

Environmental, Social and Governance (ESG) Policy

July 7, 2023

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1. Purpose and scope:

- 1.1 The African Trade & Investment Development Insurance (ATIDI) is a multilateral institution established under treaty by several African states. ATIDI's objective is to support the financing of trade and investments and other productive activities on the African continent through the provision of insurance, coinsurance and reinsurance, guarantees, and other financial instruments and services. ATIDI aims to increase access to financial resources, and to reduce the cost of doing business for public and private sector obligors. ATIDI's developmental role makes it necessary to balance its strategy and commitments in the fulfilment of its mandate.
- 1.2 This policy covers all of ATIDI's operations including; insurance, co-insurance, reinsurance, bonds, as well as charitable donations. The policy incorporates ATIDI's Environmental Social Governance (ESG) commitments and responsibilities into its business operations.
- 1.3 This policy assists ATIDI in achieving positive and sustainable development outcomes for its member countries, thus contributing to Sustainable Development Goals (SDG's). ATIDI will not support transactions that a) violate its environmental, social or governance standards and / or b) contravenes national laws in country of obligation. All covered transactions are expected to comply with the organization's ESG Policy and guidelines as well as applicable national legislations, and international standards to which ATIDI subscribes unless relevant mitigation measures to reduce negative environmental and social (E&S) risks within an appropriate time frame are in place.
- 1.4 ATIDI's ESG policy and guidelines are benchmarked against the 2012 International Finance Corporation (IFC) Performance Standards, and policies and practices of other multilateral and major financial institution.
- 1.5 In line with this policy, ATIDI has established a Corporate Social Responsibility (CSR) framework which aims to identify, execute and monitor CSR projects. ATIDI's CSR vision is to promote the social and economic wellbeing of its stakeholders, particularly vulnerable and marginalized communities within its member countries.
- 1.6 This ESG Policy broadly:
 - i. Defines ATIDI' commitments, roles and responsibilities to environmental and social sustainability;
 - ii. Sets requirements for managing environmental and social risks and impacts linked to ATIDI's portfolio; and
 - iii. Outlines how ATIDI assesses and monitors the ESG risks and impacts of transactions, as well as the overall approach for integrating environmental and social considerations in its underwriting process.

2. ATIDI's commitments and responsibilities:

Environmental

- 2.1 ATIDI recognizes that projects may have adverse environmental effects; including impacts on water, soil, air, plants, wildlife, and natural ecosystems. Natural resources are key drivers of economic development and their protection ensures that the resources remain available for future generations. To reverse the current trend in natural resource degradation, ATIDI requires its clients to ensure that all transactions include relevant measures to safeguard ecosystems, biodiversity and all other natural resources.
- 2.2 Recognizing the devastating effect of climate change, and the fact that populations in ATIDI Member Countries are particularly severely affected, ATIDI will develop a separate "climate change policy" that will seek to mitigate the effects of climate change. ATIDI's support for climate-conscious solutions will include, but not be limited to support for climate resilient infrastructures, renewable energy, and investments that reduce greenhouse gases (GHG) emissions.

Social

- 2.3 ATIDI recognizes that the implementation of projects can lead to adverse social effects such as; involuntary resettlement of people and communities, disparities in employee working conditions, harassment, and gender inequality in awarding of opportunities. ATIDI expects its clients to provide appropriate social risk mitigation, including access to an effective grievance mechanism that facilitate early escalation and timely resolution of social grievances. ATIDI will also ensure that appropriate actions are implemented by its clients to address adverse social impacts throughout the duration of supported transactions.
- 2.4 ATIDI believes that long-term sustainable development will only be possible when women and men enjoy equal opportunity to optimize their potential. Recognizing that empowering women and girls helps expand economic growth, promote social development and establish more stable and just societies, ATIDI is committed to promoting gender equality. ATIDI requires its clients to identify any potential gender issues when implementing activities and develop mitigation measures to effectively prevent and address them.

