African Trade & Investment Development Insurance

Re-thinking risk. Enabling finance.

October 2024
Original: **ENGLISH**

KYC on ATIDI

Name	African Trade Insurance Agency (operating under the commercial name of African Trade & Investment Development Insurance (ATIDI))
Sector	Financial Sector (Multilateral Investment Guarantees)
Organization Type	Multilateral
Physical Address	Kenya Re Towers, 5th Floor Off Ragati Road, Upperhill P.O. Box 10620, 00100 Nairobi, Kenya +254 (0)722 205 006/7 www.atidi.africa

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1. Disclaimer

The enclosed information is provided for information purposes only and may not have been subject to external audit or review. Actual figures may differ from projections. Information at financial year end 2023 is from audited financial statements. Whilst the information has been prepared in good faith, ATIDI makes no representations or warranties about the accuracy, completeness or reliability of this information and specifically disclaims any responsibility for any liability, loss or risk that is incurred from the use or application of the information provided herein.

2. Who we are

2.1. Background Information: History and Structure of ATIDI

History – Institution and Mandate

The African Trade Insurance Agency (operating under the commercial name of African Trade & Investment Development Insurance (ATIDI)) is a multilateral financial institution established by an International Treaty ("the Agreement Establishing the African Trade Insurance Agency). The Treaty was registered with the United Nations under Article 102 of the Charter of the United Nations and a Certificate of Registration No.49593 dated 11 December 2002 was issued to ATIDI by the Secretary General of the United Nations. ATIDI was established, by several African states with the technical and financial support of the World Bank Group in the course of "The Regional Trade Facilitation Project". ATIDI's mandate, as outlined in its Treaty, is to "provide, facilitate, encourage and otherwise develop the provision of, or the support for, insurance, including coinsurance and reinsurance, guarantees, and other financial instruments and services, for purposes of trade, investment and other productive activities in African States in supplement to those that may be offered by the public or private sector, or in cooperation with the public or private sector."

AfDB and KfW are other Development Financial Institutions that have also partnered with ATIDI as equity investors as well as financiers to facilitate ATIDI's membership expansion. As with other multilateral institutions, ATIDI has a commercial and developmental mandate requiring a balance of developmental objectives (such as increasing trade and investments to member states) with a need to "carry out its activities in accordance with sound business and prudent financial management practices with a view to maintaining under all circumstances its ability to meet its financial obligations."

ATIDI's developmental role, together with the fact that ATIDI also has private and quasi-private shareholders, in addition to the shareholding of its African member states, makes it necessary to balance not-for-profit and for-profit interests when accounting for its activities. This balance requires a consensus on the priorities and the strategy of ATIDI's management and is reassessed on a regular basis. ATIDI has been set up as multilateral institution for several reasons:

- To improve Africa's risk perception and to attract affordable investments in support of sovereign governments and the private sector;
- To encourage public and private sector insurers to assume risk in Africa;
- To reduce the 'costs of doing business' in Africa;
- To promote regional integration and risk sharing that benefits all African Member States;
- It allows pooling of equity contributions from several countries, and, thus acquires a capital base that facilitates acceptance in the financial markets;
- It can acquire a critical mass that allows recruiting a pool of talent and developing an expertise that a small stand-alone export credit agency (ECA) would not be able to generate;
- Enhanced risk diversification from a regional risk portfolio (reducing the impact of an individual country's volatilities and sector dependencies); and

- As it operates independently from its member states, it will not be susceptible to political interference and thus its underwriting decisions will be more easily accepted by international reinsurers.

ATIDI is authorised by the Treaty to act autonomously from its member states and to enjoy administrative and financial independence in the discharge of its functions, ATIDI also operates independently. This means that underwriting decisions are taken without referring to the Board of Directors ("BoD"), unlike many ECAs and multilaterals, which gives ATIDI's management true underwriting independence from the shareholders and an ability to act more commercially (in particular with regards to turnaround times) than some equivalent institutions.

All operations of ATIDI must be carried out in accordance with the ATIDI Treaty. The management of ATIDI's operations is categorised as follows:

i. General Meeting of Shareholders and the Board of Directors are responsble for:
   - Set Business targets, policies, rules and regulations;
   - Adopt audited financial statements etc.

ii. ATIDI Management is responsible for:
   - determining what risks, transactions and persons are eligible for support by the Agency;
   - setting the terms and conditions of policies of insurance;
   - establishing the rates of premiums, fees and other charges; and
   - binding the agency under contracts of insurance etc.

ATIDI insures trade and investment activities that are conducted by corporates or that are financed by banks or other lenders. ATIDI can offer investment insurance, coinsurance and reinsurance, as well as guarantees and credit services. The key principle for offering these services is the link of the transaction to ATIDI's member states, as described below:

1. For sovereign and sub-sovereign non-payment, the insured risk has to be located in an ATIDI member state, as ATIDI only enjoys a de jure Preferred Creditor Status within these countries;
2. For credit risk insurance (CRI) one of the counterparties (insured, buyer or counterparty) has to be located in a member state. The BoD may agree on exceptions to this rule;
3. The ultimate goal is that the insurance should benefit the ATIDI member states, and, as a rule artificial construction that are set up to purely benefit from the insurance will not be accepted (e.g. post box trading companies).

Notwithstanding the above general principles, ATIDI's pan African mandate allows it to underwrite strategic transactions in non-member countries across Africa. Since 2016, ATIDI's net exposure in non-member African countries continues to grow. As at 30th June 2024, this stands at approximately 8% of total (net) portfolio, a true reflection of the ATIDI's ability to deliver on its pan African Mandate.

ATIDI's **Preferred Creditor Status** (“PCS”) is *de jure* (in law) and established through ATIDI’s treaty and via individual participation agreements (“PAAGs”) that ATIDI’s member states enter into with ATIDI upon accession to the organization. Generally, approval to accede to the ATIDI Treaty will be done at the member state Parliamentary level with subsequent Head of State assent, whilst the Participation Agreement, which goes into the specifics of the operation of the PCS, is signed by the Minister of Finance. The PAAGs oblige the member states to fully reimburse ATIDI (and its reinsurers) for any losses caused by their actions or inactions, as covered by political risk insurance (PRI) within 360 days of ATIDI paying a claim (and during this period, ATIDI has the right to charge default interest after 180 days). This means that, if all loss-mitigation and negotiation/recovery measures fail, ATIDI can debit the member state’s capital contribution held by ATIDI. Generally, the continued non-resolution of an ATIDI sovereign claim would lead ATIDI to suspend underwriting of such risk in the member state, and eventually could lead to suspension of the member state from ATIDI membership.

A member state’s liability for the risk of war, civil war and embargo are excluded from the participation agreements, because they are outside the control of the sovereign. The same applies to commercial buyer / corporate credit risk, unless the loss was caused as a direct result of a defined political risk.

ATIDI's PCS is critical to its business model. The fact that ATIDI has a de jure PCS makes ATIDI one of only a few institutions operating on the African continent with such a status. Other preferred creditors frequently only operate with de facto (that is 'in practice') preferred creditor status. ATIDI's PCS allows ATIDI to assume high recoveries on sovereign risks that ATIDI underwrites and critically allows ATIDI to price such transactions relatively competitively (albeit ATIDI is not a concessional guarantor). Ultimately, ATIDI's PCS should therefore lower the cost of investing in ATIDI's member states, thereby directly benefiting them. In recent years, ATIDI has taken additional practical measures to boost its de facto PCS by increased liaison with member state governments (including writing ‘notification / no objection’ letters when insuring sovereign risks). ATIDI has a track record of demonstrable success in enforcing this PCS.

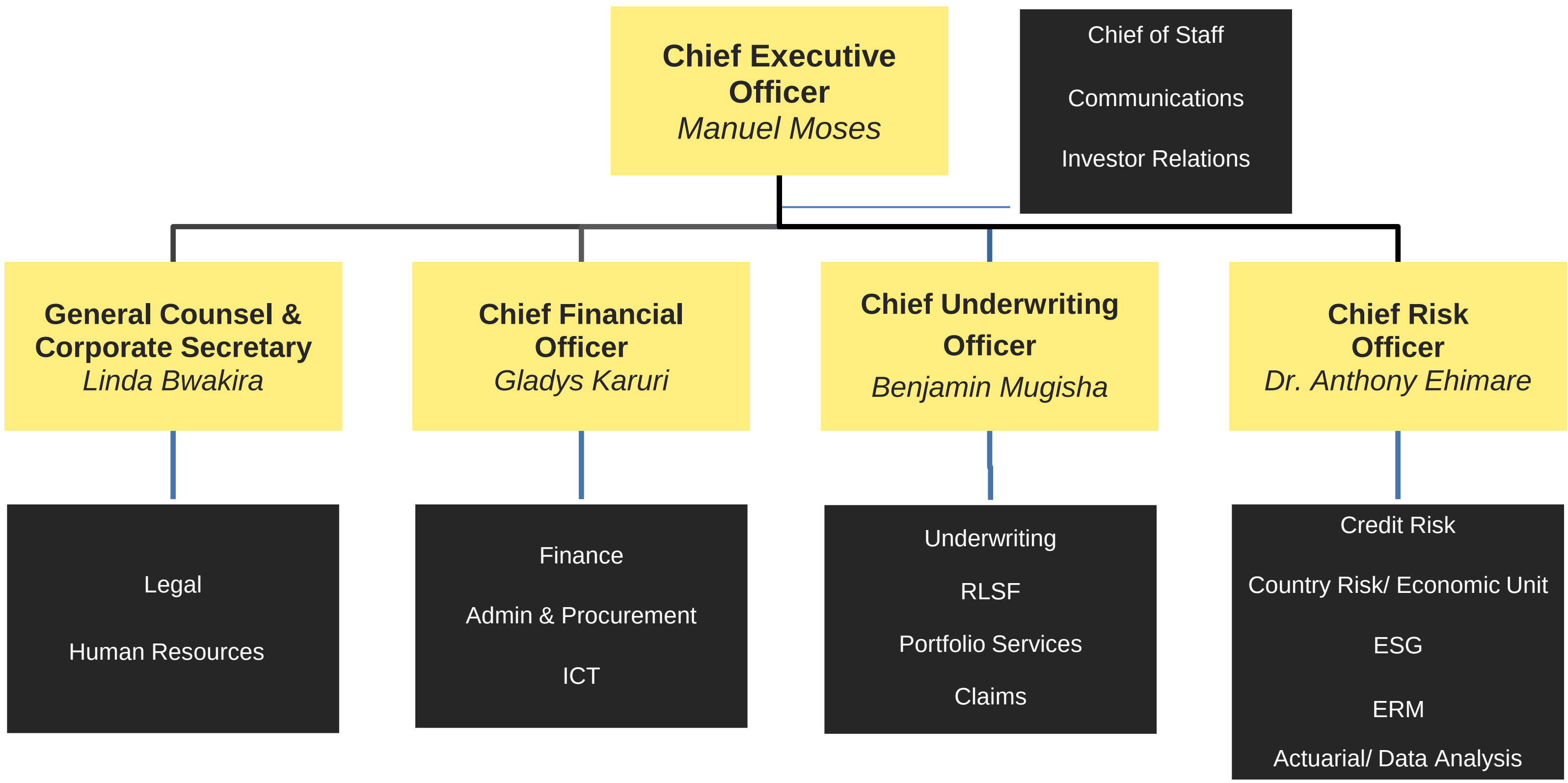
ATIDI seeks to avoid competing directly with local companies that offer comparable products. In these cases, ATIDI's preference is to support them by inter alia offering reinsurance of bonds, issuing counter-guarantees to banks, or facilitating access to the reinsurance markets.

