.0

### Beta Indicators

### Beta Signal

Labour Relations	0.00
Operating Performance	0.00
Solvency	0.00
Financial Flexibility	0.00
Asset Performance	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.00
Baseline	+1.00
Overall Beta	<b>1.00</b>

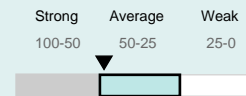
# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda


Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

## ESG Risk Management

**48.7**  
Average



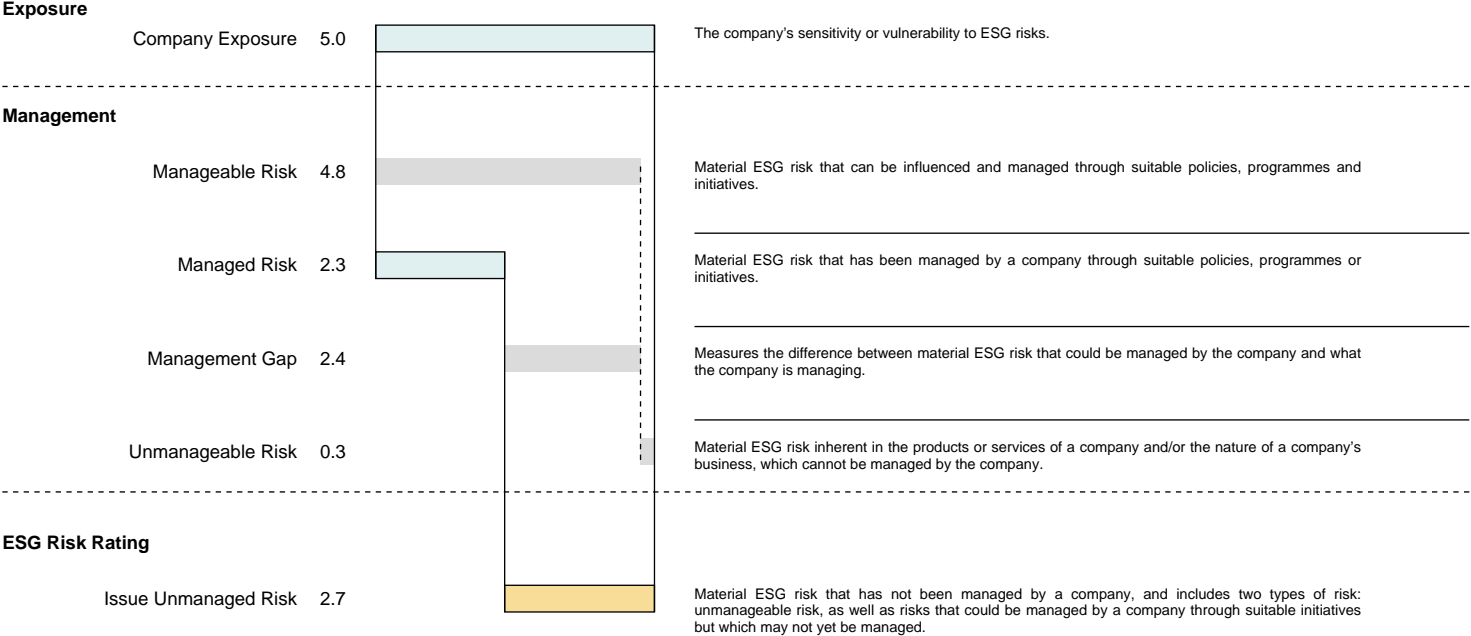
ARC respects its employees right of freedom of association and collective bargaining. Moreover, the company commits to treat all employees equally without regard of race, colour, gender, religion, sex, and other. A comprehensive diversity programme with employee diversity training, guidance, and monitoring is however missing. To support employees with family obligations, ARC provides them with opportunities to take specialised family responsibility leave and maternity or paternity leave. Furthermore, ARC recognizes the importance of retaining and developing its employees, thus conducting a semi-annual performance review for everyone in order to track employee satisfaction and support professional development. In our view, the company's management of the issue is average.

Management Indicators	Raw Score	Weight	Weighted Score
Employee Turnover Rate	100	5.3%	5.3
Employee Training	75	5.3%	3.9
Freedom of Association Policy	75	5.3%	3.9
Human Capital Development	75	28.9%	21.7
Discrimination Policy	50	15.8%	7.9
Diversity Programmes	25	23.7%	5.9
Gender Pay Disclosure	0	5.3%	0.0
Gender Pay Equality Programme	0	10.5%	0.0
 Labour Relations	<b>Category 0</b>	0%	0.0
<b>Weighted Sum</b>			<b>48.7</b>

# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

## Risk Decomposition



# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

## Issue

Contribution 21.9 %



## Corporate Governance

Corporate Governance represents foundational structures for the management of ESG risks.

