



# **Abridged Investment Management Policy**

**Version 3.0**

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**Disclaimer:** *This is a public summary of WAICA Re's Investment Management Policy aligned with the UN Principles for Responsible Investment (PRI). Proprietary operational details and internal approval thresholds have been removed.*

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## 1 Executive Summary

This Investment Management Policy is provided under a change context. The Group has a separate Treasury & Investment Management function and are responsible for managing treasury and investment functions at a Group level (WAICA Reinsurance Corporation PLC) and at subsidiary level (WAICA Re (Kenya) Limited, WAICA Re (Zimbabwe) Limited, and WAICA Re DIFC Limited (United Arab Emirates). WAICA Re Capital and AFIN Bank (UK) are required to develop and maintain their own treasury and investment policy guidelines.

## 2 Investment Framework

This Investment Policy Statement (“Policy” or IPS”) provides the framework for the management of the investments of the WAICA Reinsurance Corporation PLC (“WAICA RE”), under the WAICA Re Investment program (WRIP).

### 2.1 G3.1. Purpose

The purpose of a policy statement is to document the investment management process by

- a) Identifying the key roles and responsibilities relating to the ongoing management of the company’s assets and how these interact with one another.
- b) Recognize and resolve the agency issues among the parties responsible for various aspects of the investment management process.
- c) Setting out an investment structure for the company’s assets taking into account the risk and returns as well as time horizon associated with liabilities of the company. In the context of a company of this kind, the prudent management of risk remains the paramount objective, and
- d) Encouraging effective communication among all fiduciaries, including external parties engaged to execute investment strategies.

This investment policy is intended to guide the company in effectively supervising, monitoring and managing its investments. The policy statement is designed to allow for sufficient flexibility in the management and oversight process, while setting forth reasonable parameters to ensure prudence and care in the execution of the investment program. This investment policy is also proposed in the context of ethical and related considerations consistent with the mission, vision and objectives of the company.

The execution of this policy also makes provision for the engagement of external

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professional investment managers who would be charged with the responsibility of managing aspects of the WRIP.

This document requires the approval of the board of directors, which will follow the approval of the board audit and finance committee. It is intended that this document should be dynamic and will be reviewed from time to time.

## **2.2 Signatory Commitments**

This framework also aims to ensure WAICA Re's alignment to their commitments made as signatory to the United National Principles for Responsible Investment<sup>1</sup> and the United Nations Principles for Sustainable Insurance<sup>2</sup>. Refer to relevant appendices for signatory commitments and obligations

## **2.3 Investment Goals**

- a) The mission of the WRIP is to generate a stable and continuously growing income stream with limited risk.
- b) The overall investment goal of the WRIP is to preserve the purchasing power of capital resources and to the extent this is achieved, cause the principal to grow in value over time.
- c) To maximize the value of investments while maintaining liquidity it is needed to pay reinsurance claims and meet expenditure commitments and other liabilities.

The WRIP has a short to medium term investment horizon, and utilizes an asset allocation strategy, which encompasses the need to maintain adequate liquidity in the context of unpredictable liabilities.

## **2.4 Investment Philosophy**

The philosophy for the management of the WRIP assets is as follows.

- a) The investment philosophy is to create a management process with sufficient flexibility to capture investment opportunities as they may occur yet maintain reasonable parameters to ensure prudence and care in the execution of the investment program.
- b) Seeking a return on investment consistent with levels of investment risk, including ESG risks, that are prudent and reasonable given investment conditions and the investment objectives of the WRIP. Given that the preservation of capital is the primary goal, risk must be managed, as it cannot be eliminated.

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<sup>1</sup> [Principles to Practice \(unpri.org\)](https://www.unpri.org/)

<sup>2</sup> [Principles for Sustainable Insurance – United Nations Environment – Finance Initiative \(unepfi.org\)](https://www.unepfi.org/)

## **2.5 Investment Strategy and Objectives**

Investing in asset classes in line with the asset allocation target and ranges set out in this document. The broad objective is to ensure safety of principal and a high degree of liquidity while maximizing yield. Liquidity and preservation of capital are the paramount considerations. Yield is important but secondary to these objectives. In order of priority, the specific investment objectives are as follows:

- a) Maintain sufficient liquidity: The portfolio will be managed to provide timely funding for the company's operating needs. Short and long-term cash forecasts will be utilized to determine feasibility of each investment made. Investment duration will be matched against expected cash flow requirements.
- b) Limit Credit Risk: Protection of principal will be given high priority by limiting the company's investments to the asset allocation strategy as set out in Section 5.8.
- c) Equity Securities: The Group will invest in equity securities for passive and active investment purposes but in line with approved asset allocations.
- d) Investment Managers – The group's portfolio will be largely managed internally with input from the institutional coverage groups of various high-quality investment professionals based on
  - 1) Experience demonstrated performance and reference checks.
  - 2) The ability to professionally and creatively interact with the group's senior management to provide on-going communication, education, advice and support for all of the company's investment needs.
  - 3) Alignment to WAICA Re's ESG Policy.

