

**ESG INTEGRATION IN THE AFRICAN INSURANCE INDUSTRY
TERMS OF REFERENCE (TOR)**

1. Introduction

Insurance companies as risk managers, insurers and investors and have a key role in building resilient, inclusive and sustainable economies on a healthy planet. To date in Africa, that role has been limited.

In response to this, the [Nairobi Declaration on Sustainable Insurance \(NDSI\)](#) was co-launched by ICEA Lion and UNEP in April 2021. The vision was to harness the collective financial might of the African insurance industry towards creating a sustainable, prosperous, and resilient Africa. NDSI has since grown to become a member-led initiative with over 150 signatories from 30 countries.

FSD Africa is one of the founding signatories of the NDSI, reinforcing its dedication not just in word but in action. Furthermore, FSD Africa acts as the secretariat of the NDSI, a position from which it steers efforts, fosters synergies, and tracks advancements within the industry. This strategic involvement of FSD Africa is instrumental in ensuring that the aspirations encapsulated in the NDSI are translated into measurable impact, thereby steering the African insurance sector towards a future aligned with global sustainability targets.

The NDSI Leadership Group has recently approved a new strategy to guide NDSI towards achievement of its vision. FSD Africa is seeking to contract an individual, firm or group of firms (“the Consultant”) to provide core programming and relationship support for the implementation of key aspects of the NDSI strategy.

2. About FSD Africa

[FSD Africa](#) is a specialist development agency making finance work for Africa’s future. Headquartered in Nairobi, FSD Africa’s team of financial sector experts work alongside governments, business leaders, regulators and policy makers to design and build ambitious programmes that make financial markets work better for everyone. Established in 2012, FSD Africa is incorporated as a non-profit company limited by guarantee in Kenya. It is funded by UK aid from the UK government.

3. Background

The recently approved NDSI strategy is to simultaneously move large numbers of members towards greater sustainable insurance maturity via a segmented capacity-building approach.

To support this segmented capacity-building approach, the NDSI risk carrier signatories (i.e. insurers and reinsurers) have been divided into three broad segments representing different stages of the sustainability journey:

- I. Early stage: Looking to take first steps on ESG
- II. Maturing: Have started to integrate sustainable insurance principles into the business, but still learning
- III. Advanced: Implementing a sustainability strategy aligned with governance, targets and reporting

The broad capacity building approaches that NDSI have identified for each segment are as follows:

- Segment I: Learning and development through webinars, knowledge materials and toolkits. Eventually the ambition is to create an online NDSI Academy.

- Segments II & III: Working groups and technical assistance.

This consultancy is intended to support these various capacity building activities as well as some of the broader work of NDSI.

4. Scope of Work

The Consultant's Scope of Work is outlined against the activities and outputs below in various workstreams.

4.1. Workstream 1: Learning and Development

The primary focus of this workstream is segment I signatories who form 90%+ of the NDSI members. Deliverables will include:

- **Output 1:** A series of 6 NDSI webinars providing an ESG 101 course for insurers. The Consultant is expected to design and deliver the webinars taking into account the level of maturity and needs of segment I insurers. FSD Africa does have available relevant existing course material, especially relating to climate change and nature, which can be utilised for the webinars.
- **Output 2:** An ESG toolkit. This is expected to be developed as part of the Technical Assistance workstream to assist the beneficiary insurers in ESG integration. However, it is also applicable to this workstream as the toolkit is intended to be made available to all NDSI members for self-application. We invite input from the Consultant on the content of the toolkit but envisage that it would broadly cover the following:
 - Introduction to ESG
 - Risk and opportunity assessment
 - Capability assessment
 - Ambition and priority-setting
 - Roadmap development
- **Output 3:** A strategy and business case for establishing an NDSI Academy that provides accredited sustainable insurance courses.

4.2. Workstream 2: Working Groups

The Consultant will provide thought leadership and expertise to the two NDSI working groups (ESG Roadmaps and Reporting and ESG Taxonomies) which meet bi-monthly. The Working Groups (WGs) are chaired by volunteers from among the NDSI members. FSD Africa, in its role as NDSI secretariat, leads the logistics of the working groups in collaboration with the Working Group chairs. This includes managing working group applications, setting up the meetings and taking minutes.