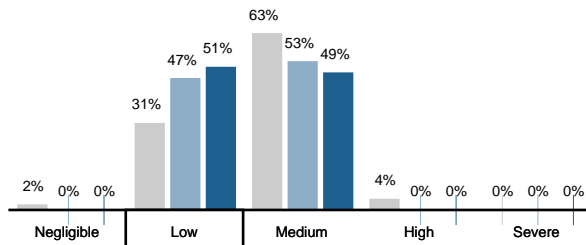
## ESG Risk Rating

# 2.3

## Low Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK (1 <sup>st</sup> = lowest risk)	PERCENTILE (1 <sup>st</sup> = lowest risk)
Global Universe	106/4576	3rd
Insurance INDUSTRY	3/152	2nd
Diversified Insurance SUBINDUSTRY	3/43	6th

## Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Achmea BV	5.0 Medium	59.0 Strong	2.1 Low
2. Länsförsäkringar AB	5.0 Medium	56.0 Strong	2.2 Low
3. The African Risk Capacity Insurance Co. Ltd.	5.0 Medium	55.0 Strong	2.3 Low
4. Groupama Assurances Mutuelles SA	5.0 Medium	48.0 Average	2.6 Low
5. Crédit Agricole Assurances SA	5.0 Medium	43.0 Average	2.9 Low

# The African Risk Capacity Insurance Co. Ltd.

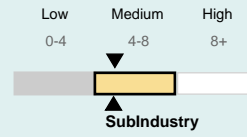
Diversified Insurance Services Bermuda

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

### ESG Risk Exposure

**5.0**  
Medium

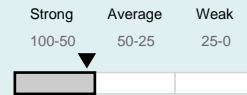


The company is not publicly traded, which positions stakeholder governance as the company's main governance area of focus. It may face decreased scrutiny of some governance practices compared to publicly traded companies. This translates into medium exposure to baseline Corporate Governance risk.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

### ESG Risk Management

**55.0**  
Strong



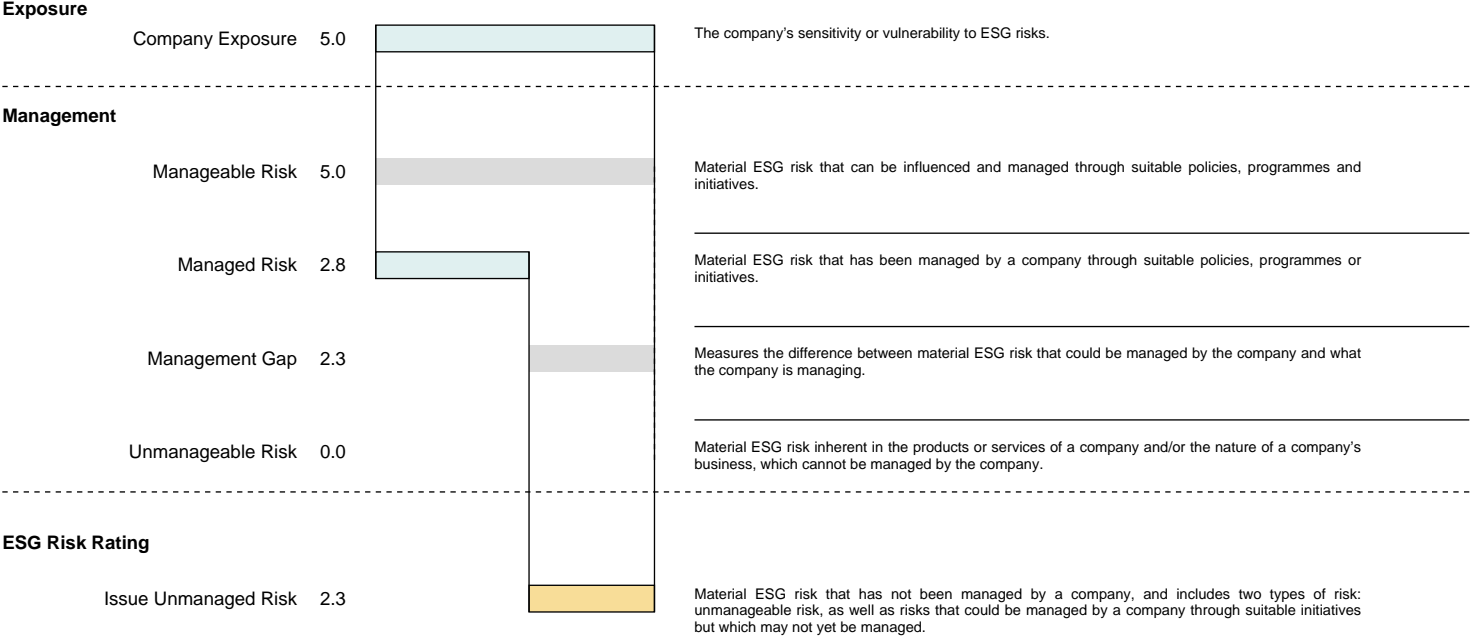
Overall, we rate the company's corporate governance management as strong.

Corporate Governance Pillars	Raw Score	Weight	Weighted Score
Stakeholder Governance	55	100.0%	55.0
<b>Totals</b>		<b>100.0%</b>	<b>55.0</b>

# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

## Risk Decomposition





# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

## Issue

Contribution 4.5 %



## Business Ethics

Business Ethics focuses on the management of ethical considerations applicable to most or all sectors, such as taxation and accounting, anti-competitive practices and intellectual property issues.