For over a decade, ATIDI has maintained an ‘A/Stable’ rating for Financial Strength and Counterparty Credit by S&P, and in 2024, ATIDI maintained an A3/Positive rating an improved position from Moody’s.

Organisational Structure

To perform its operations ATIDI has several operational departments and units as per the below Management structure:

Current Management (October 2024)



Management positions are in yellow boxes.

Each department has its own policies. For underwriting, there are policies for each function (i.e. Underwriting, Portfolio Services and Claims).

Governance

ATIDI is regulated by an Agreement Establishing the African Trade Insurance Agency (the ATIDI Treaty) and other Associated Legal Instruments (Articles of Association and Participation Agreements). Following the adoption of the Shareholders' resolutions at the Twenty-Third (23rd) Annual General Meeting held in Kigali, Rwanda on 06th July, 2023, ATIDI's existing governance structure has adopted certain reforms through the establishment of the rules governing the nomination and election of Substantive Directors and Alternate Directors (which incorporates the Terms of Reference of the AGM Vetting and Nomination Committees) and the onboarding of the first independent director. These governance reforms are fundamental in the strengthening of ATIDI's existing governance structure and in compliance with international standards which ultimately serve as additional comfort to both ATIDI's internal and external stakeholders

ATIDI's governance structure comprises of a General Meeting (GM), a Board of Directors (BoD), and the Chief Executive Officer (CEO) as stated below:

Board of Directors

Professor Kelly Mua Kingsley
Director
Representing Group A, Constituency 4
(Angola, Cameroon, Malawi, Zambia)

Ms. Sekai Chirume
Director
Representing Group A, Constituency 3
(Ethiopia, Madagascar, Niger, Zimbabwe)

Ms. Khadija Issa Said
Director
Representing Group A, Constituency 5
(Ghana, Tanzania, Uganda)

Mr. Sristiraj Ambastha
Director
Representing Group B Constituency
(Republic of India represented by ECGC Ltd.)

Dr. Dev Haman
Director
Representing Group D1, Constituency 1
(COMESA, TDB, ZEP Re, Africa Re, Kenya Re)

Ms. Christina Westholm-Schröder
Director
Representing Group C Constituency
(Chubb Insurance Bermuda Ltd. and Atradius Participations Holding)

Mr. Hugues Toto
Director
Representing Group A, Constituency 1
(Burundi, DRC, Senegal)

Ms. Maryse Lokossou
Director
Representing Group A, Constituency 6
(Benin, Cote d'Ivoire, Togo)

Mr. Herbert Asiimwe
Director
Representing Group A, Constituency 2
(Kenya, Nigeria, Rwanda, South Sudan)

Mr. Ahmed Rashad Attout
Director
Representing Group D1, Constituency 2
(African Development Bank (AfDB))

Mr. Livio Mignano
Director
Representing Group D2 Constituency (SACE, UKEF, CESCE, NEXI)

Mr. Omari Issa
Independent Director

Click here for more information on the Board of Directors.

In November 2022, in line with specific governance considerations applicable to ATIDI and best international governance standards, the Board of Directors approved a restructuring of its Committees and the establishment of the following standing Board Committees:

• Board Strategy and Finance Committee;

• Board Audit Committee;

• Board Risk Committee; and

• Board Human Resources and Governance Committee.

2.2. Shareholding

Membership and Division of Shares

In accordance with its Treaty, ATIDI has an initial authorized nominal capital stock of USD1B divided into 10,000 shares with a par ANAV (Adjusted Net Asset Value) value of USD176,568 each, which are available for subscription by members and shareholders till the end of Financial Year 2024. Members are able to subscribe for shares in ATIDI based on their shareholding categories. Currently, ATIDI values its shares based on Adjusted Net Asset Value (ANAV) per share, for the issuance of new shares, whether to existing members or newly subscribing prospective members.

There are five available shareholder classes in which members can purchase stock. These classes are categorised according to the following criteria:

1. Class “A”: Shares which are open to African states. This class must at all times represent a minimum of 51% of ATIDI's capital stock. A minimum share subscription of 75 shares is required to join in this category of shareholding.
2. Class “B”: Shares which are open to non-African states (or their designated public entities). A minimum share subscription of 100 shares is required to join in this category of shareholding.
3. Class “C”: Shares which are open to private corporations. A minimum share subscription of 100 shares is required to join at this category of shareholding.
4. Class “D1”: Shares which are open to regional economic organisations and African public institutions. A minimum share subscription of 10 shares is required to join in this category of shareholding.
5. Class “D2”: Shares which are open to export credit agencies and non-African public entities. A minimum subscription of 75 shares is required to join in this category of shareholding.

Capital Structure as at 31 July 2024

	Member	Share Capital (USD)	Percentage Shareholding	Number of Shares
1	Angola	16,100,000	3.52%	161
2	Benin	28,300,000	6.18%	283
3	Burkina Faso	10,800,000	2.36%	108
4	Burundi	16,600,000	3.63%	166
5	Cameroon	9,500,000	2.08%	95
6	Chad	10,700,000	2.34%	107
7	Côte d'Ivoire	21,000,000	4.59%	210
8	DRC	21,500,000	4.70%	215
9	Ethiopia	23,100,000	5.05%	231
10	Ghana	15,800,000	3.46%	158
11	Kenya	30,900,000	6.75%	309
12	Madagascar	7,400,000	1.62%	74
13	Malawi	19,200,000	4.19%	192
14	Mali	7,800,000	1.70%	78
15	Niger	9,700,000	2.12%	97
16	Nigeria	12,900,000	2.82%	129
17	Rwanda	9,400,000	2.05%	94
18	Senegal	12,100,000	2.64%	121
19	South Sudan	9,900,000	2.16%	99
20	Tanzania	18,300,000	4.00%	183
21	Togo	25,700,000	5.62%	257
22	Uganda	24,700,000	5.40%	247
23	Zambia	18,700,000	4.09%	187
24	Zimbabwe	14,200,000	3.10%	142
	Sub Total for Class A Members	**394,300,000**	**86.22%**	**3,943**
1	India (Represented by ECGC)	10,900,000	2.38%	109
	Sub Total for Class B Members	**10,900,000**	**2.38%**	**109**
1	Atradius	100,000	0.02%	1

2	Chubb	9,200,000	2.01%	92
	Sub Total for Class C Members	**9,300,000**	**2.03%**	**93**
1	AfDB	15,000,000	3.28%	150
2	Africa Re	1,000,000	0.22%	10
3	COMESA	100,000	0.02%	1
4	Kenya Re	1,000,000	0.22%	10
5	Trade & Development Bank (Formerly PTA Bank)	1,000,000	0.22%	10
6	Zep Re	3,600,000	0.79%	36
	Sub Total for Class D1 Members	**21,700,000**	**4.75%**	**217**
1	CESCE	1,000,000	0.22%	10
2	SACE SPA	10,000,000	2.18%	100
3	UK Export Finance	100,000	0.02%	1
4	NEXI	10,000,000	2.18%	100
	Sub Total for Class D2 Members	**21,100,000**	**4.61%**	**211**
	TOTAL	**457,300,000**	**100.00%**	**4,573**

3. What We Do

3.1. Products

ATIDI was established to provide, facilitate, encourage and otherwise develop the provision of, or the support for, insurance, including coinsurance and reinsurance, guarantees, and other financial instruments and services, for purposes of trade, investment and other productive activities in African States in supplement to those that may be offered by the public or private sector, or in cooperation with the public or private sector.

To serve its objective and purpose, ATIDI facilitates the development of trade, investments and other productive activities in its African Member States by providing insurance or reinsurance covers against political and commercial risks as well as bond products.

Pursuant to its objectives, ATIDI's main activities are:

- **Political risk insurance (PRI) - insures political risk, including public buyer credit risk and unfair calling of bonds.**
- **Credit risk insurance (CRI) – insures commercial buyer credit risk. The following sub-products are offered under CRI:**

  a) Single obligor (SO) - insures the risk of default by one specific buyer, often restricted on one specific transaction. Occasionally, this policy is also used to insure a selected number of buyers.
  b) Whole turnover (WTO) - insures sales made by a corporate (in exceptional cases also a bank) to a portfolio of clients against losses arising from credit risks. Since a portfolio of clients is insured several parties are involved (one supplier and multiple buyers) and several transactions are insured, but everything is covered in one single policy.
  c) Lenders all risk - insures bank facilities including: loans (also bank-to-bank), letters of credit (LCs), invoice discounting and factoring, bonds and bank guarantees provided by a bank to SME / corporate clients or to another bank.
  d) Bank master policy - covers a portfolio of small sized bank facilities including: loans, letters of credit (LCs), invoice discounting and bonds provided by a bank to corporate clients.
  e) Surety Bonds – covers large and complex Bid, Advance Payment, Performance, Warranty and Maintenance bonds. ATIDI offers innovative surety solutions especially to local banks, either directly or through counter bank guarantees.

Reinsurance (inward) - insures policies issued from other public and private insurers that insure the same or similar exposure as ATIDI and where ATIDI agrees to share a part of the risk. Reinsurance can cover all types of products listed above, and can cover individual policies (facultative reinsurance) or a portfolio (treaty reinsurance).

Additionally, ATIDI applies a modular approach, which means that commercial and political risks, i.e. specific insured events, can be combined in one insurance policy.

Eligibility for Cover

ATIDI promotes trade, investments and other productive activities, predominantly in its member states' economies. Accordingly, the scope of ATIDI is restricted and eligibility criteria define which transactions and services can be offered. Furthermore, some product or sectors are not supported, while others require special approvals. Overtime, ATIDI has been able to insure trade and investments in non-member African states and this currently constitutes approximately 8% of ATIDI's net exposure as at 30th June 2024.

Overview – Risks and Insured Events

The following table lists the risks (also called perils) and events that ATIDI commonly insures.

Perils	Sub-risks	Insured events
Commercial credit risk		Non-payment Protracted
		Non-payment of a 3rd Party
		Non-Performance
		Insolvency
		Borrowers Default
PRI credit risk	Non-Payment of Sovereign Debt	General Moratorium

Perils	Sub-risks	Insured events
		Protracted Default
	Non-Payment of Sub-Sovereign Debt	General Moratorium
		Protracted Default
Political risk	Arbitration award default	Breach of Contract
	Embargo	Export restriction
		Import restriction
	Expropriation	Arbitration Award Default
		Confiscation
		Creeping Expropriation
		Direct Expropriation (Outright)
		Forced Abandonment
		Nationalisation
		Selective Discrimination
		Unilateral Licence Cancellation
	Interference with Goods in Transit	Confiscation
		Expropriation
	Non-Honouring of Sovereign Guarantee	Arbitration Award Default
		Arbitration Initiated
		General Moratorium
		Non-Payment
	Non-Honouring of Sovereign Obligation	Arbitration Award Default
		Arbitration Initiated
		General Moratorium

Perils	Sub-risks	Insured events
		Non-Payment
		Non-Performance of Actions that have been committed
	Non-Honouring of Sub-Sovereign Guarantees	Arbitration Award Default
		Arbitration Initiated
		General Moratorium
		Non-Payment
	Non-Honouring of Sub-Sovereign Obligation	Arbitration Award Default
		Arbitration Initiated
		General Moratorium
		Non-Payment
		Non-Performance of Actions that have been committed
	Transfer Restriction and Currency Inconvertibility	Absence of Foreign Currency
		Deprivation of Transfer Rights
	War and Civil Disturbance	Business Interruption > X Days
		Forced Abandonment
		Inability to Access Premises
		Physical Damage
	Wrongful Calling of Bonds	Arbitration Award Default
		Non-Respect of T&C in the Bond

3.2. Reinsurance

Reinsurance is a key risk mitigation measure that ATIDI utilises to protect its bottom line and forms part of ATIDI's internal risk management system. ATIDI uses reinsurance to enhance its capacity but also to cap its risks.