## **2.6 Investment Guidelines**

### **2.6.1 Investment Responsibilities**

- a) The investment policies of the WRIP shall be based on a financial plan that will consider:
  - 1) The financial condition of the WRIP, i.e., the relationship between the current and projected assets of the WRIP, projected reinsurance and related income as well as liability and expenditure levels.
  - 2) The expected money and capital market outlook, including expected volatility of and correlation among various asset classes.
  - 3) The range of possible investment outcomes is associated with different policies.
  - 4) The company's risk tolerance, that is, the trade-off between the desire to

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achieve high returns (and the associated high volatility) and the desire to avoid unacceptable outcomes (and the associated necessity for reduced volatility).

- b) The company will consider alternative investment policies and will measure their potential impact on the financial condition of the WRIP and assess their suitability in meeting the objectives of the WRIP.
- c) The management will implement the board approved asset allocation policy. The asset allocation policy shall be sufficiently diversified to enable the appropriate fiduciary to manage risk without imprudently sacrificing return. The management team, with the assistance of professional investment managers, delegated the responsibility of managing total and active risk within the ranges set by this policy.
- d) Any investment or action with respect to an investment not expressly allowed is prohibited, unless presented for internal approval through appropriate governance channels. All guidelines must be adhered to; however, if from time to time a manager shall deem an exception to the guidelines appropriate, the manager shall seek relevant board-level approvals to make such an exception.

### **2.6.2 Prohibitions & Restrictions**

The following prohibitions apply:

- a) The direct purchase of property currently owned, or a security issued by the group, its subsidiaries and affiliates, is prohibited,
- b) The use of derivative securities or contracts to create economic leverage in the portfolio is comprehensively prohibited.
- c) Transactions that involve a broker acting as a "principal," where such broker or an affiliate is also the investment manager, who is making the transaction, are prohibited.
- d) Any consultant or adviser whose services are used in assessing any aspect of the investment portfolio shall not promote a particular investment. Consultants/Advisers are also required to disclose any placement agent fees and gifts as a result of investment decisions made by the Group.
- e) Investments associated with activities listed on the International Finance Corporation (IFC) Exclusion List.

### **2.6.3 Economic Leverage**

The WRIP equity and fixed income assets shall at all times avoid the use of economic leverage. Economic leverage, in the context of portfolio management, is defined as the net per currency exposure to assets in excess of the amount of capital invested, as measured by current market value. A very small, inadvertent, or temporary violation of this

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restriction that may occur in the normal course of portfolio management shall not be construed as leverage. Notwithstanding the general prohibition against leverage, leverage may be used in Private Equity and Real Estate per the limits and guidelines set out on this document.

#### **2.6.4 External Investment Manager**

The management will also select investment professionals (or “managers”) with demonstrated experience and expertise, who will be responsible for managing specific portfolios consistent with the guidelines set out in this document, the WAICA Re ESG Policy, and the WAICA Re ESGMS. Each investment manager will function under a formal contract that delineates its responsibilities, investment style and process, performance expectations, administrative requirements, and compensation. Where appropriate, each manager’s contract will include a benchmark and range of probable outcomes relative to that benchmark. Subject to the constraints and restrictions imposed by the manager guidelines, all decisions regarding sector security selection, portfolio construction, and timing of purchases and sales are delegated to the investment manager. Investment Managers are required to conduct a Due Diligence which includes ESG on all potential investments before making an investment on behalf of WAICA Re.

Investment managers are required to inform the management of the company of significant matters pertaining to the investment of WRIP assets, including at a minimum, substantive changes in investment strategy and portfolio structure; significant changes in ownership, organizational structure, financial condition or professional staffing; ESG-related performance including non-compliance; litigation or violation of securities regulations; significant account losses or growth of new business. Managers must inform the management in the event of discovering an unintended or involuntary violation of these guidelines or of any of the policies herein pertaining to them.

Investment Managers are required to submit periodic reports to the management summarizing investment activity, performance and strategy. Managers are required to reconcile investment returns with the custodian on a monthly basis.