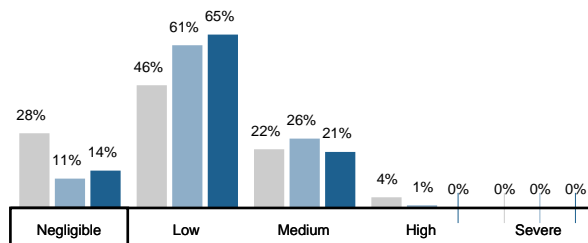
## ESG Risk Rating

# 0.5

## Negligible Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk)	(1 <sup>st</sup> = lowest risk)
Global Universe	53/4196	2nd
Insurance INDUSTRY	1/152	1st
Diversified Insurance SUBINDUSTRY	1/43	1st

## Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. The African Risk Capacity Insurance Co. Ltd.	6.0 Medium	97.2 Strong	0.5 Negligible
2. Achmea BV	6.6 Medium	60.6 Strong	2.8 Low
3. Länsförsäkringar AB	6.0 Medium	45.0 Average	3.4 Low
4. Crédit Agricole Assurances SA	6.0 Medium	38.8 Average	3.8 Low
5. Groupama Assurances Mutuelles SA	6.6 Medium	33.3 Average	4.5 Medium

# The African Risk Capacity Insurance Co. Ltd.

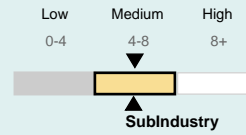
Diversified Insurance Services Bermuda

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

## ESG Risk Exposure

**6.0**  
Medium



Due to its specific mission of supporting African governments in combating the consequences of natural disasters, ARC's staff interacts constantly with governmental officials of 34 member states and representatives of international funding donors. Ethical infractions may include conflicts of interest, money laundering, compliance with financial sanctions as well as corruption and fraud. Organizations found guilty of involvement in unethical practices are exposed to prolonged investigations and increased reputational scrutiny.

The company's exposure to Business Ethics issues is medium and similar to the subindustry exposure.

### Exposure Analysis

Subindustry Issue Exposure	6.0
Issue Beta	x <b>1.00</b>
Company Issue Exposure	6.0

### Beta Indicators

### Beta Signal

Accounting and Taxation	0.00
Anti-Competitive Practices	0.00
Bribery and Corruption	0.00
Business Ethics	0.00
Lobbying and Public Policy	0.00
Sanctions	0.00
Operating Performance	0.00
Solvency	0.00
Financial Flexibility	0.00
Asset Performance	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
<b>Total Beta Signal</b>	<b>0.00</b>
Baseline	+1.00
<b>Overall Beta</b>	<b>1.00</b>

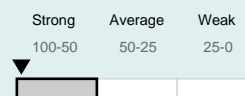
# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

## ESG Risk Management

**97.2**  
**Strong**



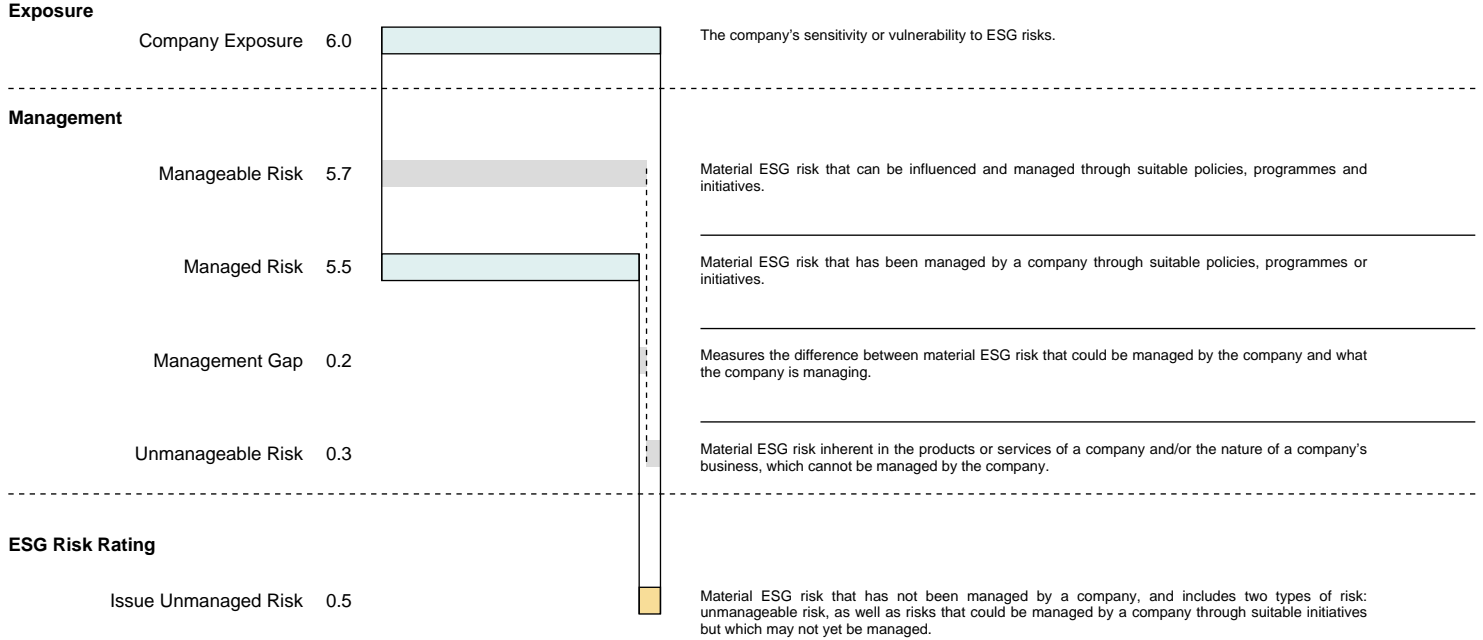
ARC has developed a comprehensive set of policies on ethical issues, which addresses definition and prohibition of bribery and corruption, conflicts of interests and fraud. Moreover, the company maintains a detailed anti-money laundering policy, which refers to FATF recommendations. ARC conducts reasonable due diligence of its counterparties before contracting with them, and screens and records all financial transactions. Furthermore, ARC maintains an easy-to-access whistleblowing channel, administrated by an independent third-party which reviews anonymous reports. In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Bribery & Corruption Programmes	100	16.7%	16.7
Business Ethics Programme	100	25.0%	25.0
Compliance Programme	100	16.7%	16.7
Money Laundering Policy	100	11.1%	11.1
Whistleblower Programmes	100	19.4%	19.4
Bribery & Corruption Policy	75	11.1%	8.3
Accounting and Taxation	Category 0	0%	0.0
Anti-Competitive Practices	Category 0	0%	0.0
Bribery and Corruption	Category 0	0%	0.0
Business Ethics	Category 0	0%	0.0
Lobbying and Public Policy	Category 0	0%	0.0
Sanctions	Category 0	0%	0.0
<b>Weighted Sum</b>			<b>97.2</b>

# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

## Risk Decomposition



# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

## Issue

Contribution 3.2 %



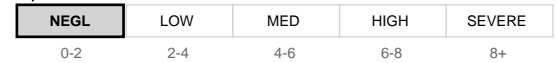
## ESG Integration - Financials

ESG Integration - Financials includes all ESG integration activities by financial institutions that are either driven by financial downside risk considerations or by business opportunities.

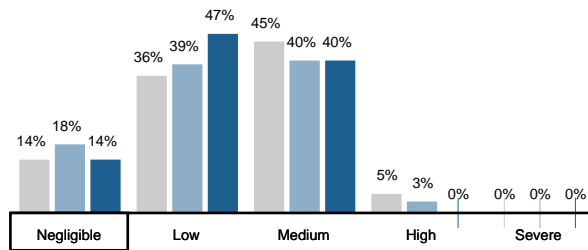
## ESG Risk Rating

# 0.3

## Negligible Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk)	(1 <sup>st</sup> = lowest risk)
Global Universe	8/1079	2nd
Insurance INDUSTRY	1/144	1st
Diversified Insurance SUBINDUSTRY	1/43	1st

## Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. The African Risk Capacity Insurance Co. Ltd.	5.1 Medium	93.6 Strong	<b>0.3 Negligible</b>
2. Achmea BV	5.7 Medium	60.6 Strong	<b>2.2 Low</b>
3. Länsförsäkringar AB	6.0 Medium	53.9 Strong	<b>2.8 Low</b>
4. Groupama Assurances Mutuelles SA	5.7 Medium	48.5 Average	<b>2.9 Low</b>
5. Crédit Agricole Assurances SA	6.0 Medium	46.2 Average	<b>3.2 Low</b>

# The African Risk Capacity Insurance Co. Ltd.

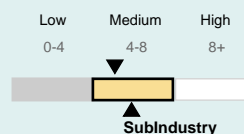
Diversified Insurance Services Bermuda

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

## ESG Risk Exposure

**5.1**  
Medium



In 2020 alone, ARC collected USD 21.1 million in gross written premiums. Through its asset management activity, ARC's faces exposure to risks associated with the financing of controversial industries and companies such as coal mines and weapons producers. Considering the shifting public expectations toward greater corporate accountability, ARC's inability to integrate environmental, social and governance (ESG) criteria into its investments could trigger member states dissatisfaction and increased stakeholder scrutiny.

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

### Exposure Analysis

Subindustry Issue Exposure	6.0
Issue Beta	x <b>0.85</b>
Company Issue Exposure	5.1

### Beta Indicators

### Beta Signal

Environmental Impact of	0.00
Social Impact of Products	0.00
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
<b>Total Beta Signal</b>	<b>-0.15</b>
Baseline	+1.00
<b>Overall Beta</b>	<b>0.85</b>

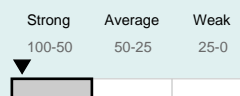
# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