To ensure a credit-worthy panel of reinsurers, all reinsurers with whom ATIDI has reinsurance contracts are required to have a minimum credit rating of "A-" by Moody's, Standard & Poor's, Fitch or A.M. Best and to be compliant with current international regulation frameworks. Board approval is required to work with any reinsurer with a rating lower than A-.

Under its reinsurance contracts, ATIDI has an ability to replace reinsurers (at ATIDI's sole discretion) in the event that they are downgraded below A-. Further under its reinsurance contracts, ATIDI can demand reimbursement from reinsurers ahead of paying larger claims (a "cash call').

Below is a summary of ATIDI's gross and net exposures as at 30.06.2024:

Year	Gross Exposure, '000 USD	Net Exposure, '000 USD	Retention Ratio
2024Q2	8,851,082	1,073,765	12.1%
2023	9,553,963	1,227,437	12.8%
2022	8,052,635	1,141,941	14.2%
2021	6,626,852	933,626	14.1%
2020	6,262,407	968,386	15.5%
2019	6,449,273	1,073,640	16.6%
2018	4,786,842	1,006,804	21.0%
2017	2,391,438	877,999	36.7%

The table below shows ATIDI's reinsurers rating profile as per Standard & Poor's (S&P) rating and A.M. Best as of 30.06.2024:

S&P Rating	Weight in % of Ceded Exposures 30-Jun-24	Weight in % of Ceded Exposures 30-Jun-23
AA	5.51%	1.99%
AA-	64.27%	32.30%
A+	19.13%	55.46%
A	3.30%	2.33%
A-	5.13%	5.38%
Not Rated (*)	2.66%	2.53%
Total	**100.00%**	**100.00%**

(*) rated A- or equivalent by at least one of the other rating agencies with the exception of one multilateral counterparty which was approved by the Board of Directors covering 0.59% (2023Q2: 0.15%) of the ceded premiums

A.M. Best Rating	Weight in % of Ceded Exposures 30-Jun-24	Weight in % of Ceded Exposures 30-Jun-23
A++	4.30%	0.32%
A+	45.97%	44.87%
A	40.63%	46.08%
A-	1.81%	2.10%
B++ (**)	0.59%	0.15%
Not Rated (*)	6.71%	6.47%
Total	**100.00%**	**100.00%**

A.M. Best Rating	Weight in % of Ceded Exposures 30-Jun-24	Weight in % of Ceded Exposures 30-Jun-23
A++	4.30%	0.32%
A+	45.97%	44.87%
A	40.63%	46.08%
A-	1.81%	2.10%
B++ (**)	0.59%	0.15%
Not Rated (*)	6.71%	6.47%
Total	**100.00%**	**100.00%**

(*) rated A- (or equivalent) or above by at least one of the other rating agencies.
(**) multilateral counterparty approved by the Board of Directors.

Currently, ATIDI only buys quota share reinsurance. This reinsurance is always tenor-matched to the liabilities that ATIDI insures ("risks attaching reinsurance" in insurance parlance), meaning that from an underwriting risk perspective ATIDI's net exposure is where ATIDI sees the majority of risk (given that the vast majority of ATIDI's reinsurers are rated in the A+/AA- region). Notwithstanding, when insuring sovereign risks, ATIDI is able to confer its PCS onto its reinsurers and therefore would always look to recover for the gross amount of ATIDI insurance.

ATIDI has considered buying excess of loss reinsurance historically but has not, to date, considered such insurance as a judicious use of ATIDI's resources.

3.3. KYC, Sanctions and Anti-Money Laundering

The ATIDI is fully committed to combating money laundering and the financing of terrorism and will complement the work of other international bodies in these areas. A visible, effective anti-money laundering (AML) effort and program for combating the finance of terrorism (CFT) supports ATIDI's developmental mandate and promotes international best practices among ATIDI's clients and partners. It safeguards ATIDI's reputation and its financial and operational risks.

ATIDI does not support transactions with persons (entities or individuals) who are listed by the United Nations Security Council, US, EU, France, UK, HM Treasury or other sanctions bodies.

To implement the sanctions compliance program, the Underwriters use sanctions screening tools, such as the Dow Jones, to supplement the KYC due diligence efforts. The Compliance function is engaged in ongoing development of internal controls and procedures, staff training and support, in keeping with best international AML/CFT/sanctions practices. As part of its comprehensive compliance program, ATIDI takes account of and supports international best practices issued by organizations such as:

- **United Nations Security Council;**
- **Financial Action Task Force (FATF) on Money Laundering; and**
- **International Association of Insurance Supervisors.**

ATIDI has a preliminary and in-depth Know-Your-Client (KYC) processes which aim to gain a more detailed insight into who our potential/existing clients and their counterparties are including understanding their ownership up to ultimate beneficial owners prior to onboarding and ongoing throughout the business relationship. In addition, the KYC process entails conducting of due diligence including simplified due diligence for low and medium risk customers and enhanced due diligence for high risk clients such as those with sanctions relations, politically exposed persons or customers with adverse media mentions in the last 5 years. The KYC process further includes customer identification and verification through the collection of constitutive documentation, sanctions screening, customer risk profiling includes a check of different sanction lists (e.g. UN Security Council, OFAC), as well as preliminary checks of existing policies and processes for anti-money laundering (AML) and counter-terrorism financing (CTF).[1]

As a general rule, each staff member who becomes aware of potential fraud, corruption, money laundering/terrorism financing related to an insurance transaction has the obligation to report it to the management. When an enquiry or application is suspected of fraud, corruption, AML or CTF the case will be put on hold, reported to the management and documented.

3.4. Underwriting System

ATIDI has a dedicated underwriting system that has been in operation since 2017. The system tracks all operational data, risk detail and is a data monitoring system. The system is backed up daily to the cloud. ATIDI has launched an Underwriting System Enhancement project for the purpose of identifying gaps in functionality with an aim of enhancing the existing system. As a result of this, ATIDI is benchmarking other underwriting systems in the market in order to make an informed decision, having received the approvals to proceed with a new underwriting system.

[1] Please note: Currently, ATIDI is still a small organization with flat hierarchies and short decision-making processes which makes it easier to oversee all activities. However, as ATIDI aims to continue to grow it will have to expand its anti-fraud and anti-corruption management.

3.5. Business Processes

The operational steps done in the sphere of underwriting primarily addresses commercial underwriters (CUW), credit analysts (CA) and political risk analysts (PRA). The Operations Processes encompasses several support documents that assist respective staff in their daily work with the aim to standardize processes which fosters transparency and increases efficiency.

Three different types of support documents exist:

- **Guidelines –** provide explanations on how to conduct a certain step (e.g. Political Risk Assessment Guideline);
- **Templates** – standardised documents to be used for individual activities (e.g. PRI Underwriting Report);
- **Tools** – typically excel files which provide technical support to derive a certain output (e.g. Commercial Buyer Credit Risk Rating Tool).

The UW Process needs to be applied in conjunction with Underwriting Operations Policy.

The Chief Underwriting Officer (CUO) is the owner of the UW Process, who may approve any changes to existing guidelines, templates and tools and may introduce new ones. The UW Operations Process is reviewed on an annual basis.

4. How we conduct our business

4.1. Business Development / Marketing

The following section outlines the fundamental principles and objectives that underpin ATIDI's approach to business development in line with its core mission by:

i. Clarifying the main business objectives;
ii. Defining target clients and eligible distribution channels; and
iii. Marketing, communications and other means of generating new business.

The organisation of the respective activities is the responsibility of the CUO, who works closely with the communications department.

Business Objectives
The general business development strategy and the detailed business objectives are stated in the 5-year business plan and the annual budget. These are structured in line with ATIDI's vision, mission and mandate as outlined below:

Our Vision
To be the premier pan-African risk mitigation institution that aids the transformation of Africa into a prime destination for trade and investment.

Our Mission
To turn African risk into opportunity – as we Rethink Risk – by providing innovative insurance and financial products in partnership with the private and public sector.

Our Mandate
The ATIDI Treaty, signed in 2000, clearly sets out ATIDI's object and purpose. Specifically, Article 4.1 of the ATIDI Treaty provides as follows:

"The object and purpose of the Agency (ATIDI) is to facilitate, encourage and develop the provision of, or the support for insurance, including coinsurance, reinsurance, guarantees, and other financial instruments and services to promote trade, investment, and other productive activities in supplement to those which may be offered by the private sector, or in cooperation with the private sector – resulting in the development of the African continent." The Treaty further expresses that the ATIDI shall:

(a) Facilitate the development of trade, investments and other productive activities in African States through the provision of, or support for, insurance, coinsurance, reinsurance or guarantees against political, non-commercial and commercial risks;

(b) Establish and administer, on behalf and with the concurrence of Member States, whether jointly or severally, insurance, coinsurance, reinsurance or guarantee schemes and facilities for promoting trade, investments and other productive activities in African States;

(c) Mobilize financial resources necessary or useful to achieve its object and purpose; and

(d) Undertake such other activities and provide such other services as it may consider incidental or conducive to the attainment of its object and purpose.

Our Values
We strive to carry out our business with a customer-first approach combined with integrity, transparency and accountability, creativity, unity of purpose, diligence and efficiency and an attitude of stakeholder first approach.

Target Clients
Although ATIDI insures small transactions and sets a reasonably low minimum premium, the focus of ATIDI's active marketing is on clients with a total premium potential of USD25,000 and above. The majority of ATIDI's client base are international lenders, DFIs, ECAs and corporate clients.

ATIDI is not registered in non-member states, and is thus not exempt from local (insurance) regulation unlike in its member states.

Distribution Channels
Business can come from direct enquiries from potential clients as well as from registered brokers, financial advisors, business intermediaries and other third parties. The majority of ATIDI's business is transacted directly with clients or through registered brokers.

Communication, Stakeholder Engagement, Advertising and other Means of Business Generation
To generate business, ATIDI engages in a wide range of communication and advertising activities aimed at creating and enhancing product and service awareness. Communications activities are prepared each year as part of the business plan. The activities consider ATIDI's target markets for both domestic and cross-border business as identified in the analysis of the latest data on investment and trade flows involving ATIDI's African member states.

