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The Arab Investment & Export
Credit Guarantee Corporation



AMAN UNION

AMAN UNION

STRUCTURED FINANCE COMMITTEE

**JOINT PROPOSAL FOR THE CREATION OF
THE AMAN UNION ESG-SDG WORKING GROUP**

MAY 2025

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Executive Summary

Following the recommendation of the Structured Finance Committee, held on Wednesday, 20th of March 2025, this joint proposal outlines the establishment of the "AMAN Union ESG-SDG Working Group" to advance climate action and sustainable development among AMAN Union members. Incorporating industry benchmarked Environmental, Social, and Governance (ESG) principles and the United Nations Sustainable Development Goals (SDGs) will enable members to develop common frameworks, share best practices, and collaborate on implementing sustainable solutions that fulfil the mandates of AMAN Union Members.

The proposal incorporates key elements from both initiatives presented to the 28th Executive Council meeting in Algiers, ICIEC's Climate Action and ESG strategy Report, and DHAMAN's ESG-SDG Platform Concept Note, creating a unified approach endorsed by the Structured Finance Committee. The Working Group will operate under a defined timeline with clear responsibilities, facilitating knowledge transfer and promoting practical strategies to address climate change and sustainability challenges facing our member countries.

By establishing this Working Group, the AMAN Union will position itself as a leader in sustainable finance within the Credit and Political Risk Insurance industry while providing tangible support to members at various stages of ESG implementation. The proposal is presented to the Executive Council for approval and subsequent endorsement by the General Assembly to commence activities.

1. Background and Context

1.1 Climate Change: An Overarching Challenge

Climate change represents a defining challenge of our era, with impacts that extend across multiple socio-economic dimensions. From altered weather patterns and natural disasters to food security concerns and health risks, the magnitude of this global challenge requires a coordinated response from all stakeholders, including the financial and insurance sectors.

The MENA region, home to many AMAN Union members, faces particular vulnerability with only 2% of the world's renewable freshwater resources, and is expected to experience temperature increases higher than the global average. These climatic shifts significantly affect agriculture, energy generation, transportation networks, public health systems, and water management across our member countries, threatening economic stability, productive value chains, and sustainable development.

1.2 The Paris Agreement and Nationally Determined Commitments (NDCs)

All AMAN Union member countries are signatories to the United Nations Framework Convention on Climate Change (Paris Agreement), which aims to reduce global carbon emissions and limit global warming. Each country has established climate change-related needs, plans, and projects that require substantial financing and risk management solutions.

The collective implementation of these NDCs presents ample opportunities for innovation and expansion of support in relevant sectors for AMAN Union members as credit and political risk

insurers (CPRI) and export credit agencies (ECAs). Members can significantly contribute to their countries' drive toward sustainable development by supporting key sectors while aligning insurance activities with national climate priorities.

1.3 The Role of Finance and CPRI

Financial mechanisms are vital tools in the global fight against climate change. They serve to mobilize, allocate, and monitor funds to facilitate and accelerate the transition towards low-emission and climate-resilient pathways. Total global climate finance was estimated at \$632 billion in 2020, with \$83.3 billion flowing from developed to developing economies and \$66 billion from Multilateral Development Banks.

CPRI plays a crucial role in this ecosystem by mitigating commercial and political risks, thereby facilitating investment in sustainable projects that might involve new technology. By covering credit and political risks, insurers enable lenders and investors to finance projects that might otherwise be deemed too risky, particularly in climate mitigation, adaptation, and resilience projects.

2. Objectives of the ESG-SDG Working Group

The Working Group will serve as a collaborative initiative with the following detailed objectives:

2.1 Knowledge Sharing and Capacity Building

- **Institutional Assessment Program:** Conduct assessments of member organizations to identify their current ESG implementation status, capabilities, and needs.
- **Support System:** Provide support to members at different stages of ESG implementation, recognizing the diversity in institutional capacity and market contexts.
- **Resource Development:** Create practical toolkits, guidelines, and case studies specifically adapted to CPRI operations.
- **Training Programs:** Develop and deliver specialized training modules on ESG integration, climate risk assessment, and SDG alignment for different functional areas (underwriting, risk management, investments).

2.2 ESG Integration and SDG Alignment

- **ESG Framework Development:** Support the development of the ESG frameworks for AMAN Union members.
- **Underwriting Guidelines:** Develop practical guidance for incorporating ESG considerations into underwriting decisions, including screening criteria, assessment methodologies, and decision-making tools.
- **SDG Mapping:** Create detailed mapping between insurance activities and specific SDG targets.
- **Performance Metrics:** Define standards and indicators for measuring ESG performance and contributions to SDGs across member institutions.

2.3 Impact Measurement and Reporting

- **Measurement Framework:** Develop a framework for measuring both direct and indirect impacts of insured transactions and projects on climate action, as well as sustainable development impact.
- **Collective Reporting:** Create mechanisms for aggregating and reporting on the collective impact of AMAN Union members' activities on climate goals and SDGs.

3. Structure and Governance of the Working Group

3.1 Organizational Structure

The Working Group will operate under a defined organizational structure to ensure effective governance and productive collaboration:

Steering Committee:

- Rotating leadership Chairperson (Chairman, Structured Finance Committee).
- Heads of the three Technical Teams (from members of the Structured Finance Committee, or as assigned by AU members).

Technical Teams:

1. **ESG Integration team:** Focused on developing frameworks, tools, and practices for incorporating ESG considerations into core operations.
2. **Climate Finance team:** Dedicated to advancing climate-smart products, risk assessment methodologies, and green investment approaches.
3. **Impact Measurement team:** Responsible for developing metrics, reporting frameworks, and communication approaches.

3.2 Governance Framework

Decision-Making Process:

- Decisions requiring policy approval will be recommended to the Structured Finance Committee and ultimately to the Executive Council.
- Technical decisions will be delegated to the Working Group Chair.

Meeting Schedule:

- Steering Committee: during the SFC meetings.
- Technical Team: during the SFC meetings and virtually when required

Reporting Lines:

- Technical Teams report to the Working Group Chair.

- Regular progress reports will be submitted to the Executive Council.
- Annual comprehensive report presented to the General Assembly.

3.3 Membership and Participation

Core Membership:

- Each AMAN Union member institution will nominate one representative.
- Ideally from sustainability, risk management, or underwriting departments.

4. Implementation Timeline and Key Milestones

4.1 Establishment Phase (Q2 2025)

May 2025:

- Executive Council approval of the Working Group proposal.
- Official announcement to all AMAN Union members.
- Call for nominations of member representatives.

Q4 2025:

- Inaugural meeting of the Working Group.
- Election for Technical Teams heads.

4.2 Assessment and Planning Phase (Q1 2026)

January-February 2026:

- Baseline assessment of members' ESG practices.
- Identification of common challenges and opportunities.
- Mapping of existing initiatives and resources.
- Engagement with international partners (UNDP, OECD, IFC, SwissRe)

Mars 2026:

- Prioritization of focus areas based on assessment.
- First Technical Teams meetings.

- Mid-year progress report to the Structured Finance Committee.

4.3 Framework Development Phase (Q2 2026)

April-June 2026:

- Draft an ESG framework for AMAN Union members.
- Development of climate risk assessment methodology.
- Creation of SDG alignment guidance documents.
- Initial design of the knowledge sharing platform.

4.4 Capacity Building Phase (Q4 2026)

October-November 2026:

- First series of training workshops for member institutions.
- Development of a library of technical tools and materials.

December 2026:

- First annual meeting of the whole Working Group.
- Year 1 progress report to Executive Council.

4.5 Continuous Improvement Phase (2027 onwards)

2027 and Beyond:

- Regular review and refinement of frameworks.
- Expansion of initiatives based on member needs.
- Deepening of international partnerships.
- Annual reporting cycle on collective impact.

5. Areas of Focus and Activities

5.1 Climate Finance and ESG Best Practices

5.1.1 Climate Risk Assessment

The Working Group will establish methodical approaches to climate risk evaluation:

- **Sectoral Analysis:** Objective categorization, assessment, and labelling of transactions and projects according to climate impact.

- **Portfolio-Level Analysis:** Methods for evaluating aggregate climate risk exposure across institutional portfolios.
- **Integration with Underwriting Processes:** Practical guidance for incorporating climate risk assessments into day-to-day underwriting decisions.

5.1.2 ESG Integration

The Working Group will develop frameworks for ESG considerations across member operations:

- **ESG Screening Checklist:** A Practical tool for initial ESG screening of potential transactions.
- **ESG Rating Methodology:** Common approach to evaluating the ESG performance of clients and projects.

5.2 Knowledge Transfer and Collaboration

5.2.1 Periodic Workshops

A structured program of regular workshops will facilitate knowledge exchange:

- ESG fundamentals and implementation strategies.
- Specialized sessions on climate risk assessment methodologies.
- Impact measurement and reporting practices.

5.2.2 Knowledge Platform

A digital platform will support ongoing knowledge sharing, integrated into the Aman Union website:

- **Resource Library:** Collection of frameworks, tools, case studies, and reference materials
- **Learning Modules:** Self-paced training materials on key concepts, international standards, best practice, innovative solutions, and sectoral developments.

5.3 ESG-SDG Alignment and Measurement

5.3.1 Impact Measurement Framework

Standardized approaches to measuring sustainability impact will include:

- **Core Indicator Set:** Common indicators for measuring environmental and social impact.
- **Measurement Methodologies:** Agreed approaches for calculating key metrics.
- **Data Collection Templates:** Standardized formats for gathering impact data.

5.3.2 Collective Reporting

Mechanisms for reporting on collective impact will be established:

- **Annual Impact Report:** Comprehensive report on AMAN Union members' collective contribution
- **Data Collection System:** Annual ESG-SDG Questionnaire.

8. Recommendations and Conclusion

Based on the analysis and planning outlined in this proposal, we recommend the following actions:

8.1 Next Steps

1. **Executive Council Approval:** Submit this proposal for formal approval at the next Executive Council meeting, scheduled for May 2025.
2. **Working Group Establishment:** Upon approval, initiate the process of establishing the Working Group through formal communication with all AMAN Union members.

8.2 Strategic Importance

The establishment of the ESG-SDG Working Group represents a strategic initiative for the AMAN Union, positioning it as a leader in sustainable finance within the Credit and Political Risk Insurance Industry. This initiative will:

- Strengthening the capacity of members to respond to climate change and sustainability challenges.
- Enhance the reputation of AMAN Union as a forward-looking organization.
- Create tangible value for member institutions through knowledge sharing and collaboration.
- Support member countries in achieving their Paris Agreement commitments.
- Contribute to the broader sustainable development agenda in the regions served.

8.4 General Assembly Endorsement

Following Executive Council approval, we recommend presenting this initiative at the next General Assembly to secure broad institutional support and visibility. This high-level endorsement will signal the importance of the initiative and encourage active participation from all members.

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