## ESG Risk Management

**93.6**  
**Strong**



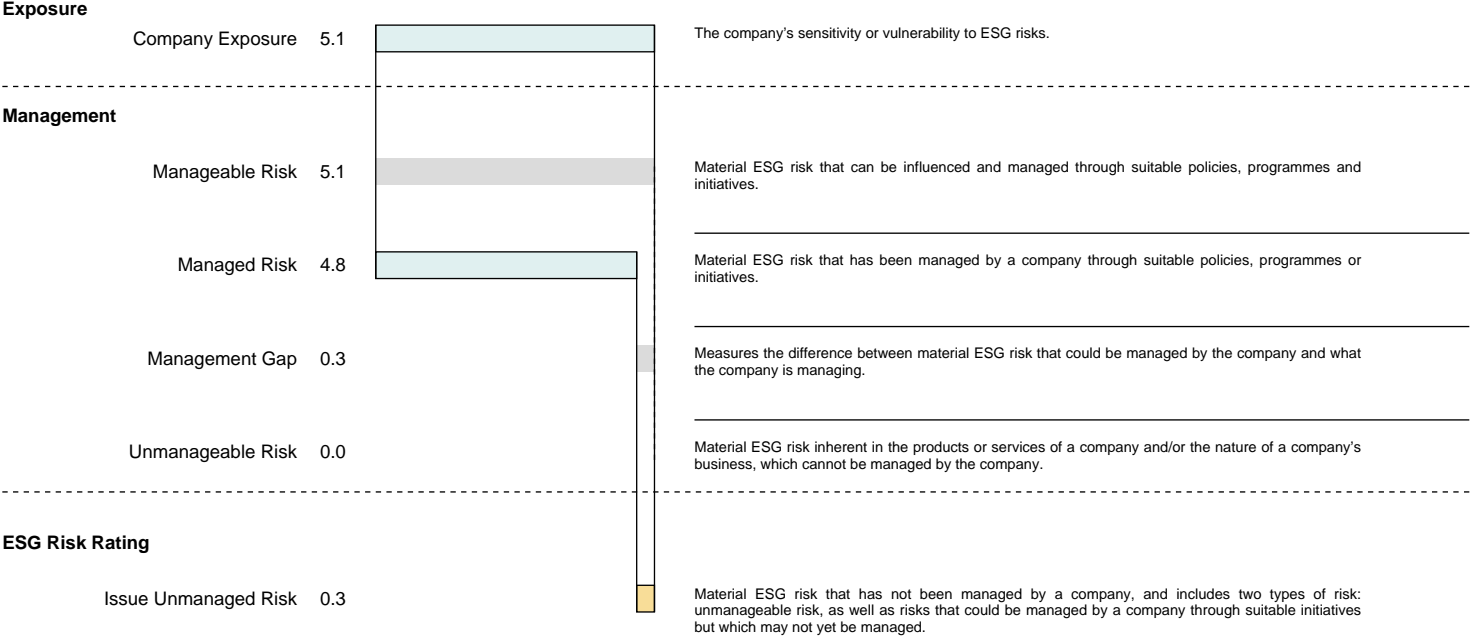
ARC has been a UN Principles for Responsible Investment signatory since February 2016. In support of its commitments, ARC requires hired asset managers to exclude from investing production and trade of arms and any products related to military purposes, and to follow the Exclusion List and Sectoral Guidelines of KfW Group, one of the funding donors. Furthermore, ARC monitors regularly ESG risks in its investment portfolio and choose asset managers, which 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
Sustainable Financial Initiatives	100	12.5%	12.5
Underwriting Standards	100	15.0%	15.0
UNEPFI Signatory	100	2.5%	2.5
Responsible Investment Policy	80	10.0%	8.0
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
<b>Weighted Sum</b>			<b>93.6</b>

# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

## Risk Decomposition





# Appendix



## Management Details



### Corporate Governance

#### Stakeholder Governance

55 Outperformer

Raw Score

In reviewing the company's practices regarding ESG stakeholder governance, points of attention for The African Risk Capacity Insurance Co. Ltd. are: ESG Governance, Whistleblower Programmes and ESG Performance Targets.

- ESG Governance: A board member or a board committee is responsible for overseeing ESG issues
- Whistleblower Programmes: The company has a very strong programme
- ESG Performance Targets: Executive compensation is explicitly tied to ESG performance targets




Indicators	Score
ESG Governance	100
Environmental Policy	100
Whistleblower Programmes	100
Tax Disclosure	0
Discrimination Policy	50
Scope of Social Supplier Standards	25
GHG Reduction Programme	25
Green Procurement Policy	40
ESG Reporting Standards	25
Verification of ESG Reporting	0
Global Compact Signatory	0
ESG Performance Targets	100
Political Involvement Policy	0
Lobbying and Political Expenses	50
Bribery & Corruption Policy	75

# Appendix

 **Exposure Details**

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 **Data Privacy and Security**

**EA.E.27 - Data Privacy and Security**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.F.1 - Operating Performance**

0.00  
Beta Signal

Data for this company is not yet available.

**EA.F.2 - Solvency**

0.00  
Beta Signal

Data for this company is not yet available.

**EA.F.3 - Financial Flexibility**

0.00  
Beta Signal

Data for this company is not yet available.

**EA.F.4 - Asset Performance**

0.00  
Beta Signal

Data for this company is not yet available.

**EA.G.1 - Headquarters Location**

0.00  
Beta Signal

Data for this company is not yet available.

**EA.G.3 - Sales Location**

0.00  
Beta Signal

Data for this company is not yet available.

**EA.S.1 - Qualitative Overlay**

0.00  
Beta Signal

The analyst did not apply a qualitative overlay.

**EA.S.2 - Subindustry Correction Factor**

0.00  
Beta Signal

**EA.S.3 - Exceptional Event Adjustment**

0.00  
Beta Signal

# Appendix



## Management Details

### S.3.1.3 - Data Privacy & Security Policy

50	20.00%	10.0
Raw Score	Weight	Weighted Score

The company has an adequate policy

**Criteria**

- Commitment to require third parties with whom the data is shared to comply with the company's policy
- There is a statement addressing the issue but it does not qualify as a policy as per Sustainalytics guidelines
- Commitment to implement leading data protection standards
- Commitment to obtain user data through lawful and transparent means, with explicit consent of the data subject where required
- Clear terms involving the collection, use, sharing and retention of user data including data transferred to third parties
- Commitment to notify data subjects in a timely manner in case of policy changes or data breach
- The company has a formal policy but it applies to less than 50% of the operations
- Commitment to collect and process user data that is limited to the stated purpose

**Sources**

ARC Annual Report 2020 (FY2020)  
 The company provided feedback on 23 June 2021 (analyst comments)

### S.3.1.3.1 - Data Privacy Programme

25	40.00%	10.0
Raw Score	Weight	Weighted Score

The company has a weak programme

**Criteria**

- Regular employee training on data privacy management
- Clear and accessible mechanisms for data subjects to raise concerns about data privacy
- Data subjects can access their accounts to erase, rectify, complete or amend personal information
- Regular privacy risk assessments or audits on the company's technologies and practices affecting user data
- Governance structures in place for privacy management

**Sources**

The company provided feedback on 23 June 2021 (analyst comments)

### S.3.1.3.3 - Cybersecurity Programme

25	40.00%	10.0
Raw Score	Weight	Weighted Score

The company has a weak programme

**Criteria**

- Regular internal security audits or vulnerability assessments or penetration testing of the company's systems, products and practices affecting user data
- Management system certified to ISO 27001 standards
- Governance structures in place for cybersecurity management
- Regular external security audits or vulnerability assessments of the company's systems, products and practices affecting user data
- Regular employee training on cybersecurity issues
- Operational measures to monitor and respond to data breaches and cyberattacks

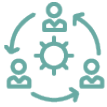
**Sources**

The company provided feedback on 7 July 2021

# Appendix

 **Exposure Details**

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 **Human Capital**

**EA.E.22 - Labour Relations**

---

0.00  
Beta Signal

The company is not involved in any controversies of this type.

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**EA.F.1 - Operating Performance**

---

0.00  
Beta Signal

Data for this company is not yet available.

---

**EA.F.2 - Solvency**

---

0.00  
Beta Signal

Data for this company is not yet available.

---

**EA.F.3 - Financial Flexibility**

---

0.00  
Beta Signal

Data for this company is not yet available.

---

**EA.F.4 - Asset Performance**

---

0.00  
Beta Signal

Data for this company is not yet available.

---

**EA.S.1 - Qualitative Overlay**

---

0.00  
Beta Signal

The analyst did not apply a qualitative overlay.

---

**EA.S.2 - Subindustry Correction Factor**

---

0.00  
Beta Signal

**EA.S.3 - Exceptional Event Adjustment**

---

0.00  
Beta Signal

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# Appendix



## Management Details

### S.1.1 - Freedom of Association Policy

75	5.26%	3.9
Raw Score	Weight	Weighted Score

The company has an adequate policy on freedom of association

**Sources**

ARC Annual Report 2020 (FY2020)

### S.1.2 - Discrimination Policy

50	15.79%	7.9
Raw Score	Weight	Weighted Score

The company has an adequate policy

**Criteria**

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

**Sources**

ARC Annual Report 2020 (FY2020)

### S.1.3 - Diversity Programmes

25	23.68%	5.9
Raw Score	Weight	Weighted Score

The company has a weak programme

**Criteria**

- Managerial or board level responsibility for diversity initiatives
- Diversity monitoring or audits
- Employee affinity groups, diversity councils, or networking groups
- Training and guidance regarding diversity
- Mentorship programmes
- Targeted recruitment
- Diversity initiatives that go beyond legal compliance
- Initiatives supporting a diverse workforce

**Sources**

The company provided feedback on 23 June 2021 (analyst comments)

### 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**

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

### S.1.3.2 - Gender Pay Disclosure

0	5.26%	0.0
Raw Score	Weight	Weighted Score

Based on available evidence, the company does not disclose related information

**Criteria**

- Disclosure of the company's global median raw gender pay gap
- Disclosure of ratio of basic salary and remuneration of women to men for specific employment categories (level or function)
- Disclosure of the company's global mean (average) raw gender pay gap

### S.1.5 - Employee Turnover Rate

100	5.26%	5.3
Raw Score	Weight	Weighted Score

The company's employee turnover rate is low

**Sources**

The company provided feedback on 7 July 2021

# Appendix



## Management Details

### S.1.5.2 - Human Capital Development

75	28.95%	21.7
Raw Score	Weight	Weighted Score

The company has a strong programme

#### Criteria

- Initiatives for talent development
- Formal mechanisms to promote an open feedback culture
- Initiatives for talent retention
- Regular formal performance reviews for all permanent employees aligned with career development
- Reporting on human capital development metrics
- Quantitative targets related to human capital development
- Reporting on human capital risk assessment
- Initiatives for talent recruitment