ATIDI's marketing and advertising activities include but are not limited to:

- ATIDI's own website;
- Direct mailings through defined distribution channels;
- Trade finance clinics, business conferences, forums, seminars and workshops to create and/or enhance awareness of ATIDI and its products and services to distributors, clients and business partners;
- Opinion pieces placed in relevant regional and international media;
- Advertisements in the regional and international media;
- Sponsorships for relevant national, regional and international events and platforms [African Banker's Awards, Africa Energy Forum, AfDB, Afreximbank, IMF and World Bank Annual Meetings, RECs and COMESA Awareness Raising Workshops, Berne Union Meetings, UNECA, African Union Specialized Technical Committee meetings etc.];
- Country workshops for targeted audiences to present the organization's business model;
- Media webinars to present the organization's business model; and
- Focus interviews with local, regional and international media.

4.2. Risk Management

ATIDI recognizes the importance of risk management and the fact that strong systems of internal control are essential for effective risk management. ATIDI currently has **five** levels of risk control:

The **first level** are the permanent operational controls which are governed by ATIDI's various policies and involve processes and procedures performed by the client facing departments. These collectively form the risk-managed outcome of every individual contribution to ATIDI's success.

The **second level** is the Enterprise Risk Management Framework (ERM). The Framework involves staff, Management and the Board of Directors, and is designed to identify potential events – internal and external - that may affect ATIDI in a tangible or intangible way, and to subsequently manage the quantifiable value of these events to be within ATIDI's Risk Appetite. Quarterly ERM monitoring is conducted to identify, review and assess the key risks and their mitigation. This entails use of a Risk Register, updated to reflect interim adjustments to business conditions. ATIDI then revises and updates its overall ERM Framework approximately every 3 years.

The **third level** is the internal audits performed by an independent audit firm on the effectiveness of the ATIDI internal controls. The Board has chosen to externalize ATIDI's internal audit function since 2011 to a globally known Audit firm.

The **fourth level** is ATIDI's Risk Department. ATIDI recognizes the importance of risk management and that robust internal control and informed oversight are essential for effective risk management. The Chief Risk Officer (CRO) is an independent voice within the Management team with oversight of policies, processes and procedures within ATIDI related to all aspects of risk management. The CRO manages the risk department which consists of the Credit, Country analysis, Enterprise Risk Management (ERM), Environment, Social & Governance (ESG) monitoring and impact evaluation, and business portfolio management.

The **uppermost level** is the Board Risk Committee (BRC), which was established by the Board of Directors in May 2014, with a mandate to identify, assess, monitor and manage underwriting, financial and non-financial risks faced by ATIDI. The quarterly review of the Risk Register is discussed with the BRC and particular points may then be flagged to the main Board.

In addition to the pillars mentioned above, ATIDI makes use of reinsurance schemes to externalise risks. ATIDI's ability to take risks and grant cover for transactions is limited by internal guidelines and the need to maintain a robust rating, thus ATIDI seeks reinsurance for those amounts which it cannot take into its own books. In addition, technical reserves must be built for ATIDI's net exposure. Hence, reinsurance may reduce the need for technical reserves. Based on its reinsurance strategy, ATIDI can thus increase its capacity by transferring risks to other parties and to balance its portfolio by avoiding concentration of certain types of risks.

Moving forward, complex transaction risk management and enhanced environmental, social and governance (ESG) impact evaluation are further areas of development through intake of new resources.

Credit Risk Framework

Credit risk limits are the primary way that ATIDI determines its risk appetite and management. These limit the incurrence of specific risks, avoid concentration of risks and ultimately protect ATIDI's equity. The development of a credit risk framework implies a balancing act between sound risk management and ATIDI's mission to promote and support trade activities in its member states.

ATIDI has different types of credit risk limits referring to different risks incurred when building new exposure. The credit risk framework foresees a general limit for ATIDI's business scope, the global rule, which is a general limit and reflects the maximum net exposure that ATIDI may incur. In addition to the global rule, special tenors for strategic sectors and six more limits exist. The latter are related to:

i. Country (i.e. political) risk – country limit;
ii. Product risk – product limit;
iii. Sector risk – sector limit;
iv. Buyer risk – buyer limit;
v. Concentration risk – group limit; and

vi. Transaction risk – transaction limit.

The limits are set as nominal amounts or as a percentage related to the total capacity, which is the maximum net exposure as defined by the global rule, or to ATIDI's equity, defined as the total paid-in capital by all shareholders. All limits always refer to net exposure reflecting the maximum amount that ATIDI keeps in its books. Gross exposure in contrast, considers in addition proportion of risk reinsured by third parties.

The limits apply to all maturities and insurance products that ATIDI offers. ATIDI monitors its limits regularly as it has to abide to the limits at all times. Any breach must reported according to the defined standards.

The Board of Directors may increase the country, sector limit, sub-sovereign buyer limit, buyer limit for state-owned companies temporarily or permanently. This is usually done based on a proposal of the management.

The following section elaborates on the different credit risk limits.

Global Rule

The global rule defines the overall business potential of ATIDI. It limits the exposure that ATIDI may overall incur and thereby defines the total capacity that ATIDI has to engage in business. It also reflects ATIDI's loss-taking capability.

ATIDI applies a "5x net leverage on total equity" rule upon which it bases its total underwriting capacity as well as a number of associated credit risk framework rules.

Country limits

Country limits determine how much net exposure or risk ATIDI can incur in a specific country. The risk level may differ significantly between countries, wherefore it is important to restrict incurred exposure accordingly. The risk level of individual countries is reflected by the political risk rating category determined using the political risk rating model and the better the category, the lower the risk, the more exposure may be incurred and vice-versa.

The country risk category is determined by the political risk rating model. ATIDI internally rates all African countries on a 5-point scale. Country limits determine how much net exposure or risk ATIDI can incur in a specific country. Risk levels may differ significantly between countries, so it is important to restrict incurred exposure accordingly. The risk level of individual countries is reflected in the political risk rating category determined using the political risk rating model. The better the category, the lower the risk, the more exposure may be incurred and vice-versa for worse countries. A-rated countries may have up to a maximum of 15% of ATIDI's total capacity (plus the equity contribution of that country to ATIDI), whilst E rated states are limited to 5% (plus equity).

ATIDI's short-term credit exposures are currently excluded from ATIDI's country limits, i.e. credit periods of 365 days or less (but this is currently under review).

Product Limits

Product limits restrict ATIDI's engagement in offering specific products and thereby incurring specific risks.

Sector limits
Each industry sector is prone to its own market trends and hence, the underlying risk level can vary. To have a balanced insurance policy portfolio, it is important to restrain sector immanent risk.

The overall sector net exposure is closely monitored and reported to the BoD at least annually. Currently each industry sector is prone to its own market trends and hence, the underlying risk levels can vary. ATIDI caps the “Finance and Insurance” sector at a limit of 30% of ATIDI’s maximum capacity. The exposure of all other sectors is limited to max. 20% of capacity.

Buyer limits
Buyer limits are a fundamental portfolio diversification limit in trade credit insurance. They comprise all outstanding exposure in relation to an individual buyer. As the buyers can be private and public and may vary in their risk profile, ATIDI introduced different risk restraining limits, accordingly. The private buyer limit and the group limit depend on the commercial buyer risk ratings. The limit for sub-sovereign buyers relate to the country risk categories and the limit for state-owned companies relate to both, commercial buyer credit risk rating and country risk categories. Through the ratings and categories, the risk profile of individual buyers is determined - the better the rating or category, the lower the risk, the more exposure may be incurred and vice-versa.

Private Buyer Limits
The private buyer limits limit the cumulative exposure that may be incurred by ATIDI for a private buyer. The buyer is the individual buyer whose creditworthiness varies and is thus classified by a rating. The credit risk rating model classifies the buyers into 9 buyer rating categories. The buyer limits then depend on the rating category. The buyer limit for each rating class is expressed in two ways: as percentage ATIDI’s equity and as nominal amount.

The buyer limits apply to all unsecured transactions (i.e. transaction without securities). If securities are involved in a transaction, which reduce the risk notably, the management decides on a case-by-case basis if or how much of the exposure is credited against the limit. In case an individual transaction features a corporate or bank guarantee, the transaction is allocated to the buyer limit of the respective guarantor.

Buyer limits are reviewed on an ad-hoc basis, but at least annually. WTO covers and single obligor credit limits are reviewed before every policy renewal, but at least on an annual basis.

Sub-Sovereign Buyer Limits
In case a buyer is a sovereign, the exposure is already restricted by the respective country limit. However, insured payments by sub-sovereign buyers can be regarded as a special or hybrid case. The ultimate link to the Ministry of Finance which has to honour ATIDI’s preferred creditor status may not always be direct or readily accepted by the respective Ministry. Additionally, a certain degree of commercial quality can be attributed to these transactions.

The single obligor limits for sub-sovereigns limit the cumulative exposure that may be incurred by ATIDI for a sub-sovereign buyer to a certain percentage of ATIDI’s equity. The percentages depend on the country risk category of a specific country and are set as follows:

The limits only apply to single obligor transactions. Sub-sovereigns shall be defined as all ministries (except the MoF, the Central Bank and explicitly MoF guaranteed transactions) plus all state-owned enterprises with a state share of >50%.

Group Limits

Several buyers may belong to one company group, e.g. holding, and hence represent a pooled risk of default wherefore an additional group limit exists. Group limits ensure a global risk diversification by limiting exposure to the ultimate holding company (UHC) based on the overall creditworthiness of the holding. Individual buyer limits that cover the local affiliates or subsidies are subsumed under the respective group limit, which means the maximum sum insured, i.e. the total net exposure, for all buyers may not exceed the respective group limit. The group limit depends on the UHC's buyer rating.

Group limits are reviewed on an ad-hoc basis or annually.

Transactions limits

Transaction limits apply to PRI cover and restrict the size of an individual transaction. For PRI, the limits are based on the underlying quality of risk of the respective risk country. The limits are set in a way, which allows for a proportionally higher retention of "good" risks.

Limit for Combined Sovereign Risks

The combined sovereign risk is defined as the sum of all sovereign and sub-sovereign obligations within a country, net of any reinsurance protection. The limit is designed to protect ATIDI from any shock events leading to sovereign default from any of its member states.

Tenors

Tenors are important to ensure that long-term portfolio risk is minimized. For some strategic sectors, longer maturities are allowed. Tenors in excess of allowed limits can be approved by the BRC/BoD.

All transactions exceeding tenors of 10 years are closely monitored and reported to the BoD at least annually.