#### **2.6.5 Proxy Voting**

The policy considers that active voting of proxies to be an integral part of the investment process. Staff will execute all proxies and voting instructions in a manner that is consistent with the best interests of WRIP as set out in this document unless such a vote may result in long-term harm to the company that outweighs the long-term benefit to the company

Executing proxies and voting instructions includes, but is not limited to:

- a) Casting votes in favour of or “For”, an individual or slate of director nominees up for



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- election that management believes will effectively oversee WRIP interests as a shareowner.
- b) Withholding votes from or “Against”, an individual or slate of director nominees at companies that management believes will not effectively oversee WRIP interests as a shareowner consistent with policy or, in limited circumstances, where a company has consistently demonstrated long-term economic underperformance.
- c) Casting votes which include ESG considerations in line with WAICA Re’s ESG Policy and our commitments as signatories to the UN PRI and UN PSI.

### **2.6.6 Legal Provisions**

The investment program shall comply with existing and future applicable laws and regulations, adopted sanctions lists, WAICA Re’s Due Diligence and Anti-money Laundering Policy, Exclusion Lists, and other commitments made to shareholders, lenders, and other key stakeholders and the prudence requirement. All transactions undertaken on behalf of the WRIP will be undertaken solely in the interests of the company, the WAICA Reinsurance Corporation PLC and its subsidiaries (the Group).

## **2.7 Asset Allocation**

### **2.7.1 Eligible Investments**

Eligible investments as well as the targets set for individual asset classes are as stated below. This does not preclude investment in other assets but must be pre-approved through appropriate internal governance.

Government Securities (Local Currency)
Term Deposits with Banks and other financial institutions
Investment Property
Bonds
Exchange Traded Equity Shares
Non-Exchange Traded Equity Shares
Investment Funds

### **2.7.2 Government Securities (Local Currency)**

In this category, the assumption is that government securities will be local currency securities.

### **2.7.3 Term Deposits**

Term Deposits have been discussed extensively in Section G2.

## 2.7.4 Investment Property

Investment property includes residential and commercial office development assets in any of the primary countries of business where the proposal can demonstrate that there is sufficient demand that shall be approved through the company's governance process.

## 2.7.5 Bonds

### 2.7.5.1 *Corporate Bonds*

Corporate bonds can be bought for entities or issuers with ratings (Fitch, Standard & Poor's, Moody's, AM Best or any other recognized rating agency) and/or are bonds listed/to be listed on a recognized Exchange. Where the entity or issuer does not have a rating or the bond is not listed, a due diligence must be conducted to ensure the issuer meets the Group's value criteria (including Company size, Management, financial performance) and a due diligence report shall be conducted to support investment decision-making. These investments can be executed in local or foreign currency in any of the approved countries and currencies.

### 2.7.5.2 *Euro Bonds*

Eurobonds can only be bought for entities with a minimum investment grade rating (Fitch, Standard & Poor's, Moody's or AM Best).

### 2.7.5.3 *Green/sustainability Bonds*

The Group shall invest an agreed percentage of its financial assets in Green Bonds (refer to Asset Allocation schedule). The targeted green bonds will be as follows:

- **Renewable energy** (including production, transmission, appliances and products).
- **Energy efficiency** (new and refurbished buildings, energy storage, district heating, smart grids, appliances and products).
- **Pollution prevention and control** (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/ emission-efficient waste to energy).
- **Environmentally sustainable management** of living natural resources and land use (including environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate-smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture; environmentally sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes).

- **Terrestrial and aquatic biodiversity conservation** (including the protection of coastal, marine and watershed environments).
- **Clean transportation** (such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions).
- **Sustainable water and wastewater management** (including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation).
- **Climate change adaptation** (including efforts to make infrastructure more resilient to impacts of climate change, as well as information support systems, such as climate observation and early warning systems).
- **Circular economy adapted products, production technologies and processes** (such as the design and introduction of reusable, recyclable and refurbished materials, components and products; circular tools and services); and/or certified eco-efficient products.
- **Green buildings** that meet regional, national or internationally recognised standards or certifications for environmental performance.

The following performance criteria of the issuer will be assessed prior to investment to ensure that the investment aligns with WAICA Re's ESG Policy and objectives:

- ESG alignment
- External certification
- Use of proceeds reporting
- SDG relevance
- Regulatory compliance

### 2.7.6 Exchange Traded Equity Shares

The subject of equity investments must have a investment in listed equity will follow internal approval criteria.

### 2.7.7 Non-Exchange Traded Equity Shares

This includes private funds and direct equity. Investment in listed equity will follow internal approval criteria.