#### Sources

The company provided feedback on 23 June 2021 (analyst comments)

The company provided feedback on 7 July 2021

### S.1.6.1 - Employee Training

75	5.26%	3.9
Raw Score	Weight	Weighted Score

Employees receive 10 to 14 days of training annually

#### Sources

The company provided feedback on 7 July 2021

# Appendix

 **Exposure Details**



**Business Ethics**

**EA.E.2 - Accounting and Taxation**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.E.4 - Anti-Competitive Practices**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.E.6 - Bribery and Corruption**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.E.7 - Business Ethics**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.E.23 - Lobbying and Public Policy**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.E.30 - Sanctions**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.F.1 - Operating Performance**

0.00  
Beta Signal

Data for this company is not yet available.

**EA.F.2 - Solvency**

0.00  
Beta Signal

Data for this company is not yet available.

**EA.F.3 - Financial Flexibility**

0.00  
Beta Signal

Data for this company is not yet available.

**EA.F.4 - Asset Performance**

0.00  
Beta Signal

Data for this company is not yet available.

# Appendix



## Exposure Details

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### EA.S.1 - Qualitative Overlay

---

0.00  
Beta Signal

---

The analyst did not apply a qualitative overlay.

---

### EA.S.2 - Subindustry Correction Factor

---

0.00  
Beta Signal

---

### EA.S.3 - Exceptional Event Adjustment

---

0.00  
Beta Signal

---



# Appendix



## Management Details

### G.1.1 - Bribery & Corruption Policy

75	11.11%	8.3
Raw Score	Weight	Weighted Score

The company has a strong policy

**Criteria**

- Prohibition of bribery
- Guidelines of what is considered acceptable behaviour
- There is no evidence of a formal policy but the company has a general statement addressing the issue
- Definition of conflicts of interest and commitment to minimize these
- Definition of bribery or corruption
- Definition and prohibition of facilitation payments

**Sources**

ARC Annual Report 2020 (FY2020)  
 On Tuesday, April 27th, 2021, Sustainalytics sent The African Risk Capacity Insurance Co. Ltd. the Sustainalytics ESG Feedback Report  
 The company provided feedback on 23 June 2021 (analyst comments)

### G.1.1.1 - Bribery & Corruption Programmes

100	16.67%	16.7
Raw Score	Weight	Weighted Score

The company has a very strong programme

**Criteria**

- Managerial responsibility for bribery and corruption
- Regular training on bribery and corruption
- Operating guidelines addressing record keeping, approval procedures and appropriate behaviour
- Internal monitoring system to detect corruption
- Regular bribery and corruption risk assessments
- Annual signoff of the policy on bribery and corruption by employees
- Mechanisms for employees to consult on ethical issues

**Sources**

ARC Annual Report 2020 (FY2020)  
 The company provided feedback on 23 June 2021 (analyst comments)

### G.1.2 - Whistleblower Programmes

100	19.44%	19.4
Raw Score	Weight	Weighted Score

The company has a very strong programme

**Criteria**

- Proactively communicated to employees
- Available in local languages
- Non-retaliation policy
- An independent, reporting hotline available 24/7
- Structures in place to process whistleblower reports
- Available to suppliers, customers and other third parties
- Possibility for anonymous reporting and reports are treated confidentially
- Disclosure on the number of reports received, the types of misconduct and measures taken

**Sources**

ARC Annual Report 2020 (FY2020)  
 ARC Corporate Website, Complaints/Whistleblower, www.africanriskcapacity.org; accessed 15 April 2021  
 The company provided feedback on 23 June 2021 (analyst comments)

### G.1.2.1 - Business Ethics Programme

100	25.00%	25.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

**Criteria**

- Commitment to address major business ethics risks
- Incident investigation and corrective actions
- Operating guidelines
- Managerial responsibility for business ethics
- Annual training of employees on the Code of Conduct
- Board responsibility for business ethics issues
- Ethical risk assessments
- Measures to deter non-compliance and reduce exposure to unethical opportunities

**Sources**

ARC Annual Report 2020 (FY2020)  
 The company provided feedback on 23 June 2021 (analyst comments)

# Appendix



## Management Details

### G.1.4.1 - Money Laundering Policy

100	11.11%	11.1
Raw Score	Weight	Weighted Score

The company has a strong policy on money laundering

#### Sources

ARC Annual Report 2020 (FY2020)

### G.1.4.2 - Compliance Programme

100	16.67%	16.7
Raw Score	Weight	Weighted Score

The company has a very strong programme

#### Criteria

- Managerial responsibility for compliance
- Monitoring existing business relationships
- Reporting of irregularities
- Training for employees on anti-money laundering and terrorist financing
- Enhanced customer due diligence for clients operating in high risk countries
- Incident investigation and corrective actions
- Training on avoiding tax evasion facilitation
- Customer due diligence related to illegal activities before starting a relationship
- Operating guidelines for reporting suspicious transactions
- Training on international sanctions compliance


#### Sources

ARC Annual Report 2020 (FY2020)

The company provided feedback on 23 June 2021 (analyst comments)

# Appendix

 **Exposure Details**

 **ESG Integration - Financials**

**EA.E.17 - Environmental Impact of Products**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.E.32 - Social Impact of Products**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.E.46 - Carbon Impact of Products**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.E.48 - Society - Human Rights**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.F.1 - Operating Performance**

0.00  
Beta Signal

Data for this company is not yet available.