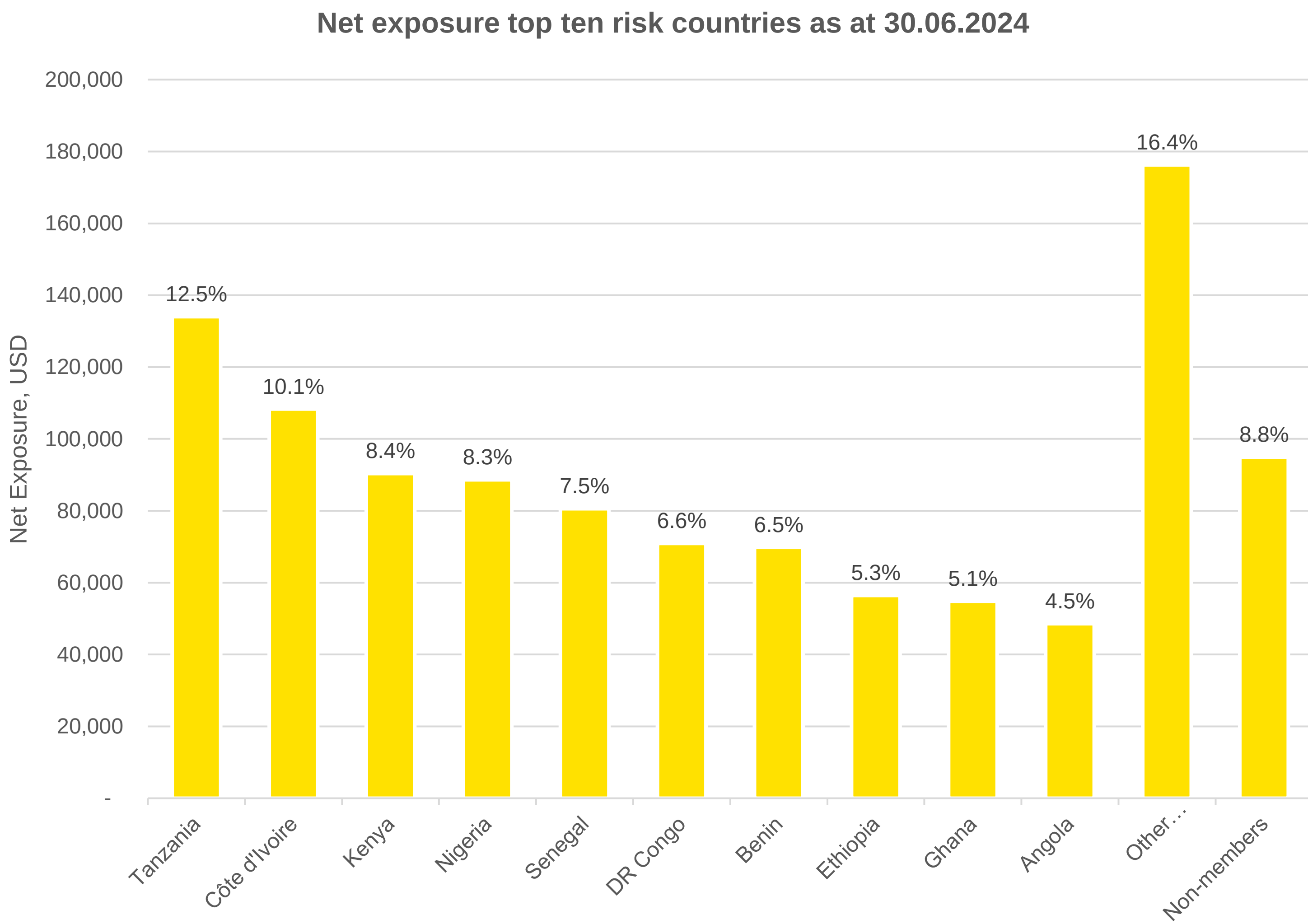
Monitoring and Reporting

ATIDI monitors its actual exposures on an ongoing basis, against the limits set in the risk management framework, and reports to the Board Risk Committee. Key limits monitored include the following:

1. Exposure per Risk Country as at 30.06.2024

	2024Q2		2023Q2			
Country	**Gross Exposure, 000' USD**	**Net Exposure, 000' USD**	**Gross Exposure, 000' USD**	**Net Exposure, 000' USD**	**% Change in Gross Exposure (against Q2 FY23)**	**% Change in Net Exposure (against Q2 FY23)**
Member States:						
Tanzania	1,121,380	134,027	1,065,444	124,742	5.3%	7.4%
Côte d'Ivoire	1,104,090	108,328	1,400,881	133,623	-21.2%	-18.9%
Kenya	625,909	90,367	789,665	134,276	-20.7%	-32.7%
Nigeria	425,139	88,622	549,124	117,676	-22.6%	-24.7%
Senegal	726,662	80,574	588,261	51,868	23.5%	55.3%
DR Congo	317,964	70,921	320,072	70,210	-0.7%	1.0%
Benin	959,559	69,824	1,086,662	72,015	-11.7%	-3.0%
Ethiopia	682,307	56,441	834,198	60,970	-18.2%	-7.4%
Ghana	336,852	54,842	361,036	56,211	-6.7%	-2.4%
Angola	747,626	48,580	792,070	53,524	-5.6%	-9.2%
Togo	255,501	31,634	314,373	40,418	-18.7%	-21.7%
Rwanda	86,666	29,323	86,318	32,779	0.4%	-10.5%
Malawi	179,008	21,744	199,316	25,298	-10.2%	-14.0%
Niger	180,036	20,656	198,066	22,639	-9.1%	-8.8%
South Sudan	100,000	20,000	142,000	35,500	-29.6%	-43.7%
Zimbabwe	72,672	14,374	77,470	17,052	-6.2%	-15.7%
Zambia	330,691	13,907	341,907	20,662	-3.3%	-32.7%
Uganda	63,848	13,804	84,448	22,429	-24.4%	-38.5%
Burkina Faso	18,531	4,635	8,160	2,045	127.1%	126.6%
Madagascar	23,906	3,898	35,572	5,676	-32.8%	-31.3%

Burundi	6,697	1,712	50	50	13327.5%	3331.9%
Cameroon	2,322	581	9,386	2,347	-75.3%	-75.3%
Chad	-	-	-	-	0.0%	0.0%
Mali	-	-	-	-	0.0%	0.0%
Multilaterals:						
Multilaterals	29,045	4,713	36,145	5,928	-19.6%	-20.5%
Non-member countries:						
Mozambique	121,117	29,208	121,117	29,208	0.0%	0.0%
Egypt	165,000	28,750	145,000	29,250	13.8%	-1.7%
China	34,913	8,728	47,000	16,250	-25.7%	-46.3%
Gabon	33,071	8,273	35,156	8,794	-5.9%	-5.9%
South Africa	24,049	6,012	25,123	9,314	-4.3%	-35.4%
Switzerland	14,927	3,732	5,000	2,500	198.5%	49.3%
South Korea	9,195	2,299	7,005	3,503	31.3%	-34.4%
Poland	2,329	1,164	-	-	100.0%	100.0%
Guinea	1,493	746	-	-	100.0%	100.0%
United States of America	1,493	746	9,596	4,798	-84.4%	-84.4%
Germany	1,194	597	6,000	3,000	-80.1%	-80.1%
Botswana	45,888	-	43,853	-	4.6%	0.0%
Denmark	-	-	10,000	5,000	-100.0%	-100.0%
Eritrea	-	-	-	-	0.0%	0.0%
Mauritius	-	-	1,476	738	-100.0%	-100.0%
Sudan	-	-	27,000	6,750	-100.0%	-100.0%
Grand Total	**8,851,082**	**1,073,765**	**9,803,950**	**1,227,042**	**-9.7%**	**-12.5%**

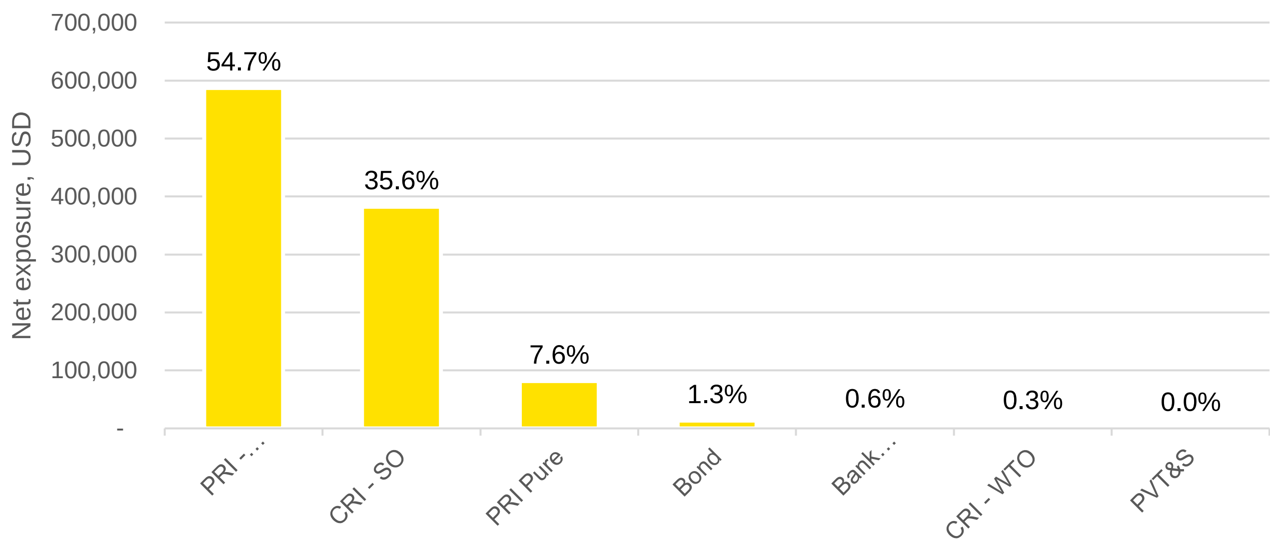

Net exposure top ten risk countries as at 30.06.2024
Net Exposure, USD
200,000
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
-
12.5%
10.1%
8.4%
8.3%
7.5%
6.6%
6.5%
5.3%
5.1%
4.5%
16.4%
8.8%
Tanzania
Côte d'Ivoire
Kenya
Nigeria
Senegal
DR Congo
Benin
Ethiopia
Ghana
Angola
Other…
Non-members

2. Exposure per product as at 30.06.24

a. Split per Product

**Table sorted by Sum of Net Exposure*

	2024Q2		2023Q2			
Product	**Gross Exposure, 000' USD**	**Net Exposure, 000' USD**	**Gross Exposure, 000' USD**	**Net Exposure, 000' USD**	**% Change in Gross Exposure (against Q2 FY23)**	**% Change in Net Exposure (against Q2 FY23)**
PRI - SOV/SUB-SOV	6,248,742	587,122	7,051,537	678,382	-11.4%	-13.5%
CRI - SO	1,704,363	382,267	1,814,032	409,924	-6.0%	-6.7%
PRI Pure	742,942	81,645	726,846	84,801	2.2%	-3.7%
Bond	62,018	13,459	72,436	16,338	-14.4%	-17.6%
Bank Portfolio Cover	36,503	6,016	82,559	34,327	-55.8%	-82.5%
CRI - WTO	6,513	3,257	6,539	3,269	-0.4%	-0.4%
PVT&S	50,000	-	50,000	-	0.0%	0.0%
Grand Total	**8,851,082**	**1,073,765**	**9,803,950**	**1,227,042**	**-9.7%**	**-12.5%**



b. Exposure per Sub-product

Table sorted by Sum of Net Exposure

	2024Q2		2023Q2			
Product	**Gross Exposure, 000' USD**	**Net Exposure, 000' USD**	**Gross Exposure, 000' USD**	**Net Exposure, 000' USD**	**% Change in Gross Exposure (against Q2 FY23)**	**% Change in Net Exposure (against Q2 FY23)**
PRI	6,991,684	668,766	7,778,384	763,183	-10.1%	-12.4%
CRI	1,747,379	391,539	1,903,130	447,521	-8.2%	-12.5%
Bond	62,018	13,459	72,436	16,338	-14.4%	-17.6%
PVT&S	50,000	-	50,000	-	0.0%	0.0%
Grand Total	**8,851,082**	**1,073,765**	**9,803,950**	**1,227,042**	**-9.7%**	**-12.5%**