In addition to attending the Working Group meetings the Consultants role in each will be:

1. ESG Roadmap and Reporting Working Group
 - Advise on agenda and content in collaboration with the WG Chair and FSD Africa.
 - Develop an ESG Roadmap in collaboration with the WG members. The ESG roadmap will provide a detailed set of actionable steps that African insurers can take to move from the most basic level of ESG maturity all the way through to advanced maturity. There is some overlap here with the roadmap section of the ESG Toolkit.

2. ESG Taxonomies Working Group

- Advise on agenda and content in collaboration with the WG Chair and FSD Africa.
- The development of an African financial sector ESG taxonomy is being funded by AfDB and will be executed by a separate consulting firm. Once developed, the Consultants role will be to support the implementation of the ESG Taxonomy by piloting it with at least three insurance companies who participated in the ESG taxonomy development process via the WG. During the pilot phase, these companies will apply the taxonomy to their underwriting portfolio and investments to assess its usability and effectiveness. The main goal of the pilot is to assess the practicality of the taxonomy in helping insurers identify environmentally and socially sustainable activities and therefore make informed capital allocation decisions.

The three companies selected to pilot do not have to be part of the Technical Assistance programme described in the next workstream (but could be). The output of the pilot will be a WG report detailing the piloting experience, lessons learnt and recommendations for improvements to the ESG Taxonomy. The intention is for this report to be then shared with the broader NDSI membership.

Thus, the deliverables for this workstream are:

- **Output 1:** ESG Roadmap document tailored to the African insurance industry context.
- **Output 2:** Taxonomy WG report on piloting experience and webinar to disseminate the report.

4.3. Workstream 3: Technical Assistance

The Consultant will provide bespoke technical assistance (TA) to 7 African Insurance companies. The exact scope of the TA for each company will be determined by their specific ESG maturity needs. FSD Africa has requested Expressions of Interest from African insurance companies that are looking for such technical assistance in integrating sustainable insurance principles into their business operations. The ToRs for this are attached and deadline for submissions is 15 April 2024.

The scope of TA will be determined for each company together with the Consultant but will not go beyond the following two areas:

1. Facilitate ESG Strategy Development and Implementation
 - Support insurance companies in establishing or enhancing their ESG strategies and frameworks, aligning with international best practices and addressing regional challenges.
 - Provide technical assistance to insurers in implementing ESG strategies that integrate sustainable practices into core business functions.
 - Conduct capacity-building workshops to equip insurance companies with the skills and knowledge necessary for the effective internalisation of ESG principles.
2. Strengthen ESG Opportunity Development
 - Support insurance companies in developing specific ESG products, ensuring these products are robust, feasible, and scalable.
 - Guide firms in integrating ESG considerations into new product lines, particularly in areas such as disaster risk, agriculture, and renewable energy investments. These products will be used as case studies within the NDSI learning framework.

The phases of the TA programme are likely to include the following:

1. Evaluation
 - Evaluation and selection of the 7 insurance companies together with FSD Africa
2. Insurer Set-up
 - Establishing core working teams and governance with each insurer
 - Conducting baseline ESG assessments
 - Engaging key stakeholders
 - Agreeing specific objectives and roadmap with milestones
 - Setting KPIs
3. Implementation
 - Capacity building and training (consultant)
 - Implementation according to roadmap (insurer)
 - Ongoing technical support (consultant)
 - MEL, including reporting against project milestones and KPIs
4. Conclusion and evaluation
 - Stocktake of progress and key learnings
 - Identification of next steps and future priorities
 - Production of final materials, e.g. case studies

We invite Consultants to propose timelines and levels of technical support for each of these phases.

Deliverables for this workstream include:

- **Output 1:** A series of case studies from the TA programme experience
- **Output 2:** An ESG toolkit (same deliverable as for workstream 1)

4.4. Workstream 4: NDSI

The fourth workstream will be focused around scaling and expanding the activities of NDSI:

- **Output 1:** Develop the 'NDSI Current State Report' to benchmark members' progress against key metrics. The consultant will be expected to develop and implement a survey approach, which will quantify a few key NDSI indicators, such as the total climate risk insurance coverage and assets under management.
- **Output 2:** Provide input and recommendations for improvement to the current NDSI outreach strategy, onboarding process and introductory materials.
- **Output 3:** A series of strategic communications supports for NDSI. The Consultant will provide input to the communications strategy; co-develop a forward programme of high-impact, thought-provoking events, both internal and external, with FSD Africa/NDSI secretariat (e.g. NDSI Roadshows/roundtables, events with insurance associations, regional conferences/COPs); support with the planning and logistics for events such as writing proposals, identifying and inviting speakers, developing speaker notes, invites

and promotional materials; support FSD Africa to maintain a regular flow of interesting, impactful content for NDSI social media channels and website including identifying opportunities and developing content; draft targeted editorials/op-eds in conjunction with FSD Africa's Strategic Communications team and press office agency; provide input on press releases/media pitches/FAQs and support with the dissemination through the consultant's own channels and networks (including media lists).