**EA.F.2 - Solvency**

0.00  
Beta Signal

Data for this company is not yet available.

**EA.F.3 - Financial Flexibility**

0.00  
Beta Signal

Data for this company is not yet available.

**EA.F.4 - Asset Performance**

0.00  
Beta Signal

Data for this company is not yet available.

**EA.G.1 - Headquarters Location**

0.00  
Beta Signal

Data for this company is not yet available.

**EA.G.3 - Sales Location**

0.00  
Beta Signal

Data for this company is not yet available.

# Appendix



## Exposure Details

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### EA.P.5 - Responsible Asset Portfolio

---

- 0.15  
Beta Signal

The company's proportion of responsibly managed investments indicates lower exposure to this issue.

---

### EA.S.1 - Qualitative Overlay

---

0.00  
Beta Signal

The analyst did not apply a qualitative overlay.

---

### EA.S.2 - Subindustry Correction Factor

---

0.00  
Beta Signal

### EA.S.3 - Exceptional Event Adjustment

---

0.00  
Beta Signal

---

# Appendix



## Management Details

### E.1.6.2 - Physical Climate Risk Management

100	17.50%	17.5
Raw Score	Weight	Weighted Score

The company has a strong programme

**Criteria**

- Recognition of the physical risks related to climate change
- 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
- Detailed reporting on physical climate change risk drivers

**Sources**

ARC Annual Report 2020 (FY2020)  
 The company provided feedback on 23 June 2021 (analyst comments)

### E.3.1.11 - Responsible Asset Management

100	15.00%	15.0
Raw Score	Weight	Weighted Score

More than 50% of assets under management can be categorized as "responsible investment"

**Sources**

The company provided feedback on 7 July 2021

### E.3.1.15 - Sustainable Financial Initiatives

100	12.50%	12.5
Raw Score	Weight	Weighted Score

The company has a strong programme

**Sources**

ARC Annual Report 2020 (FY2020)

### S.4.2.3 - Financial Inclusion

100	7.50%	7.5
Raw Score	Weight	Weighted Score

The company has a strong programme

**Sources**

ARC Annual Report 2020 (FY2020)

### G.1.3.1 - PRI Signatory

100	2.50%	2.5
Raw Score	Weight	Weighted Score

The company or its main investment management divisions signed the UN Principles for Responsible Investment

**Sources**

UN Principles for Responsible Investment, www.unpri.org, joined on 26 February 2016; accessed 15 April 2021

### G.1.3.2 - Responsible Investment Policy

80	10.00%	8.0
Raw Score	Weight	Weighted Score

The company has an adequate policy

**Criteria**

- Commitment to exclusion based on the companies' activities
- Commitment to engage with companies on ESG issues
- Commitment to integrate ESG factors or select best-in-class companies according to ESG factors

**Sources**

ARC Annual Report 2020 (FY2020)

# Appendix



## Management Details

### G.1.3.3 - UNEPFI Signatory

100	2.50%	2.5
Raw Score	Weight	Weighted Score

The company is a signatory to the UNEP Finance Initiative

**Sources**

UNEP FI, www.unepfi.org, joined on 30 September 2015; accessed 15 April 2021

### G.1.3.6 - Responsible Investment Programme

75	17.50%	13.1
Raw Score	Weight	Weighted Score

The company has a strong programme

**Criteria**

- Managerial responsibility for responsible investment
- Other initiatives to promote responsible investment
- Objectives and targets related to responsible investment
- Active ownership
- Prior ESG risk assessment of investment
- Reporting on RI implementation and performance
- Investment exclusions based on ESG factors
- Requirements for investment managers to integrate ESG issues into investment strategies
- Continuous monitoring of ESG risks
- Best-in-class investments based on ESG factors

**Sources**

ARC Transparency Report 2020

The company provided feedback on 23 June 2021 (analyst comments)

### G.1.3.9 - Underwriting Standards

100	15.00%	15.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

**Criteria**

- Commitment to integrating E&S standards in underwriting
- Incident investigation and corrective measures
- Employee training and awareness
- Environmental and social risk assessment
- Exclusion of clients based on ESG factors
- Managerial responsibility for the integration of E&S standards in underwriting
- Operating guidelines underwriting includes E&S factors
- Monitoring and measurement of ESG impacts

**Sources**

ARC Annual Report 2020 (FY2020)

# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

## GLOSSARY OF TERMS

### Beta (Beta, $\beta$ )






A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

### Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

### ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

### ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

### Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

### Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

### Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

### Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

### Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

### Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

### Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

### Management

A company's handling of ESG risks.

### Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

### Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

### Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

### Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

### Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

### Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

# The African Risk Capacity Insurance Co. Ltd.

Diversified Insurance Services Bermuda

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