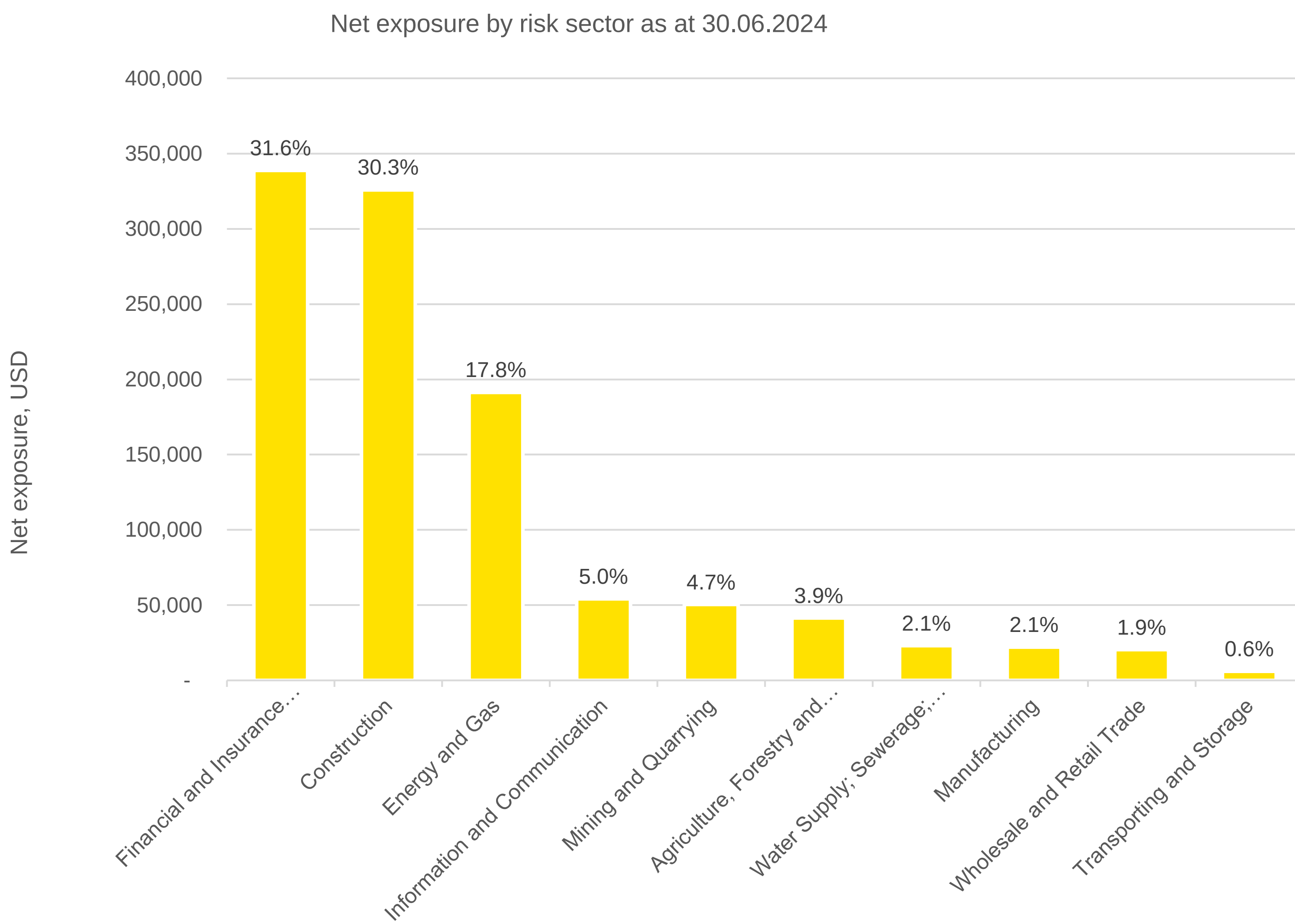
3. Exposure per sector of the risk counterparty – all products combined as at 30.06.2024

**Table sorted by Sum of Net Exposure*

	2024Q2		2023Q2			
Risk Sector	**Gross Exposure, 000' USD**	**Net Exposure, 000' USD**	**Gross Exposure, 000' USD**	**Net Exposure, 000' USD**	**% Change in Gross Exposure (against Q2 FY23)**	**% Change in Net Exposure (against Q2 FY23)**
Financial and Insurance Activities	2,041,817	338,789	2,413,085	406,415	-15.4%	-16.6%
Construction	3,848,123	325,850	4,139,241	328,374	-7.0%	-0.8%
Energy and Gas	1,064,146	191,324	1,223,202	232,179	-13.0%	-17.6%
Information and Communication	638,272	54,186	626,652	55,418	1.9%	-2.2%
Mining and Quarrying	273,684	50,454	262,910	51,730	4.1%	-2.5%
Agriculture, Forestry and Fishing	153,918	41,470	227,260	76,282	-32.3%	-45.6%
Water Supply; Sewerage; Waste Management and Remediation Activities	363,033	23,075	366,488	23,938	-0.9%	-3.6%
Manufacturing	90,465	22,126	25,922	5,426	249.0%	307.8%
Wholesale and Retail Trade	351,984	20,446	369,773	23,245	-4.8%	-12.0%
Transporting and Storage	25,640	6,046	149,417	24,034	-82.8%	-74.8%
Grand Total	**8,851,082**	**1,073,765**	**9,803,950**	**1,227,042**	**-9.7%**	**-12.5%**

4. Sector limits as at 30.06.2024

Net exposure per sector is currently limited to max 20% of ATIDI capacity (ATIDI equity *5). However, the Financial and Insurance Activities sector limit is capped at a maximum of 30%.



5. Physical Country Risk, IT Policy and Data Back up

Presently, all ATIDI's data is securely stored in a Cloud managed by Microsoft i.e. Microsoft SharePoint and securely accessed through Microsoft's Data Access Cloud Service i.e. Microsoft OneDrive. The data is mirrored to on-premise servers hosted at ATIDI's on-premise Data Centre and backed up daily to a Cloud managed by an ISP called Dimension Data. The backups are hosted at the ISP's Data Centre in Kenya and Mirrored to Data Centers in South Africa and the UK. Therefore, ATIDI's backup sets are held in three separate locations i.e. Kenya, South Africa and the UK. In the (unlikely) event of a severe country risk crisis in Kenya which requires ATIDI to move operations to another country (the company presently has office space in 6 other countries i.e. Benin, Côte d'Ivoire, Ethiopia, Tanzania, Uganda and Zambia and a legal ability to operate from any member state) ATIDI would still seamlessly and securely be able to access its data hosted at Microsoft's cloud storage and the operations reliant on ATIDI's data would therefore continue to function without disruption. In the (unlikely) event of Microsoft incurring a crisis that disrupts the operation of its Cloud Storage services then ATIDI's Data would either be accessed on-premise or restored from the backup sets hosted at Dimension Data's Cloud.

Also, ATIDI is currently running a Digital Transformation Project to automate all of its operations and workflows and will involve migrating a lot of its workflows to Cloud for cybersecurity and business continuity reasons. We are currently running the procurement process to procure and implement a cloud-based ERP system and a cloud-based Underwriting System and the procurement and implementation of both is expected to be completed within the next three years. Currently our Systems are on-premise and are backed up daily to Dimension Data's Cloud.

Environmental, Social & Governance (ESG) Due Diligence

As an insurer, ATIDI exerts no direct control on the operations that may benefit from its insurance policies. Hence, even in larger corporate and project-finance transactions, ATIDI's leverage on the undertakings may be limited, more so with other products, especially short-term insurance. Taking these factors into account, ATIDI is actively working on ways to optimize Environment, Social & Governance (ESG) impacts to more effectively support African member countries. We are also focusing on our own internal procedures and project portfolio while striving for gender parity at all levels of the institution and sustainable business practices.

ATIDI also actively focuses and follows a staged approach to the management of E&S risks and impacts linked to the products it provides. As a minimum requirement, ATIDI requires its clients, and the financed undertakings benefiting from the insurance products to adhere to E&S laws and regulations in the respective country of operations. This includes adherence to international treaties such as international labour standards (namely ILO Core Labour Conventions), international human rights instruments and environmental conventions. Additionally, ATIDI advocates for the application of international good practice in the identification and management of E&S risks and impacts in the operation of clients and the underlying undertakings.

In summary, the process of ATIDI's E&S Risk Management consists of the following steps:

1) Screening: As a first step, ATIDI undertakes an initial desktop assessment that aims at determining the environmental, social and governance relevance of projects and build a common understanding with undertakings. The following information is verified: compliance with ATIDI's exclusion list, key ESG risks and opportunities and IFC Performance Standards likely to be applicable to the project.

2) Classification: Depending on the E&S risk profile, underwriters will classify the project in category A (high E&S risk projects), category B (medium E&S risk projects), and category C (no or low E&S risk projects).

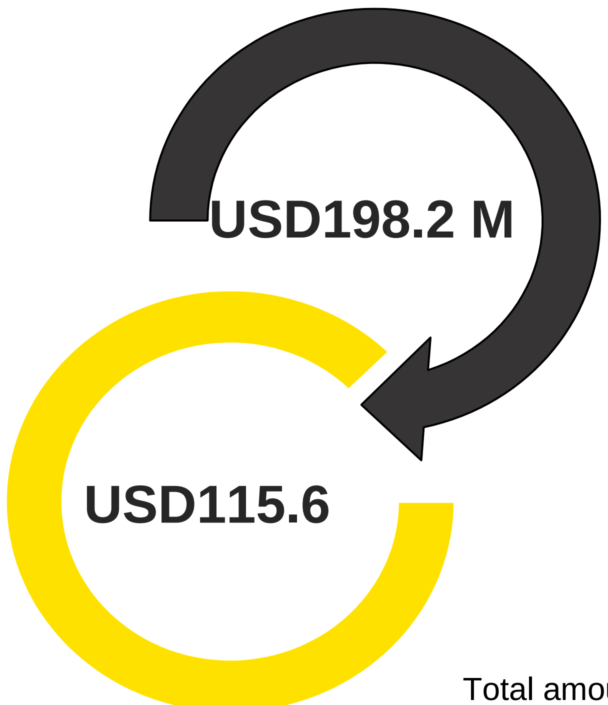
3) Due Diligence: ATIDI expects A, B and C undertakings to meet the relevant objectives of the applicable 2012 E&S Performance Standards of the International Finance Corporation (IFC Performance Standards) in a reasonable timeframe. Clients for category C projects are required to regularly assess if initial categorization remains accurate and report to ATIDI in case of any changes. The due diligence follows different procedures depending on the category of the project (A, B or C) and requires different project documentation, such as ESIA, ESMS, ESAP and ESDD reports.

4) Decision, Monitoring and reporting: If ATIDI decides to approve a Category A, B or C transaction, and the undertaking's environmental and social performance is not considered to be materially in line with the reference standards, then, under circumstances, E&S covenants may be included into the documentation, aimed at ensuring the undertakings will meet the relevant objectives of the IFC Performance Standards within a reasonable period of time. In such cases, at a minimum, ATIDI will monitor the undertaking's performance until the ESAP (if any) and/or ESMS are fully implemented and operational.