Governance

- 2.5 ATIDI will ensure that each insured transaction is undertaken in line with the requirements of this ESG Policy and complies with relevant laws. Where host country regulations are considered inadequate vis-à-vis the ATIDI's ESG Policy, clients will be required to meet additional appropriate measures but taking into consideration the financial, technical and economic feasibility of the measures. Additionally, ATIDI will not support businesses and activities stipulated in its Exclusion List unless an exception is granted on account of the development sensitivity of the project, and in accordance with the Board-approved guidelines for granting exceptions to any provision of this policy. The guidelines shall be approved by the Board of Directors as a part of this policy and shall stipulate the procedure, responsibility centre and criteria for granting exception to the policy. However, under no circumstances will ATIDI support projects that are illegal, and non-ethical. Specifically, ATIDI will not support transactions and investments that involve corrupt or fraudulent practices or money laundering attributable to the insured party, the borrower, the undertaking, or their officers, employees, agents and assignees.
- 2.6 ATIDI will ensure that its internal system of practice complies with relevant laws and applicable standards regarding diversity, conflict of interest, anti-bribery and corruption, fair compensation and benefits, financial and accounting transparency, data privacy and information disclosure, transparency in communication with stakeholders and provide relevant capacity building to roles and responsibilities within the organization.
- 2.7 ATIDI is committed to the principles of accountability and transparency, and continuously promotes the adoption and implementation of these principles by its clients. This includes data privacy and information disclosure, disclosing accurate and timely information related to environmental, social and governance risks associated with transactions. ATIDI requires its clients to disclose relevant information on risks and impacts arising from transactions and to engage with stakeholders in a meaningful way, respecting relevant laws and applicable standards for public consultations, engagements and information disclosures.

3. ESG Risk Management Procedure

3.1 An ESG Risk Management Framework has been tailored for implementation of this policy. ATIDI has developed a set of tools and procedures for screening and categorizing of transactions as well as monitoring and reporting.

ATIDI's ESG Risk Management Framework consists of the following steps:

- a. Step 1 - Screening transactions,
- b. Step 2 - Categorizing transactions based on their potential environmental and social risks and impacts,
- c. Step 3 - Conducting environmental and social due diligence,
- d. Step 4 - Decision-making and monitoring the client's environmental and social performance.

3.2 **Screening:** As a first step, ATIDI undertakes an initial desktop assessment that aims at determining environmental, social and governance matters relevant to the transaction. The following information is verified: compliance with ATIDI's eligibility requirements and exclusion list, key ESG risks and opportunities, and IFC Performance Standards likely to be applicable to the transaction.

3.3 **Classification:** All transactions are classified according to the severity of identified potential E&S risks and impacts. Depending on the E&S risk profile, the following categories will be applied:

- category A (high E&S risk transactions),
- category B (medium E&S risk transactions),
- category C (low or no E&S risk transactions).

3.4 **Due Diligence:** Depending on the transaction classification, ATIDI will rely on its Environmental and Social Due Diligence (ESDD) Decision Tree to complete an ESDD on the transaction in order to make an informed decision. The ESDD should be conducted by third party Independent Environmental and Social Consultants (IESC) hired by ATIDI or the clients to review existing available environmental and social information related to the proposed transaction and agree on an Environmental and Social Management Plan (ESMP). The ESDD should include a desktop review, a site visit where relevant, an assessment of the stakeholder engagement process, adequacy of the proposed E&S management plans and the institutional arrangements for their implementation including monitoring and reporting.

3.5 **Decision, Monitoring and Reporting:** E&S high and medium risk project-related transactions are subject to disclosure requirements prior to approval. Disclosure of E&S information will be subject to consent from the insured party and confidentiality concerns and be consistent with ATIDI's ESG policy. Where relevant, E&S covenants will be formalized as part of the insurance policy to meet applicable requirements.

ATIDI commits to annual high-level reporting on implementation of its ESG Policy.

4. Complaints and accountability

- 4.1 Complaints may relate to any aspect of transactions supported by ATIDI. They can be made by any individual, group, community, entity, or other party affected or likely to be affected by the environmental or social impacts of said transactions. ATIDI requires its clients to set up and administer appropriate mechanisms to address related grievances and complaints from affected people or entities.
- 4.2 There may be cases where grievances and complaints from those affected by ATIDI-supported transactions are not fully resolved at the insured level via their local grievance redress mechanism. In such cases, affected persons will be given the option of bringing their concerns directly to ATIDI's (via ATIDI's website www.atidi.africa or in writing to the address E-mail: grievances@atidi.africa).

5. Approval and revisions

- 5.1 This Policy was approved by the Board of Directors on July 7, 2023. It shall be reviewed periodically by the management at least once in three years, with due approval of the Board of Directors.
- 5.2 The Board of Directors may approve revisions to the Policy in the interim period under compulsion of any applicable requirements changes

6. Disclosure and Effective Date

- 6.1 **Disclosure:** This Policy may be disclosed on the ATIDI website or circulated to the public following its approval by the Board of Directors.
- 6.2 **Effective Date:** This Policy becomes effective on July 7, 2023.

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