5. Management

The management of this consultancy will be overseen by FSD Africa's Senior Manager, Climate Finance, within the Risk and Resilience team. The consultant will collaborate closely with stakeholders, including NDSI working groups and insurance company leaders, to ensure that the ESG Technical Assistance is delivered effectively and in accordance with the program's strategic direction. Regular progress reviews and coordination meetings will be conducted to maintain alignment with the program's goals, facilitate transparent communication, and adapt to the evolving needs of the sector.

6. Duration of the assignment

The Technical Assistance for integrating Environmental, Social, and Governance (ESG) practices within selected insurance companies and NDSI is envisaged to span a substantive period, reflecting the depth and breadth of each objective. The assignment is structured to be implemented over a period of 24 months with the possibility of an extension. This duration accommodates the multifaceted nature of the work. The exact timeframe will depend on the agreed TA being provided to each company and the NDSI working groups' capacity. It will conclude with a rigorous phase of monitoring, evaluation, and reporting to ensure that the ESG initiatives are not only implemented effectively but also poised for systemic impact. This timeline reflects our commitment to achieving lasting ESG integration that aligns with the overarching goals of the NDSI and the sustainable development aspirations of the African insurance sector.

7. Invitation to Tender

FSD Africa is inviting proposals from suitably qualified consultant(s). Your proposal should contain:

- i. CV of the consultant(s) not exceeding 3 pages.
- ii. A summary of your experience in demonstrated expertise on ESG issues in the insurance sector.
- iii. A description of your understanding of the role of the selected consultant(s) as outlined in the Terms of Reference, highlighting how you intend to provide the services within the suggested timeline.
- iv. Samples of similar work are needed to demonstrate the capacity to carry out the assignment, as well as testimonials from previous clients and/or employers.
- v. An estimated budget for both professional fees and reimbursable expenses- see Annex 1

Submitted proposals should not exceed 10 pages (excluding annexures). The review will be based on the main proposal. This should be sent by email to FSD Africa at bids@fsdafrica.org by noon

(EAT) on **20th May 2024** under a subject line reading ‘Invitation to tender: ESG Integration in the Insurance industry’. Applications received after the deadline will not be considered.

8. Basis of Award

The selection criteria for the consultant will be based on the following:

Assessment criteria	Weighting (%)
Proven experience in the design of Sustainable Insurance products. The consultant should have undertaken at least 4 comparable assignments on ESG in the insurance sector in the last 10 years.	30 %
Relevant qualifications in insurance, actuarial science, development studies, risk management, project management or any other related field.	20 %
Understanding/interpretation of the task set out in the terms of reference including detailed work plan	20%
<p>Fee basis and total costs.</p> <p>Most economically advantageous tender, where the computation will be based using the below formula.</p> <p>FS = $30\% \times LB/BP$ where:</p> <p>FS = is the financial score</p> <p>LB = is the lowest bid quoted</p> <p>BP = is the bid of the proposal under consideration.</p> <p>The lowest bid quoted will be allocated a maximum score of 30%.</p> <p>The fee quoted must be inclusive of applicable withholding taxes.</p>	30%
Total	100%

9. Contact

Questions or comments in respect of these terms of reference should be directed by email to bids@fsdafrica.org on or before 12 noon (EAT) **10 May 2024**, and feedback will be provided by 5 pm (EAT) **13 May 2024**.

10. Applicable Taxes

As per Kenya’s tax law, FSD Africa will pay the Consultant after withholding the appropriate taxes at the applicable rate between Kenya and the Consultant’s country of tax residence, considering any tax treaties in force. It is the responsibility of the Consultant to keep themselves apprised of these applicable taxes. The table below provides guidance on the applicable rates as per tax regimes.