4.3. Claims

Principles of ATIDI Claims Management

The fundamental objective of ATIDI is to mitigate the risks it insures. The Claims unit continues to be strengthened, which contributed to the exceptional underwriting results in 2022 despite the turbulent market conditions brought by the pandemic. Over the past six years, the unit has been able to post record pre-claim recoveries and reductions in claims losses.



Total amount of facilitated recovery before claim payment / aversion of loss

Total amount of claims paid by ATIDI

Claims represent a request by an insured/reinsured party for an indemnity to be paid for losses covered under an insurance/reinsurance policy. Therefore, in administering claims and recovering payments, ATIDI aims to:

- Assess and settle claims in line with its contractual commitments;
- Uphold the confidence of insured parties and other stakeholders in ATIDI as a professional underwriter;
- Take all actions to avert or minimize loss;
- Engage all relevant stakeholders in the claims process;
- Continuously assess major trends in claims and recoveries and advise underwriters and other partners on possibilities to improve underwriting processes and procedures.

For a claim to become valid, the insured party needs to prove that all obligations stated in the insurance policy were abided to. The obligations refer to the following aspects/ eligibility criteria:

- Compliance with the subjectivities and conditions precedent set in the contractual documents;
- Documentation;
- Reporting (e.g. turnover, overdue, amicable settlements);
- Efforts to avoid or minimize the loss;
- Payment of premium;
- Preservation of ATIDI's rights to subrogation;
- Respect of the timelines set in the policy.

Synopsis of ATIDI Claims Process

Each Insurance product offered by ATIDI comes with specific obligations and responsibilities for the contractual parties in the corresponding policy documents. As such, claims handling processes, procedures, rights, obligations, terms and conditions are defined in detail in the respective individual insurance contract. The below is therefore simply an overview of the process from submission of a claim to indemnification:

- In the event of the occurrence or likelihood of occurrence of a Loss, the Insured must, within the stipulated timeframe (usually not more than 30 days of such occurrence) submit to the Insurer a notice of Loss advising of the occurrence of a Loss or likelihood of occurrence of loss and an estimation of the Loss amount.
- Following receipt by the Insurer of the notice of Loss or likelihood of occurrence of loss, the Insurer and the Insured will communicate with each other with respect to the circumstances surrounding the Loss, and the Insured shall provide to the Insurer all information the Insurer may reasonably request with regard to these circumstances.
- During the Waiting Period (Usually 180 days from the date of loss), both the Insured and the Insurer shall employ all reasonable effort towards recovery and or loss mitigation. Should all effort fail at recovery fail, the Insured will be required to file a claim for compensation before expiry of the Waiting Period.
- Upon submission of a claim for compensation by the Insured, the Insurer will assess the claim and no later than 30 days from the date of receipt of all documents necessary to assess liability and ascertain loss, the Insurer will provide the Insured with a decision as to whether or not it accepts the Claim.
- If the Insurer accepts the Claim, the Loss will be paid by wire transfer to the account indicated by the Insured no later than 30 days from the date of communication of acceptance of liability against an appropriate Discharge of Liability Letter.

Sovereign Claims Payments

ATIDI offers insurance covers on sovereign and sub-sovereign obligations premised on the guarantee of reimbursement by member states for any claims paid as a result of payment defaults or breach of the sovereign or sub-sovereign obligations. This security structure is anchored on the Treaty establishing ATIDI, the Participation Agreement signed by each ATI member state and the equity capital of ATIDI contributed by its shareholders. These legal instruments confer upon ATIDI a de jure Preferred Creditor Status in its member states. The Participation Agreement, among other things, provides for the obligation of ATIDI member states to reimburse ATIDI the gross value of the Payments due in accordance with the relevant payment instructions as provided by ATIDI within 360 days following the date of receipt by the government of a written notice from ATIDI. Failure by the Member State to reimburse ATIDI within the stipulated timeline entitles ATIDI to forfeit a portion of its shares proportionate to the loss.

The cases list below are evidence that ATIDI's Preferred Creditor Status is in practice and demonstrate that ATIDI's PCS works *de facto* over and above being a purely legalistic status. Full recovery of all the sovereign claims so far paid by ATIDI reflect the commitment by ATIDI member states to up uphold ATIDI's PCS by placing priority on reimbursing ATIDI for claim payments made on their behalf.

Summary of ATIDI Sovereign & Sub-sovereign Claims and Recoveries

Due to ATIDI's PCS, potential losses amounting to approximately USD198.29M have been averted by ATIDI on behalf of our insureds across ATIDI's member states. Due to increased ATIDI engagement with its member states, ATIDI is resolving more potential claims before expiry of the policy Waiting Periods based on ATIDI's interventions as characterized by the good relationships ATIDI enjoys with the Ministries of Finance of its member state. Furthermore, the introduction of Letters of No Objection at the Underwriting stage has seen reduced losses on ATIDI covered transactions, as from the onset, Governments are now made aware of the obligation to afford such transactions preferential treatment in terms of prioritizing payments. Finally, ATIDI's underwriting is increasingly focused on strategically important sovereign risks thereby reducing the likelihood of the fraudulent circumstances referenced above.

4.4. Strategic Partners

(a) African Development Bank (AfDB)

Besides being a strategic shareholder in ATIDI and being on ATIDI's Board since 2013, AfDB provided the organization ATIDI with a grant that has allowed it to improve its corporate governance, understanding of key markets and to develop a comprehensive underwriting system that supports its account and risk management objectives. AfDB is also supporting ATIDI's membership and capital expansion, having supported the organization's membership drive with close to USD60 million in financing. The Bank recently funded the membership of Benin, Côte d'Ivoire, Ethiopia and Mali and Ethiopia, with more countries expected in the pipeline. AfDB has also used ATIDI's solutions. For example, ATIDI backed a USD159 million loan from the AfDB to fund Ethiopian Airlines' fleet expansion with the purchase of an Airbus A350-900 jet. ATIDI also supported the completion of a USD500 million credit insurance deal structured to cover a portion of the Bank's portfolio of non-sovereign operations in Africa.

(b) Trade and Development Bank (TDB)

Apart from being a shareholder and an important client, TDB has also funded the membership of Zimbabwe and is now actively supporting ATIDI's access and the prospective membership of other African countries.

(c) European Investment Bank (EIB)

The EIB selected ATIDI as a key partner in Africa for the support of the European contribution to the UN "Sustainable Energy for All (SE4All)" initiative. In this context, EIB provided a EUR 2 million grant to develop ATIDI's underwriting capabilities in the energy sector.

(d) The World Bank Group

Since inception, The World Bank has been involved at various stages in supporting ATIDI. When ATIDI was first set up as a Bank project, the Bank provided funding for the first 10-member states via IDA loans, and it has helped ATIDI to develop its corporate governance and risk management framework.

(e) KfW Development Bank

KfW chose ATIDI to be their strategic partner for the Regional Liquidity Support Facility (RLSF) that guarantees Renewable Energy independent power producers that they will have access to short term liquidity in the event of delayed payments from state-owned power utilities. The product provides a revolving on-demand liquidity facility that covers up to twelve months of IPP invoices. The grant from KfW serves as first-loss funding with ATIDI's guarantees supplementing this in a similar manner to excess of loss insurance structures. KfW's funding for RLSF was provided by the German Federal Ministry for Economic Cooperation and Development (BMZ).

(f) Norwegian Agency for Development Cooperation (Norad)

Norad committed to provide grant funding to the African Trade & Investment Development Insurance (ATIDI), valued at NOK 500m (USD56m), allocated over an initial period of 5 years. The grant will be geared towards the continued implementation of ATIDI's Regional Liquidity Support Facility (RLSF), which aims to mobilise private investment into renewable energy projects in Africa while contributing to the achievement of Sustainable Development Goals 7, 8 and 13. The grant will also be deployed towards the development of additional insurance or guarantee products in support of small and medium sized renewable energy sector initiatives.

(g) Other private reinsurers

ATIDI is one of the larger buyers of investment risk reinsurance in the private market place and has excellent relationships with a number of the world's largest reinsurers including AXA XL, Chubb, Liberty Re, Partner Re, Scor, Swiss Re and the Lloyds market.

4.5. Investment Portfolio

ATIDI INVESTMENT POLICY

A common concern of ATIDI counterparties when initially assessing ATIDI risk is that ATIDI is domiciled in African countries. As noted above, the institution can rapidly physically re-locate from any of ATIDI's offices in the event of severe country incidents. Furthermore, from an underwriting risk perspective, 4/5ths of ATIDI's exposures are insured with well-rated international diversified P&C counterparties. When considering ATIDI's investment risk portfolio it is similarly worth noting that the vast majority of ATIDI's assets are held off-shore from Africa in a diversified pool of very highly rated, short dated and liquid securities.

Article 9 of the ATIDI treaty provides that, "The management of ATIDI may, with the approval of the Board of Directors or, in accordance with and subject to ATIDI's investment policy as may be determined by the Board of Directors from time to time, invest funds not immediately needed in its operations, provided that such investments shall not be speculative in nature; be such that the capital thereof is not susceptible to depreciation or otherwise at risk of loss; and be liquid in nature so as to ensure that funds are available to meet the financial obligations of ATIDI."

This policy establishes the principles which will guide Management and the Board of Directors in discharging their responsibility of investing ATIDI funds. The Policy establishes, among others, eligible investments, asset class allocation, performance benchmarks, performance reporting and the amount of discretion given to Management.

The main objective of the Investment Policy is to ensure that ATIDI is able to settle all claim obligations in full and as they fall due. To achieve this objective, the Board has established other secondary objectives which will determine the extent to which claim obligations can be met by ATIDI investments.

These objectives are:

- To establish a diversified investment portfolio. The benefits of diversification include higher average returns with lower average volatility because some of the asset classes perform well when others are performing poorly, which smoothens out the returns.

- To determine an optimal asset allocation to achieve optimal returns.

- To establish guidelines which ensure that the ATIDI assets are managed within an acceptable and prudent level of risk.

The investment policy considers:

  - ATIDI's contingent liabilities going forward supported both by provisions and by shareholders' equity, the sum of which will be approximately mirrored on the asset side of the balance sheet by the investment portfolio and the demand obligations. Management deems the following three main rationales as appropriate for ATIDI's investment portfolio:

- To provide liquidity to pay for identified claims;

- To provide liquidity to cover future unidentified claims; and

- To the extent possible maximize investment returns so as to provide for capital growth, consistent with clearly defined and prudent risk limits.

- Providing liquidity for identified claims

ATIDI will need to be able to draw on the investment portfolio to pay for claims and potential claims that may be identified. ATIDI keeps track of projects where the investor is experiencing problems. Under the terms of the contract of insurance or guarantee, the investor must report any problems that may give rise to a claim to ATIDI. Based on its assessments of the probability of a claim and the severity of a loss, ATIDI Management will establish a specific provision for such claims. The actual amount of the specific provision is also adjusted according to expectations of recoveries. However, recoveries, if any, will normally be received over an extended time period which may last several years. Consequently, the investment portfolio must allow for payment of claims on a pre-recovery basis.

Liquidity for unidentified claims

ATIDI also needs to be prepared to pay for claims that have not yet been identified on a contract level. Even though the precise amount of such claims is necessarily unknown, it is possible to construct portfolio models to make estimates of the most likely aggregate size of such claims, as well as estimates of their maximum size at a given confidence level. Such measures are similar to Value-at-Risk (VaR) measures commonly used by banks and other financial institutions. ATIDI will develop, with the help of its partners, analytical tools that can be used to make broad estimates of the size of unidentified claims on an aggregate portfolio-wide basis.
Providing for capital growth

While the investment portfolio at any time must be managed to ensure ATIDI's ability to pay identified and unidentified claims, the rate of return on the portfolio is also an important matter. Capital growth targets must be compatible with future business goals, considering not only potential growth in the volume of business but also the types and risk level of business that the Agency is willing to assume. In the long term, capital should be able to grow not only nominally but also in real terms. Appropriate risk tolerance, taking into consideration both financial return requirements and other financial or non- financial considerations of the Agency, should drive the asset allocation of ATIDI's investment portfolio so that a reasonable investment return can be achieved.

As outlined above, ATIDI's investment portfolio is structured to give both shareholders and clients comfort regarding ATIDI's ability to meet its financial obligations. Most of these obligations are related to ATIDI's core business: the issuance of contracts of insurance and guarantees against political and commercial risk. As a result, decisions on an appropriate investment policy will have to consider ATIDI's core business risk. The financial obligations inherent to the portfolio vary with the properties of that portfolio, i.e. its exposure to various levels of country risk and commercial risk, its diversification, and its exposure to large projects. These characteristics determine expected and unexpected losses, that is, how likely ATIDI is to face various amounts of claims payments.

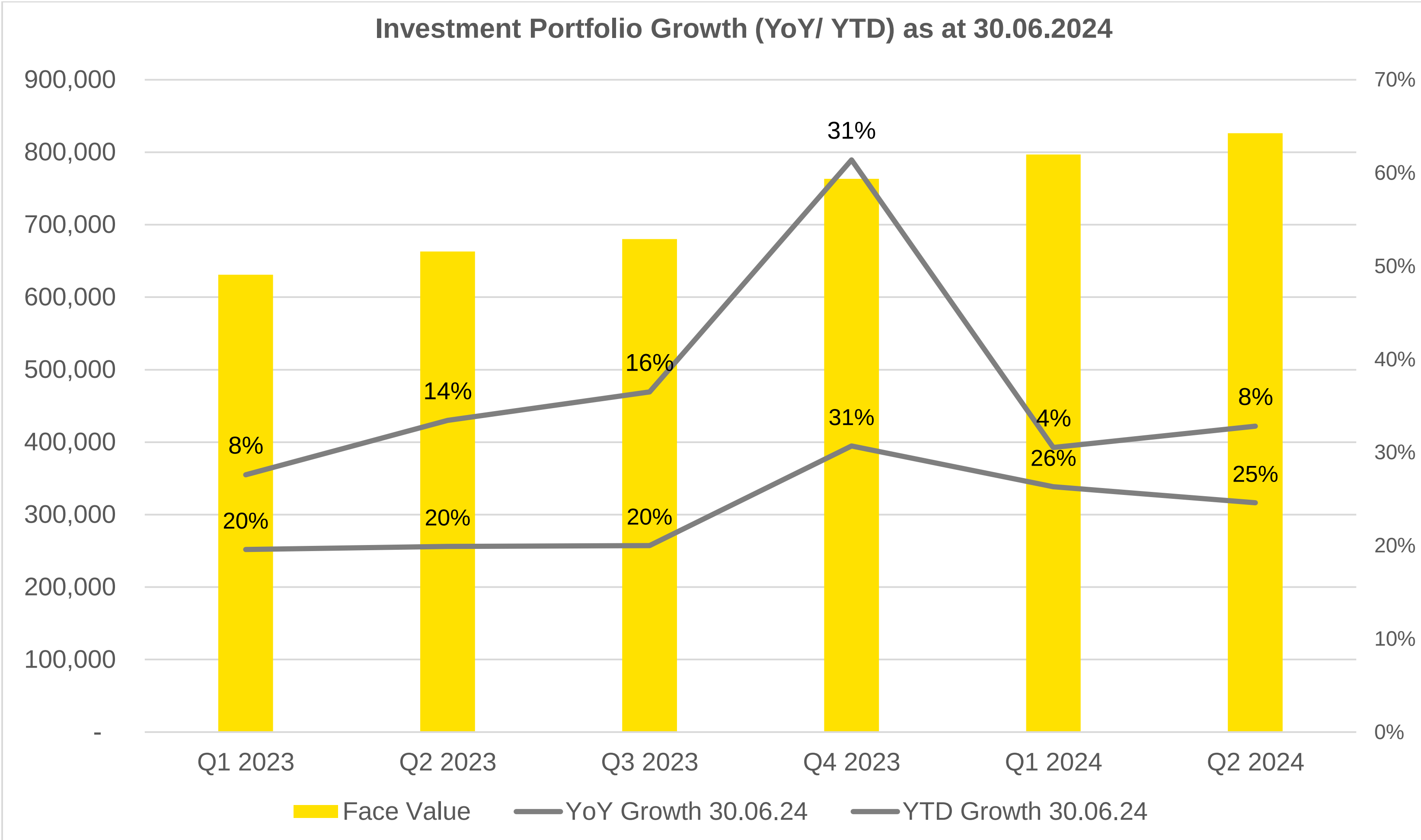
The risk of making investment losses may reduce the capacity of the investment portfolio to fulfil its role of providing funds for paying identified and unidentified claims, and supporting future business growth. ATI should not take investment risks that could render the Agency unable to pay claims. In contrast, investment risks that are not closely correlated with the underwriting risk and do not impair ATIDI's capacity to fulfil its underwriting-related financial obligations should be viewed favourably, because of their potential to provide additional investment income.

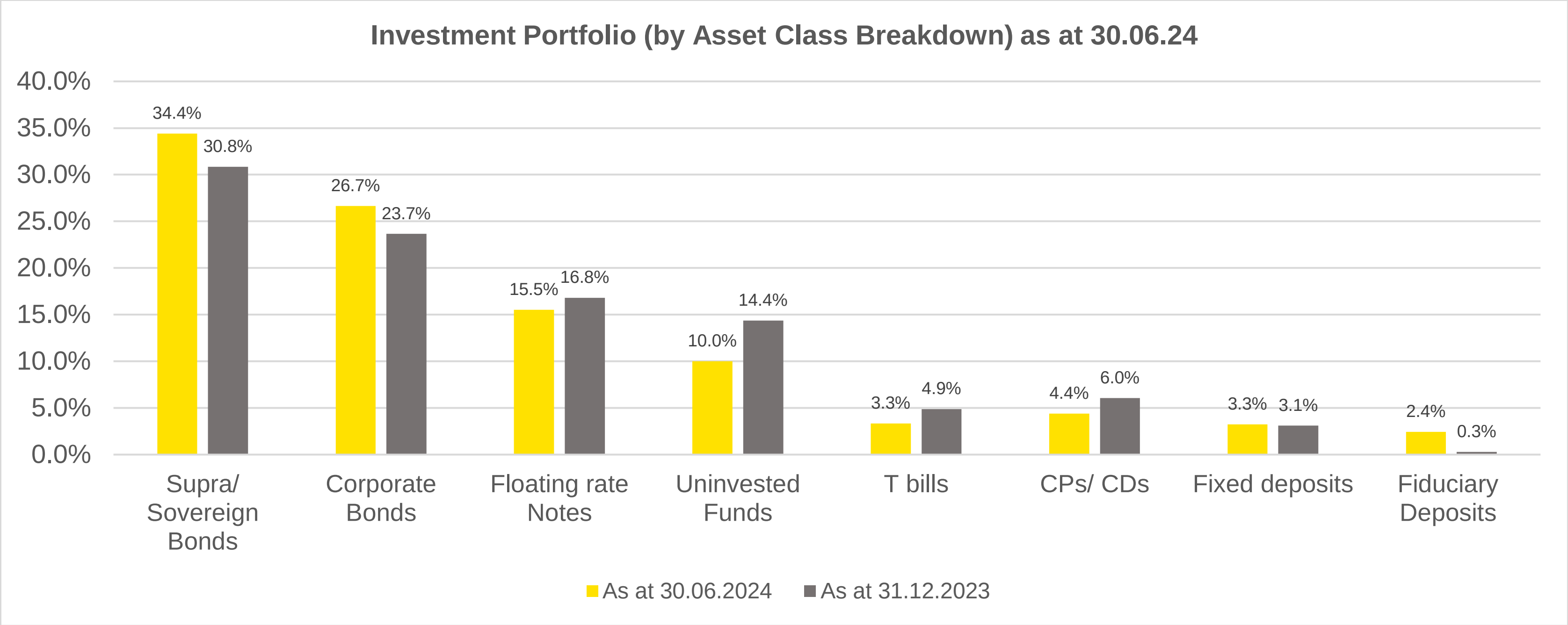
The Board determines the investment policy with the view of achieving a diversified portfolio such that they spread the risks of investing in any one investment market, currency or asset. Given ATI's adequate funding, the Board takes a long-term view in establishing the risk adjusted return. Therefore, the Board is willing to accept volatile short-term investment returns in the expectation that volatility will be more than compensated by superior long-term performance.

4.6. Breakdown of the investment portfolio by type of investment

ATIDI's investment portfolio registered an exponential growth of 25% YoY in the period from Q2 2023 to Q2 2024. The portfolio also achieved a YTD growth rate of 8% in Q2 2024 from Q4 2023 supported by funds generated from business operations as well as capital contributions.

The capital contributions were received from new member country shareholders; Burkina Faso and Mali, while Zep Re increased their shareholding by procuring additional shares.


Investment Portfolio Growth (YoY/ YTD) as at 30.06.2024
900,000
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
-
70%
60%
50%
40%
30%
20%
10%
0%
Q1 2023
Q2 2023
Q3 2023
Q4 2023
Q1 2024
Q2 2024
8%
14%
16%
31%
4%
8%
20%
20%
20%
31%
26%
25%
Face Value
YoY Growth 30.06.24
YTD Growth 30.06.24



Breakdown of the investment portfolio by rating

In addition to investment portfolio diversification, ATIDI seeks to maintain the high credit quality of its assets. To date, 95% of ATIDI's investment portfolio is at least A-rated and within ATIDI policy limits.

Credit Rating	As at 30.06.2024	As at 31.12.2023
A range	44%	47%
AA range	37%	35%
AAA range	13%	10%
BBB range	2%	5%
Non-investment grade	3%	3%
Total Portfolio	**100%**	**100%**

Financial Results FY 2018 – 2024

ATIDI's financials can be found on ATIDI's website using the following link: https://www.atidi.africa/investor-relations/financials/

Credit Rating

ATIDI's most recent credit rating(s) is publicly available on ATIDI's website at: https://www.atidi.africa/investor-relations/rating/

Appendix

LIST OF ABBREVIATIDIONS

Abbreviation	Explanation
ATIDI	African Trade & Investment Development Insurance
CRI	Credit Risk Insurance
FY	Financial Year
PRI	Political Risk Insurance
PVT&S	Political Violence, Terrorism and Sabotage
PV	Political Violence
SO	Single Obligor
SOV	Sovereign
ST	Short Term
SUB-SOV	Sub-Sovereign
USD	United States Dollar
WTO	Whole Turn-Over