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## 3 Appendix

### 3.1 Signatory Commitment and Obligations

In support of this Policy and alignment with the UNPRI WAICA Re endeavours to:

Principle	Objective
Principle 1	<ul style="list-style-type: none"><li>• Integrate ESG issues into our investment analysis and decision-making processes across the organization.</li><li>• Identify, assess, and manage risks associated with ESG issues that could materially impact the organization's investment performance.</li><li>• Identify and manage the risks and opportunities associated with climate change in the investment portfolio.</li><li>• Undertake due diligence and screen investments against the International Finance Corporation (IFC) Exclusion List<sup>3</sup> using exclusion criteria based on ethical, moral, or ESG considerations, and eliminating or withdrawing from investments that transgress these.</li><li>• Perform at least annual screening of existing investment portfolios.</li><li>• Identify and prioritise investment opportunities that contribute to positive social or environmental outcomes.</li><li>• Contribute to the achievement of the United Nations Sustainable Development Goals through the positive outcomes of the organization's business activities.</li></ul>
Principle 2	<ul style="list-style-type: none"><li>• Enhance long-term value creation and investment returns through active ownership and engagement with stakeholders on ESG issues.</li><li>• Align the RI Policy with international best practice, standards and principles, and all relevant laws and regulations within the countries of operation; and</li><li>• Explore and adopt innovative business and investment strategies that align with responsible investment principles; and</li></ul>

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<sup>3</sup> [IFC Exclusion List.doc](#)

Principle	Objective
	<ul style="list-style-type: none"> <li>• Ensure that the organization's business and investment practices are conducted in a responsible manner and reflect our fiduciary duties owed to our stakeholders.</li> </ul>
Principle 3	<ul style="list-style-type: none"> <li>• Where possible and practical, seek appropriate disclosure on ESG issues where investments are made.</li> <li>• Where support or training is required to increase the quality of the data provided, WAICA Re will provide support and training when feasible; and</li> <li>• If due to the nature of the investment and limited influence due to shareholding structure, seek publicly available information to assess ESG issues and risks to counterparties.</li> </ul>
Principle 4	<ul style="list-style-type: none"> <li>• Regularly engage with stakeholders, including employees, investees, partners, and industry to understand their perspectives and influence, where possible, responsible investment and ESG practices; and</li> <li>• Collaborate with other similar organizations, industry groups, and relevant stakeholders to support the development of standards and best practices in responsible business and investment.</li> </ul>
Principle 5	<ul style="list-style-type: none"> <li>• Advocate for public policies, regulations, and frameworks that support responsible business and investment, and sustainable economic growth; and</li> <li>• Provide ongoing education and training for management, investment professionals, and relevant employees on responsible business and investment practices and ESG issues.</li> </ul>
Principle 6	<ul style="list-style-type: none"> <li>• Maintain transparency in investment processes and practices and report regularly on ESG integration and its impact on business performance to both external and internal stakeholders where relevant; and</li> <li>• Comply with the UNPRI reporting requirements.</li> </ul>

In support of this Policy and alignment with the UNPSI WAICA Re endeavours to:

Principle	Objective
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Principle 1	<ul style="list-style-type: none"> <li>• Integrate ESG considerations into our core business strategies and operations which include underwriting, risk management, and investment activities. This will enable WAICA Re to contribute to sustainable development, manage risks more effectively, and create long-term value for stakeholders.</li> </ul>
Principle 2	<ul style="list-style-type: none"> <li>• To foster collaboration and partnership among insurers, clients, and other stakeholders to address ESG challenges through the sharing of knowledge, promotion of best practices, and development of innovative solutions that contribute to sustainable development and resilience.</li> </ul>
Principle 3	<ul style="list-style-type: none"> <li>• Engage with governments, regulators, and other key stakeholders to advocate for and support public policies, regulatory frameworks, and societal initiatives that advance sustainability and address ESG challenges.</li> </ul>
Principle 4	<ul style="list-style-type: none"> <li>• Demonstrate accountability and transparency through regular disclosure and reporting on WAICA Re's progress in implementing the principles. This will build trust with WAICA Re's stakeholders, allow for benchmarking and sharing of best practices within the industry, and drive continuous improvement and increased accountability in addressing ESG issues.</li> </ul>

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## 3.2 Signatory Obligations

### S7.1 United Nations Principles for Responsible Investment

Principle 1	We will incorporate ESG issues into investment analysis and decision-making processes.
Principle 2	We will be active owners and incorporate ESG issues into our ownership policies and practices.
Principle 3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.
Principle 4	We will promote acceptance and implementation of the principles within the investment industry.
Principle 5	We will work together to enhance our effectiveness in implementing the principles.
Principle 6	We will each report on our activities and progress towards implementing the principles.

### S7.2 United Nations Environment Programme Principles for Responsible Insurance

Principle 1	We will embed in our decision-making environmental, social, and governance issues relevant to our insurance business.
Principle 2	We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.
Principle 3	We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.
Principle 4	We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles.