

THE ISLAMIC CORPORATION FOR THE INSURANCE  
OF INVESTMENT AND EXPORT CREDIT

## **Climate Change Policy**



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## Acronyms used

<b>GHG</b>	Greenhouse Gas
<b>GRI</b>	Global Reporting Initiative
<b>ICIEC</b>	The Islamic Corporation for the Insurance of Investment and Export Credit
<b>IsDB</b>	The Islamic Development Bank
<b>MoU</b>	Memorandum of Understanding
<b>MDB</b>	Multilateral Development Bank
<b>NDC</b>	Nationally Determined Contributions
<b>OIC</b>	Organization of Islamic Cooperation
<b>PSI</b>	Principles for Sustainable Insurance
<b>SEC</b>	Securities Exchange Commission
<b>SASB</b>	Sustainability Accounting Standards Board
<b>SDGs</b>	Sustainable Development Goals
<b>TCFD</b>	Task Force on Climate-Related Financial Disclosures
<b>UN</b>	United Nations

## **Context and Purpose: ICIEC's commitment to climate change**

Climate change represents a threat to global stability, security, and prosperity, and it is one of the most significant challenges of modern times. Addressing climate change is a priority to ensure sustainable development and economic growth, both of which are fundamental to ICIEC's mission.

ICIEC is committed to supporting Member Countries in their Nationally Determined Contributions (NDC) goals. All Member Countries have established NDC and climate change strategies, including long-term strategies (LTS) for some of them, as part of their commitments to the Paris Agreement. Access to climate finance is critical to achieving these strategies, reducing GHG emissions, and contributing to increased resilience and adaptation to climate change. ICIEC is uniquely positioned to support these objectives and ambitions.

ICIEC recognizes the significance of the challenge and the need to orient capital towards an environmentally sustainable economy. ICIEC aims to fully integrate considerations on the impacts of climate change into its operations and to adapt its operating model to the needs of its clients whilst responding to the needs of its rapidly changing industry. In doing so, ICIEC may better support its clients, Member Countries, and their societies in pursuing initiatives, projects, and activities that maximize mutual benefits, and improve climate adaptation, mitigation, and resilience sustainably.

ICIEC will also adopt new policies and approaches to reorient its business model in a manner that is coherent with the policies and practices of the whole IsDB group, fully integrated into the ecosystem, and in line with the principles set forth under the Paris Agreement and the MDB Paris Alignment Framework.

ICIEC plays a pivotal role in promoting economic development, investments, and trade in its Member Countries and in facilitating efforts to improve the social and economic conditions of their societies in a sustainable and just manner.

Climate change is increasingly affecting economies and increasing risks across the globe. ICIEC member states and clients are among the most vulnerable to these changes and extreme weather events. Many have limited fiscal capacity and face economic and social challenges. They require continued support to adapt to climate change, to build resilience to shocks, and to achieve their development outcomes.

The integration of climate considerations into ICIEC's products, services, and operations has thus become essential to enable it to support the deployment of climate adaptation and mitigation solutions to its clients and member states.

ICIEC also recognizes that climate change is a global cross-cutting issue that affects all aspects of ICIEC's strategy and operations, and in particular food security, and it is at the core of its Member Countries' development strategies and paths to achieve the United Nations Sustainable Development Goals (SDGs). As such, this policy affects the entire organization and the four "Ps": people, processes, products, and planet.

## **Purpose of the Policy**

The Climate Change Policy establishes the foundations for the framework that the organization will develop to achieve the following outcomes:

- a. *Prioritizing the needs and aspirations of its Member Countries:* ICIEC will continue to be a Member Country-driven organization supporting national climate ambitions and sustainable development plans. In this process, ICIEC will support them in a just transition towards lower emissions and a more resilient world that considers the unique needs of each country particularly those of their most vulnerable groups. ICIEC will apply climate risk screening in all its operations to identify potential climate change risks and develop a consistent approach to addressing them.
- b. *Incorporating climate change principles into all its activities:* ICIEC is designing a pioneering set of climate change guidelines that will support the institution's work. ICIEC has begun building partnerships that will allow the corporation to leverage its products more effectively and crowd in private sector capital for climate-related projects.
- c. *Increase and innovate its financing capacity for higher positive climate impact:* Consistent with the increased importance that climate change mitigation, adaptation and resilience have for its Member Countries, ICIEC has also begun developing products tailored specifically for catalyzing investment towards climate-friendly projects. ICIEC has, for example, introduced its Green Sukuk Insurance Policy, aimed at allowing Sukuk issuers to better attract capital for "green" projects.
- d. *Share and promote knowledge and awareness and assist Member Countries to embrace innovative climate practices:* ICIEC will also support increased adoption of low carbon technologies to facilitate trade and reduce costs to both producers and consumers through collaboration with industry peers and

Member Countries. In 2023, ICIEC joined the International Renewable Energy Agency's (IRENA) "Energy Transition Accelerator Financing Platform" (ETAF) which aims to finance renewable energy projects amounting to USD 4 billion in 2023, as a de-risker of choice in its Member Countries. ICIEC will continue to work towards advancing the position of its clients and Member Countries in the space of climate change to help avert or mitigate the threats it poses to them.

The Climate Change Policy builds on the measures ICIEC has already been taking to incorporate climate change considerations into its business model. These include the introduction of the Green Sukuk Insurance Policy and various climate-related partnerships and MoUs with organizations across the globe. The policy is also informed by steps taken by ICIEC's peer organizations. Multilateral institutions focused on insurance are in varying stages of evolution concerning their climate change activities but are focused on an integrated approach that includes actions for their internal operations as well as for their clients. In the latter, this comprises both financial and non-financial instruments, including the provision of technical assistance and other capacity-building activities.

## **The Structure of the Policy**

Operationally, the ICIEC Climate Policy focuses on *three key objectives* and *five pillars*:

### **A) Objectives**

1. *Support for Member Countries*: ICIEC aims to support Member Countries that navigate towards sustainable and resilient economic growth. This support is crucial as these countries explore green growth opportunities and work towards their climate mitigation and adaptation objectives. Through innovative and effective insurance solutions, ICIEC will enable Member Countries to meet their commitments under the Paris Agreement, particularly through their Nationally Determined Contributions (NDCs), sector and thematic strategies, plans and visions. The focus will also be on promoting investment and trade opportunities that (i) support resilience and enhancing adaptation to climate change and, (ii) play a pivotal role in reducing greenhouse gas emissions across these activities.
2. *The Islamic Development Bank Group Synergy*: The Islamic Development Bank (IsDB) is steadfast in its commitment to aligning with the Paris Agreement's principles and directions. Within its capacity as the Group's



insurance and guarantee arm, ICIEC will play an indispensable role in this alignment by de-risking and providing guarantees for projects and transactions that are in line with the Bank's climate action objectives.

3. *Engagement with Financial Institutions:* ICIEC is also focusing on collaboration with global financial institutions, on blended finance solutions in order to address the climate financing gap in its Member Countries. As these entities incorporate climate risks into their risk management processes, ICIEC will support them by providing de-risking instruments that catalyze private sector investments. At the national level ICIEC cooperates with the commercial banking sector in its Member Countries to support identification of climate finance value chains and to de-risk eligible transactions. The goal is to promote business models and investments that are focused on renewable energy, energy efficiency, resilience of built environment, natural capital among other environmental themes, aligning with the broader transition towards the low-carbon economy.

## B) Pillars

The ICIEC Climate Change Policy is comprised of five key pillars, four of which are linked to how ICIEC organizes its work, serves its clients, and funds its activities. The fifth component comprises the approach to climate-related reporting and disclosure which cuts across the previous components.

Figure 1: ICIEC Climate Change Policy Pillars

Internal Operations	Insurance and Reinsurance	Risk Management	Contribution to Capacity Building	Communication
Operationalization of climate change mainstreaming across ICIEC internal operations focusing on climate action initiatives, policies, and plans to manage the organization's own carbon footprint	Opportunities for ICIEC to incentivize and contribute to scaling up climate agenda across member countries	Approach to climate-related risks in Risk Management	Integration of climate change in ICIEC capacity building support and engagement with member countries	Development of climate change-specific reporting at the level of the organization and its development impact intervention in member countries

## **Pillar 1: ICIEC Internal Operations**

Internal operations are pivotal in carving out the organization's distinctive footprint while also enhancing the management of the environmental impacts of its operations. ICIEC is poised to position itself as a preeminent global financial entity within a green, sustainable system whilst being aligned with its counterparts. This alignment facilitates the seizing of lucrative business and partnership prospects.

Furthermore, ICIEC has an opportunity to function as an exemplar for its constituent Member Countries and an array of financial as well as private sector enterprises within OIC countries. This is particularly salient as these entities progressively pivot towards implementing strategies centered on energy transition. With the integration of climate change considerations into its quotidian operations, ICIEC lays the groundwork for progressing cultural shifts and behavior amongst its workforce, partners, and broader stakeholder community. In doing so, ICIEC is demonstrating unambiguous leadership by example, thereby serving as a beacon for responsible and sustainable operational practices within its sphere of influence.

### **In this regard, ICIEC Climate Policy focuses on:**

**i. Facilities:** ICIEC will comprehensively review its facilities to integrate emission-reducing technologies and services. This involves evaluating materials, future construction methodologies, and energy systems, with a planned shift towards renewable energy and wider sustainable practices, including minimizing waste. Additionally, a swift digital transition will reduce reliance on paper and manual processes, decreasing emissions further.

**ii. Procurement:** ICIEC will implement IsDB's updated Corporate Procurement Policy and will work to build on the IsDB group's existing provisions to advance its criteria for procurement of environmentally friendly goods and services. This initiative includes, but not limited to, working with suppliers to reduce their GHG emissions, prioritizing those committed to implementing robust environmental plans.

**iii. Travel:** While maintaining an unwavering commitment to client service, ICIEC plans to optimize staff travel arrangements. This effort aims to systematically track and reduce travel-related emissions without detrimentally impacting the organization's ability to effectively serve its clientele.

**iv. Climate Awareness and Human Capital:** ICIEC will craft a strategy to minimize its carbon footprint while developing the skills of its human capital with dedicated tools and awareness. Each unit will be educated on their roles in contributing to the low-carbon mission, equipping them with insights and skills to champion carbon reduction efforts, thereby boosting the impact of ICIEC's carbon offset initiatives.



## **Pillar 2: ICIEC Insurance and Reinsurance**

ICIEC is committed to maximizing the positive climate impact of its products and services and in pursuing the development of innovative climate finance solutions to be implemented with its business partners and the Member Countries in a manner where climate outcomes are positive, and economic and social benefits are mutually distributed.

The overarching objectives are to bolster the Member Countries' abilities to adapt and build resilience against climate change and enhance ICIEC's contribution to climate finance. ICIEC will promote and work with other financial institutions making use of analytical tools and data to measure, assess, and price climate risks, reflect exposures in the pricing, and develop actions to minimize impact and risks. ICIEC may also build on business partnerships to leverage climate finance via blending, risk sharing, risk layering, and other financial techniques in line with modern financial practices.

ICIEC will design products that contribute to the climate goals of its Member Countries, recognizing that a smooth transition to a low-emissions economy might necessitate sustained engagements. One area for development will be supporting Member Countries that are particularly vulnerable to climate risk and extreme natural events. Some of them are affected disproportionately by climate change due to their natural and geographic characteristics, but also to the lower developmental status, limited economic and fiscal resources, and overall vulnerability and capacity to adapt and invest in resilience. ICIEC is dedicated to promoting disaster insurance and actively contributing to mitigation, adaptation, and resilience efforts, responding to the unique challenges faced by its members in the global climate context.

ICIEC will increase efforts to broaden its climate portfolio by focusing on developing projects that are largely aligned with market trends and promote key climate areas including, but not limited to:

- Circular economy
- Water and sustainable agriculture
- Renewable energy
- Climate resilience
- Energy efficiency
- Disaster risk management
- Efficient transport and eMobility
- Resilient Infrastructure & Cities
- Green Education

Premium pricing will also be factored in by incorporating climate considerations, as corroborated by robust analytical studies and assessments on the cost, opportunities, and adaptation and resilience benefits. Importantly, ICIEC will embark on the development of its infrastructure to support contingent risk assessment and financing, with a view to incorporating emergency assistance to asset replacement or equity losses.

### **Pillar 3: ICIEC Risk Management**

ICIEC acknowledges its vulnerability to substantial climate and natural risks due to the distinctive nature of its financing products and the special model of asset ownership throughout the project implementation phase, inherent to Islamic financing modalities. Considering this, the organization commits to collaborating with its clients and partners, encompassing suppliers of goods, services, and financial institutions, to craft and execute policies, practices, and strategies responsive to climate change. These collaborative efforts aim to foster investments that are not only more sustainable but also resilient.

Moreover, the risk assessment conducted by ICIEC will not be confined to environmental factors and physical climate risk, but will also encapsulate reputational, legal, and regulatory risks that are likely to emerge with the global transition to low-carbon economies and the unfolding dynamics of climate change. In this context, the organization will champion the creation and utilization of risk measurement tools, analytical resources, databases, and information systems adept at evaluating genuine risks by analyzing exposure and impact accurately.

To enhance risk assessment practices, ICIEC plans to continuously engage closely with entities within the IsDB Group. This collaboration aims to integrate climate risk evaluations and segmentation seamlessly into the organization's Risk Management Framework pillars.

As a premier global entity, ICIEC is also dedicated to endorsing internationally accepted guidelines designed for financial institutions. These guidelines provide a roadmap for managing risks related to the effects of climate change on physical assets and the broader investment landscape. Through this initiative, ICIEC aims to steer institutions toward practices that safeguard their physical assets and overall investments against the inevitable and multifaceted impacts of climate change.

## **Pillar 4: Contribution to Capacity Building**

ICIEC intends to strengthen the knowledge and awareness of its clients and Member States on climate-related strategies, risks, and policy developments. Recognizing the limited availability of resources, it intends to leverage the IsDB's ability to deliver knowledge across the Group, and on the collaboration and partnership with other Multilateral and International Financial institutions, as well as leverage the access to the reinsurance and other industries' ecosystems.

Continuous reevaluation and adaptation of practices, improvements of knowledge, adoption of new and innovative solutions, development of human capital, and expertise in areas like climate change, are essential for maintaining effectiveness. ICIEC will continue to engage, based on its available resources, in meaningful dialogues with international institutions and country authorities, which remains vital for timely and relevant capacity development delivery.

## **Pillar 5: Communication**

ICIEC is committed to keeping its stakeholders informed on the progress made towards achieving the milestones outlined in its climate change policy, as well as the risks and opportunities that emerge from its operations. This communication will adhere to international standards to guarantee both transparency and methodological accuracy in its reporting. It will be inspired by best practices and by the guidelines and principles emanating from international organizations and technical and policy working groups, including the Global Reporting Initiative (GRI) and the Task Force on Climate-Related Financial Disclosures (TCFD). The policy is also forward-looking, keeping the organization abreast with the new indications and regulations indication emanated, for example, from the European Commission and the Securities Exchange Commission (SEC), the UN Environment Programme's Principles for Sustainable Insurance (PSI) and the Sustainability Accounting Standards Board (SASB).

The reporting disclosure and public communication will be conducted through three primary channels:

- **Annual Sustainability Report:** This document will showcase the progress made in integrating climate change considerations into ICIEC's operations and business activities. It aims to provide a comprehensive update on how climate change aspects are being mainstreamed within the organization's operational framework.



- Annual Development Effectiveness Reports: These reports will highlight the impact of ICIEC's support on the climate change strategies implemented by its Member Countries. The document will illustrate how ICIEC's assistance is facilitating and influencing the Member Countries' strategic approach to addressing climate change.
- Climate Change-Related Activities and Risks Disclosure: ICIEC will ensure that disclosures related to climate change activities and associated risks are made in alignment with prevailing global climate reporting standards. This approach ensures consistency and comparability with international practices, providing stakeholders with a clear and accurate picture of ICIEC's climate-related engagements and risk management practices.

## **Implementation**

This policy addresses all the activities of the ICIEC and therefore its entire staff is ultimately responsible for its implementation. Members of the senior management team will guide their respective teams in implementing this policy.

Given the multiple dimensions of the climate change challenge, ICIEC will partner with the other members of the IsDB Group to deliver holistic and practical solutions to its Member Countries. Additionally, ICIEC will strengthen existing and develop new partnerships with multilateral bodies advancing climate solutions in support of investments, trade, and economic development.

Annex A: ICIEC MC's climate change strategies (NDCs, NAPs, NAMAs)

Member Country Checklist

Region	Member Country	NDC (INDC)	NAP / NAPA	NAMA
Asia and Latin America (ALA)	Bangladesh	✓		✓
	Brunei	✓		
	Indonesia	✓		✓
	Malaysia	✓		✓
	Maldives	✓	✓	✓
	Pakistan	✓		✓
	Suriname	✓	✓	✓
	Europe and Central Asia (ECA)	Albania	✓	✓
Azerbaijan		✓		
Kazakhstan		✓		
Turkey		✓		
Turkmenistan		✓		
Uzbekistan		✓	✓	
Middle East and North Africa (MENA)	Algeria	✓		
	Bahrain	✓		
	Egypt	✓		
	Iran	✓		✓
	Iraq	✓		
	Jordan	✓		✓
	Kuwait	✓		
	Lebanon	✓		
	Libya	✓		
	Morocco	✓		✓
	Oman	✓		
	Palestine	✓		
	Qatar	✓		
	Saudi Arabia	✓		
	Syria	✓		
	Tunisia	✓		✓
	U.A. E	✓		
	Yemen	✓		

Region	Member Country	NDC (INDC)	NAP / NAPA	NAMA
Sub-Saharan Africa (SSA)	Benin	✓	✓	✓
	Burkina Faso	✓	✓	
	Cameroon	✓	✓	✓
	Chad	✓	✓	✓
	Comoros	✓		
	Cote d'Ivoire	✓		✓
	Djibouti	✓		
	Gabon	✓		
	Gambia	✓		
	Guinea	✓		
	Mali	✓		✓
	Mauritania	✓		✓
	Mozambique	✓		
	Niger	✓	✓	
	Nigeria	✓		
	Senegal	✓		
	Sudan	✓	✓	
	Uganda	✓		✓
<b>Total Number</b>	<b>49</b>	<b>48</b>	<b>10</b>	<b>17</b>